CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIODS ENDED MARCH 31, 2017 AND 2016

PÉTROLIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

[unaudited]

	As at March 31, 2017 [Restated *[note 1]*] $	As at December 31, 2016 $
ASSETS		
Current		
Cash and cash equivalents *[note 5]*	**891,622**	788,704
Cash and cash equivalents held for exploration *[note 5]*	**4,137,137**	5,703,494
Receivables *[note 6]*	**453,632**	843,913
Prepaid expenses	**202,516**	230,524
Inventories	**88,253**	330,960
Total current assets	**5,773,160**	7,897,595
Non-current		
Restricted cash equivalents *[note 5]*	**—**	630,000
Security deposits *[note 18]*	**600,000**	600,000
Interests in associates *[note 7]*	**36,549,604**	36,555,789
Property, plant and equipment *[note 8]*	**307,318**	554,018
Exploration and evaluation assets *[note 9]*	**25,870,069**	44,981,338
Total non-current assets	**63,326,991**	83,321,145
	69,100,151	91,218,740
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[note 11]*	**1,115,773**	3,964,251
Current portion of deferred lease inducements	**17,802**	17,538
Current portion of bank borrowings	**6,818**	6,776
Partner advances for planned exploration work *[note 12]*	**1,727,194**	1,993,378
Provision for contingent liability *[note 13]*	**350,000**	350,000
Liability related to flow-through shares	**178,986**	77,893
Total current liabilities	**3,396,573**	6,409,836
Non-current		
Partners' share in security deposits *[note 18]*	**293,820**	293,820
Deferred lease inducements	**193,156**	197,706
Bank borrowings	**11,747**	13,467
Provision for site restoration *[note 13]*	**1,473,698**	1,464,545
Deferred tax liability	**4,711,679**	8,121,365
Total non-current liabilities	**6,684,100**	10,090,903
Total liabilities	**10,080,673**	16,500,739
Equity		
Share capital *[note 14]*	**67,669,248**	66,892,274
Contributed surplus	**6,005,589**	6,005,589
Retained earnings (deficit)	**(14,655,359)**	1,820,138
Total equity	**59,019,478**	74,718,001
	69,100,151	91,218,740

Going concern [Restated *[note 1]*]

Subsequent events *[note 4]*

Contingencies *[note 18]*

See accompanying notes

On behalf of the Board of Directors,

(signed) Myron Tétreault

On behalf of the Board of Directors,

(signed) Charles Boulanger

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[in Canadian dollars]

[unaudited]

For the periods ended March 31

	2017 [3 months] [Restated *[note 1]*] $	2016 [3 months] $
Revenues		
Project management	**12,261**	16,724
Expenses		
Administrative expenses	**406,758**	385,862
Operating expenses	**—**	—
Impairment of property, plant and equipment *[notes 8 and 10]*	**228,172**	—
Impairment of exploration and evaluation assets *[notes 9 and 10]*	**19,207,595**	—
Financial income and expenses	**4,520**	6,775
Share of net loss of associates *[note 7]*	**32,628**	32,217
	19,879,673	424,854
Loss before taxes	**(19,867,412)**	(408,130)
Deferred tax recovery	**(3,391,915)**	(100,295)
Net loss and comprehensive loss	**(16,475,497)**	(307,835)
Basic net loss per share *[note 15]*	**(0.158)**	(0.003)
Diluted net loss per share *[note 15]*	**(0.158)**	(0.003)

See accompanying notes

PÉTROLIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]
[unaudited]

	Share capital *[note 14]* $	**Contributed surplus** $	**Retained earnings (deficit)** [Restated *[note 1]*] $	**Total equity** $
Balance as at January 1, 2016	64,829,868	5,756,445	3,760,648	74,346,961
Net loss and comprehensive loss	—	—	(307,835)	(307,835)
Balance as at March 31, 2016	64,829,868	5,756,445	3,452,813	74,039,126
Shares issued	2,215,588	—	—	2,215,588
Share-based compensation	—	249,144	—	249,144
Issuance costs	(209,551)	—	—	(209,551)
Deferred taxes related to issuance costs	56,369	—	—	56,369
Net loss and comprehensive loss	—	—	(1,632,675)	(1,632,675)
	2,062,406	249,144	(1,632,675)	678,875
Balance as at January 1, 2017	66,892,274	6,005,589	1,820,138	74,718,001
Shares issued	**835,556**	**—**	**—**	**835,556**
Issuance costs	**(79,704)**	**—**	**—**	**(79,704)**
Deferred taxes related to issuance costs	**21,122**	**—**	**—**	**21,122**
Net loss and comprehensive loss [Restated *[note 1]*]	**—**	**—**	**(16,475,497)**	**(16,475,497)**
	776,974	**—**	**(16,475,497)**	**(15,698,523)**
Balance as at March 31, 2017 [Restated *[note 1]*]	**67,669,248**	**6,005,589**	**(14,655,359)**	**59,019,478**

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

[unaudited]

For the periods ended March 31

	2017 [3 months] [Restated *[note 1]*] $	2016 [3 months] $
OPERATING ACTIVITIES		
Net loss	**(16,475,497)**	(307,835)
Items not affecting cash:		
Depreciation of property, plant and equipment	**4,899**	6,332
Deferred tax recovery	**(3,391,915)**	(100,295)
Amortization of deferred lease inducements	**(1,200)**	(6,850)
Gain on disposal of property, plant and equipment	**—**	(125)
Accretion expense	**9,153**	8,583
Impairment of property, plant and equipment	**228,172**	—
Impairment of exploration and evaluation assets	**19,207,595**	—
Share of net loss of associates	**32,628**	32,217
	(386,165)	(367,973)
Net change in non-cash operating items		
Restricted cash equivalents *[note 18]*	**630,000**	—
Receivables	**390,281**	562,801
Prepaid expenses	**28,008**	44,049
Inventories	**242,707**	21,838
Trade and other payables	**(384,020)**	(842,225)
	906,976	(213,537)
Cash flows related to operating activities	**520,811**	(581,510)
INVESTING ACTIVITIES		
Security deposits	**—**	(300,000)
Additions to property, plant and equipment	**(1,311)**	(6,079)
Acquisitions of oil and gas properties, net of recovered amounts	**(52,462)**	(90,002)
Increase in exploration and evaluation costs, net of recovered amounts *[note 19]*	**(2,762,652)**	(1,365,076)
Proceeds from disposal of property, plant and equipment	**—**	125
Contributions to associates	**(26,443)**	(29,757)
Cash flows related to investing activities	**(2,842,868)**	(1,790,789)
FINANCING ACTIVITIES		
Shares issued	**940,000**	—
Share issuance costs	**(79,704)**	(85,030)
Repayment of bank borrowings	**(1,678)**	(1,637)
Cash flows related to financing activities	**858,618**	(86,667)
Net decrease in cash and cash equivalents	**(1,463,439)**	(2,458,966)
Cash and cash equivalents, beginning of period	**6,492,198**	7,522,772
Cash and cash equivalents, end of period *[note 19]*	**5,028,759**	5,063,806

See accompanying notes

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

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 511 St-Joseph Street East, 2nd floor, Suite 304, Québec City, Québec, G1K 3B7.

Going concern uncertainty

These condensed interim 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, 2017.

Since the Company is still at the exploration stage for all its oil and gas properties, including the investment in Anticosti Hydrocarbons L.P., it has yet to determine whether its oil and gas properties contain economically feasible reserves. Accordingly, the Company does not expect to generate significant revenues from its properties over the next twelve months. 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 it does not have adequate financial resources to meet the Company's obligations and anticipated expenditures through to March 31, 2018. Therefore, there is material uncertainty related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern.

Any shortfall could be mitigated in various ways in the future, particularly as a result of existing funding commitments, the deferral of exploration spending to a level that allows the Company to keep its exploration property and licences, a reduction in its operational spending while maintaining its capacity to fulfil its obligations during the next twelve months, the issuance of common and pass-through shares, and more specifically as a result of the closing, in the first quarter ended March 31, 2017, of its amalgamation with Pieridae Energy Limited (Pieridae) *[note 4]*. However, the transaction closing is contingent on approvals beyond the Company's control, including obtaining the relevant final court and regulatory approvals in Canada, approval of 66 2/3% of Pieridae shareholders and approval of 66 2/3% of Company shareholders. In connection with this amalgamation, Pieridae is required to complete a private placement for gross proceeds of $50,000,000 on or before the transaction closing date. The net proceeds of this private placement will be used to fund operations and the general working capital requirements of the amalgamated company and to allow the amalgamated company to reach the final investment decision relating to the development of an integrated liquefied natural gas (LNG) project on Canada's East Coast. In addition, in 2016, the Company entered into an agreement with Ressources Québec inc. and TUGLIQ Energy Corp. to share exploration costs and risk related to the Bourque project. Under the securityholders agreement signed in March 2014 by the Company and Ressources Québec, Corridor Resources Inc. and Saint-Aubin E&P (Québec) Inc., the exploration costs to be incurred by Anticosti Hydrocarbons L.P. are entirely funded by third parties. However, subsequent to the negotiations initiated during the three-month period ended March 31, 2017 by the Québec government with the Company and its partners in Anticosti Hydrocarbons L.P. with a view to terminating oil and gas exploration on Anticosti Island, the Company has committed to perform essential work only and reduce its administrative and operating expenses for the months of June, July and August 2017. Ressources Québec inc. agreed to advance sufficient funds on a monthly basis to cover the essential needs of Anticosti Hydrocarbons L.P. until September 1, 2017. The partners of Anticosti Hydrocarbons L.P. also agreed to postpone the work planned for Anticosti Island this summer pending the result of the ongoing negotiations with the Québec government and the resolution of certain other issues.

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 consolidated financial statements. These condensed interim consolidated financial statements do not include any adjustments to the carrying amounts of assets, liabilities, revenues and expenses and to classifications in the consolidated statements of financial position that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

Condensed interim consolidated financial information

The financial information as at March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 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.

Approval date and restatements

Subsequent to the initial approval on May 29, 2017 of the condensed interim consolidated financial statements for the three-month periods ended March 31, 2017 and 2016, management reviewed a number of its judgments relating to the determination of indicators of impairment of exploration and evaluation assets and property, plant and equipment and to the going concern assumption.

- The judgment that there was no indicator of impairment requiring an impairment test to be performed on exploration and evaluation assets and property, plant and equipment had to be reviewed in connection with the signing of the agreement with Pieridae disclosed in note 4 to the financial statements, which shows that the recoverable amount of the net assets of the Company is lower than their carrying amount. These condensed interim consolidated financial statements take into account an impairment loss on the exploration and evaluation assets and property, plant and equipment explained in greater detail in note 10. These adjustments resulted in declines of $228,172 in property, plant and equipment, $19,207,595 in exploration and evaluation assets and $5,118,115 in the deferred tax liability as at March 31, 2017, as well as an increase in net loss of $14,317,652 with a corresponding decrease in retained earnings for the three-month period ended March 31, 2017. In addition, these adjustments resulted in a $0.138 increase in net loss per share and diluted net loss per share for the same period. Lastly, as a result of the impairment losses recognized on the exploration and evaluation assets, management was required to review the valuation of the deferred tax asset relating to the Company's tax loss carryforwards. As at March 31, 2017, the deferred tax liability and net loss for the period were increased by $1,832,128, with a corresponding decrease in retained earnings, whereas net loss per share increased by $0.017.

- The judgment regarding the going concern assumption concluding that there was no uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the next 12 months was based on the probable closing of the transaction with Pieridae. Given that the definitive transaction agreement is contingent on securing approvals beyond the Company's control, including the relevant final court and regulatory approvals in Canada, approval of 66 2/3% of Pieridae shareholders and approval of 66 2/3% of Company shareholders, the judgment was reviewed and a going concern uncertainty note was added.

To take into account these changes and for the sake of transparency toward the users of the Company's financial statements, the condensed interim consolidated financial statements for the three-month periods ended March 31, 2017 and 2016 were restated, reapproved by the Board of Directors and refiled on SEDAR on July 5, 2017.

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

These condensed interim consolidated financial statements were prepared in accordance with applicable IFRS and IAS 34, *Interim Financial Reporting*, published by the International Accounting Standards Board (IASB) and set out in the *CPA Canada Handbook*. The accounting policies and the methods of computation 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, 2016, including the notes thereto.

All amounts are expressed in Canadian dollars.

3. 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.

3.1 Judgments

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 relating to the Anticosti project (see note 7). This assessment requires significant judgment to determine whether the decline in fair value is significant or prolonged, triggering an impairment loss.

Management took numerous factors into account in assessing whether there were indicators of impairment, such as 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. Management further took into consideration the Québec government's support for the application by the Municipality of Port-Menier to be named a UNESCO World Heritage Site, the commitment by the Québec government to take the necessary protective measures for the Anticosti Island territory not covered by the national park ahead of such a designation, the legal proceedings of the Band Council of the Innus of Ekuanitshit challenging the validity of the authorization certificates for the drilling of the wells by hydraulic fracturing granted in 2016 and the negotiations initiated during the three-month period ended March 31, 2017 by the Québec government with the Company and its partners in Anticosti Hydrocarbons L.P. with a view to terminating oil and gas exploration on Anticosti Island.

Given this unfavourable environment, the Company's management has concluded on the existence of an impairment indicator—the possibility of a negotiated termination of the Anticosti project. However, in light of the rights and obligations of each of the parties as stipulated in the agreements pertaining to Anticosti Hydrocarbons L.P., the Company's management is of the opinion that the recoverable amount would exceed the carrying amount of the interest in the associates. Lastly, in the event that there is no settlement, the Company expects the government to adhere to the agreements entered into in good faith and allow Anticosti Hydrocarbons L.P. to carry out the planned work for which the limited partnership was mandated under the agreements entered into. If the Company were to be unsuccessful in recovering the carrying amount of its interest in the associates, it would be required to recognize a material impairment charge in the consolidated statements of loss.

3.2 Estimates and assumptions

Impairment of exploration and evaluation assets

Based on the analysis performed, management determined that the negotiated fair value of the Company established in connection with the definitive agreement entered into with Pieridae Energy Limited is an indicator of impairment of the exploration and evaluation assets given that the recoverable amount of the Company, based on fair value less costs of disposal in connection with the transaction, is less than the carrying amount of the Company's net assets. The recoverable amount of the Company is very sensitive to the estimation of the redemption value of the preferred shares in connection with the transaction, which is based on the value of a negotiated settlement between the Company and the Québec government terminating oil exploration on Anticosti Island based on various probabilistic scenarios, as well as the discount rate used in measuring such after-tax amount prior to December 31, 2018. In addition, in accordance with IAS 36, the recoverable amount must exclude any amount allocated to unused operating tax losses, which also constitutes a significant estimate given their eligibility as operating tax losses within the new amalgamated entity, as well as the estimation of the time horizon over which they will be used, as well as the discount rate used in measuring the recoverable amount. The key assumptions used in determining the recoverable amount of the Company are explained in greater detail in note 10.

4. SUBSEQUENT EVENTS

On May 15, 2017, the Company entered into a definitive agreement with Pieridae Energy Limited, a private Canadian corporation, providing for an amalgamation by way of plan of arrangement (the "Arrangement"), pursuant to which the Company and Pieridae will amalgamate to form a new entity to be named Pieridae Energy Limited (the Amalgamated Entity). The completion of the Arrangement will result in a reverse takeover of the Company as defined in the policies of the TSX Venture Exchange.

In connection with the Arrangement, the rate of exchange for the shares represents 230% relative to the share price on the May 12, 2017 closing date, pricing the shares of the Company at $0.38. In addition, the Company's shareholders will receive one redeemable preferred share (maturing on December 31, 2018) for each of their common shares. The redemption value of the preferred shares is equal to 50% of any amount in cash receivable by the Amalgamated Entity arising from an agreement with the Government of Québec, net of any tax cost, in relation to the termination of oil and gas exploration of Anticosti Island.

Pursuant to the Arrangement, Pieridae's shareholders will received, for each of their shares, 2.74 shares of the Amalgamated Entity. In addition, Pieridae has agreed to use its reasonable commercial efforts to complete, on or before closing of the Arrangement, a private placement of Pieridae Subscription Receipts at a price of $12.50 per Pieridae Subscription Receipt for gross proceeds of $50,000,000, of which approximately $43,000,000 to be paid in cash and $7,000,000 in consideration for conversion of the Pieridae debenture, subject to any over-allotment. Each Subscription Receipt will be automatically converted into one share of Pieridae, which will be exchanged for common shares of the amalgamated company at the same time as the execution of the Arrangement. The net proceeds of this private placement will be used to fund certain activities of the Amalgamated Entity relating to the development of an integrated liquefied natural gas production project on Canada's East Coast and meet its operating and working capital requirements.

The Arrangement is subject to the customary conditions for transactions of such nature, which include obtaining the relevant final court and regulatory approvals in Canada, approval by 66 2/3% of Pieridae shareholders and the approval by 66 2/3% of the votes cast by the holders of common shares of the Company present or represented by proxy at the Special and Annual Shareholders' Meeting, which will be convened for the purposes of reviewing the arrangement. The Arrangement and related transactions are also subject to the satisfaction or waiver of additional conditions precedent, including, but not limited to, the closing of the private placement, the continuance of Pétrolia under the *Canada Business Corporations Act*. The transaction is expected to close in the third quarter of fiscal 2017. The Company's management proxy circular, to be sent prior to the holding of the Special and Annual Shareholders' Meeting, will contain other information regarding the transaction.

5. CASH AND CASH EQUIVALENTS

	As at March 31, 2017 $	As at December 31, 2016 $
Cash	**5,028,759**	6,022,198
Guaranteed investment certificates (redeemable on demand)	**—**	1,100,000
	5,028,759	7,122,198
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares[1]	**2,218,632**	1,308,793
Bourque project[2]	**1,918,505**	4,394,701
	4,137,137	5,703,494
Less: Restricted cash equivalents[3]	**—**	630,000
Cash and cash equivalents	**891,622**	788,704

[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 natural gas properties.

[2] Cash and cash equivalents earmarked for future exploration work on the Bourque project represent the remaining cash as at March 31, 2017 and December 31, 2016 from partner advances which, under the agreements, must be spent on exploration work related to the Bourque project.

[3] As at December 31, 2016, a portion of the guaranteed investment certificate was pledged as security for the performance bonds issued for total amount of $630,000 *[note 18]*. These performance bonds expired on March 14 and 15, 2017 and were renewed on May 1, 2017.

As at March 31, 2017, cash bore interest at rates ranging from 0% to 1.2% [December 31, 2016 – 0% to 1.2%].

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

6. RECEIVABLES

	As at March 31, 2017 $	**As at December 31, 2016 $**
Partner	**120,358**	120,358
Associate *[note 16]*	**228,395**	475
Commodity taxes	—	661,382
Interest receivable	—	2,188
Other	**104,879**	59,510
	453,632	843,913

7. INTERESTS IN ASSOCIATES

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

Partners	**Ownership interest**
Ressources Québec inc.	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, the environment and social acceptability have also been created. These committees are made of an equal number of representatives from each partner.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

	Anticosti Hydrocarbons L.P. $	Anticosti Hydrocarbons General Partner Inc. $	Total $
Value of the interest as at December 31, 2015	36,583,806	43	36,583,849
Share of net loss for the year ended December 31, 2016	(92,454)	(43,999)	(136,453)
Contributions for the year ended December 31, 2016	78,690	29,703	108,393
Value of the interest as at December 31, 2016	36,570,042	(14,253)	36,555,789
Share of net loss for the three-month period ended March 31, 2017	**(23,022)**	**(9,606)**	**(32,628)**
Contributions for the three-month period ended March 31, 2017	—	**26,443**	**26,443**
Value of the interest as at March 31, 2017	**36,547,020**	**2,584**	**36,549,604**

8. PROPERTY, PLANT AND EQUIPMENT [RESTATED]

	Land $	Leasehold improvements $	IT, office and field equipment $	Automotive equipment $	Reserves $	Field offices $	Total $
Gross carrying amount							
Balance as at December 31, 2016	**75,434**	**225,000**	**319,712**	**52,156**	**322,881**	**186,107**	**1,181,290**
Additions	—	—	**1,311**	—	—	—	**1,311**
Disposals	—	—	—	—	—	—	—
Balance as at March 31, 2017	**75,434**	**225,000**	**321,023**	**52,156**	**322,881**	**186,107**	**1,182,601**
Accumulated depreciation							
Balance as at December 31, 2016	—	**9,374**	**254,578**	**34,424**	**211,586**	**117,310**	**627,272**
Impairment *[note 10]*	**32,142**	**89,481**	**26,659**	**6,989**	**45,052**	**27,849**	**228,172**
Depreciation	—	**5,625**	**3,879**	**1,330**	**5,565**	**3,440**	**19,839**
Balance as at March 31, 2017	**32,142**	**104,480**	**285,116**	**42,743**	**262,203**	**148,599**	**875,283**
Net carrying amount as at December 31, 2016	75,434	215,626	65,134	17,732	111,295	68,797	554,018
Net carrying amount as at March 31, 2017	**43,292**	**120,520**	**35,907**	**9,413**	**60,678**	**37,508**	**307,318**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

9. EXPLORATION AND EVALUATION ASSETS [RESTATED]

Oil and gas properties

	December 31, 2016 $	Impairment *[note 10]* $	Additions $	March 31, 2017 $
Québec				
Gastonguay	794,683	**(338,614)**	—	**456,069**
Gaspésia – Edgar – Marcel-Tremblay	515,680	**(219,731)**	—	**295,949**
Gaspé[1]	533,864	**(227,479)**	—	**306,385**
Bourque project[1]	123,356	**(52,562)**	—	**70,794**
Haldimand – Tar Point No. 1 projects[1]	2,797,910	**(1,214,544)**	**52,462**	**1,635,828**
Matapédia	216,968	**(92,450)**	—	**124,518**
Total oil and gas properties	4,982,461	**(2,145,380)**	**52,462**	**2,889,543**

Exploration expenses

	December 31, 2016 $	Impairment *[note 10]* $	Additions $	March 31, 2017 $
Québec				
Anticosti	260,558	—	**784**	**261,342**
Gastonguay	76,900	—	—	**76,900**
Gaspésia – Edgar – Marcel-Tremblay	3,795,750	—	—	**3,795,750**
Gaspé	3,624,503	—	**3,623**	**3,628,126**
Bourque project	29,645,904	—	**278,290**	**29,924,194**
Haldimand project	29,318,018	—	**26,377**	**29,344,395**
Tar Point project No. 1	5,281,210	—	**974**	**5,282,184**
Matapédia	1,206,444	—	—	**1,206,444**
	73,209,287	—	**310,048**	**73,519,335**

	December 31, 2016 $	Impairment *[note 10]* $	Additions $	March 31, 2017 $
Deductions				
Exploration subsidies, impairment and partner contributions:				
Anticosti	5,847	**108,867**	—	**114,714**
Gastonguay	19,020	**24,663**	—	**43,683**
Gaspésia – Edgar – Marcel-Tremblay	428,740	**1,434,683**	—	**1,863,423**
Gaspé	711,141	**1,242,928**	—	**1,954,069**
Bourque project	15,113,442	**6,197,441**	**266,184**	**21,577,067**
Haldimand project	14,853,647	**6,017,765**	—	**20,871,412**
Tar Point project No. 1	1,051,894	**1,802,527**	—	**2,854,421**
Matapédia	658,824	**233,341**	—	**892,165**
	32,842,555	**17,062,215**	**266,184**	**50,170,954**
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand project	367,855	—	—	**367,855**
Total exploration expenses	39,998,877	**(17,062,215)**	**43,864**	**22,980,526**

Summary as at March 31, 2017

	December 31, 2016 $	Impairment *[note 10]* $	Additions $	March 31, 2017 $
Oil and gas properties	4,982,461	**(2,145,380)**	**52,462**	**2,889,543**
Exploration expenses	39,998,877	**(17,062,215)**	**43,864**	**22,980,526**
Exploration and evaluation assets	44,981,338	**(19,207,595)**	**96,326**	**25,870,069**

[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.

10. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

In accordance with the accounting policies adopted by the Company, non-financial assets must be tested for impairment whenever circumstances indicate that the carrying amount may be impaired. Impairment is calculated by measuring the recoverable amount of each asset, cash-generating unit ("CGU") and group of CGUs. Where the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized.

As at March 31, 2017, it is management's opinion that an indicator of impairment exists, namely the signing of a non-binding term sheet on March 29, 2017 with Pieridae Energy Limited, which preceded the closing of the definitive agreement on May 15, 2017 *[note 4]*, based on an exchange value indicating an observable value lower than the carrying amount of the Company's net assets. As a result, the Company performed an impairment test by comparing the carrying amount of the Company's net assets as at March 31, 2017 (excluding deferred taxes on loss carryforwards) to their recoverable amount (excluding any value allocated to unused tax losses). Since the Company is in its exploration phase, fair value less costs of disposal was used as the recoverable amount, which was categorized in Level 3 of the fair value hierarchy.

In accordance with the terms set out in the definitive agreement with Pieridae Energy Limited *[note 4]*, the recoverable amount of the Company was estimated at $0.38 per outstanding common share of the Company plus the estimated redemption value of the preferred shares issued in connection with the Arrangement. The redemption value of the preferred shares of the Amalgamated Entity is equal to 50% of any amount in cash receivable, prior to December 31, 2018, by the Amalgamated Entity arising from an agreement with the Government of Québec, net of any tax payable by the Amalgamated Entity, in relation to the termination of oil and gas exploration on Anticosti Island.

The key assumptions of the fair value measurement of the Company pertain to the measurement of the redemption value of the preferred shares in connection with the Arrangement and the value allocated to unused tax losses. A probabilistic method taking into account the uncertainties related to the settlement including certain value realization scenarios regarding the closing of an agreement with the Government of Québec and a 2.5% discount rate were used in the measurement thereof. The estimation by informed market players of the fair value allocated to the unused tax losses included in the transaction set at $0.38 per share takes into account, in particular, the uncertainty regarding the post-amalgamation eligibility of unused tax losses for the Amalgamated Entity as determined by the tax authorities, the time horizon and the use of unused tax losses within a context of taxable income generated within the new amalgamated entity and a discount rate reflecting the uncertainty regarding the valuation of this unused tax benefit.

Given that the Company's fair value less costs of disposal is lower than the carrying amount of the Company's net assets, an impairment loss had to be recognized and allocated proportionately to the CGU's long-term assets.

Impairment loss estimate

	$
Fair value	55,705,996
Costs of disposal	(600,000)
	55,105,996
Carrying amount of net assets, prior to impairment loss	75,169,258
Less: Carrying amount of the deferred tax asset related to tax carryforwards	(5,745,610)
	69,423,648
Impairment loss	(14,317,652)
Allocation:	
Property, plant and equipment	(228,172)
Exploration and evaluation assets	(19,207,595)
Deferred tax liability	5,118,115
	(14,317,652)

No impairment loss was allocated to interests in associates in light of the rights and obligations of each of the parties stipulated in the agreements governing Anticosti Hydrocarbons L.P. The Company's management is of the opinion that the recoverable amount of the interests in associates exceeds their carrying amount. As a result of the recognition of impairment losses against exploration and evaluation assets, management reviewed the valuation of the deferred tax asset relating to the Company's tax loss carryforwards. Following management's analysis, the deferred tax asset was reduced by $1,832,128, an asset initially recognized as a reduction of the deferred tax liability, thereby triggering an additional loss for the three-month period ended March 31, 2017 of $1,832,128.

11. TRADE AND OTHER PAYABLES

	As at March 31, 2017 $	**As at December 31, 2016 $**
Trade payables and accrued liabilities	**792,059**	3,461,589
Salaries, fees, vacation pay and director fees	**232,037**	326,487
Commodity taxes	**15,007**	—
Partners	**76,670**	67,211
Advance from an associate *[note 15]*	—	108,964
	1,115,773	3,964,251

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12. PARTNER ADVANCES FOR PLANNED EXPLORATION WORK

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

	As at March 31, 2017 $	**As at December 31, 2016 $**
Balance, beginning of period	**1,993,378**	1,881,112
Partner advances	**—**	6,396,630
Partners' share in security deposits *[note 18]*	**—**	(293,820)
Partner contributions for the property	**—**	(12,229)
Partner contributions to exploration work carried out	**(266,184)**	(5,978,315)
Balance, end of period	**1,727,194**	1,993,378

13. PROVISIONS

Provision for site restoration

Management calculates the total provision for future site restoration based on the Company's net share, on the basis of the interest held in the properties being drilled, of the estimated costs of abandoning and restoring wells and facilities, and of the estimated timing of future costs to be incurred.

As at March 31, 2017, the total future estimated amount required to settle obligations related to site restoration, indexed at 2% [December 31, 2016 – 2%], stood at $1,473,698 [December 31, 2016 – $1,464,545]. The total future amount was discounted using a weighted average rate of 2.5% [December 31, 2016 – 2.5%] over a horizon ranging from 2 to 20 years [December 31, 2016 – 2- to 20-year horizon]. The total undiscounted amount of the estimated cash flows required to settle these obligations was $2,043,960 [December 31, 2016 – $2,043,960].

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

	As at March 31, 2017 $	As at December 31, 2016 $
Balance, beginning of period	**1,464,545**	1,373,060
Liabilities incurred	—	100,821
Disposal of interests in the Bourque project	—	(233,747)
Accretion expense	**9,153**	28,321
Change in accounting estimates	—	196,090
Balance, end of period	**1,473,698**	1,464,545

Provision for contingent liability

The following table presents the reconciliation of the provision for contingent liability:

	As at March 31, 2017 $	As at December 31, 2016 $
Balance, beginning of period	**350,000**	—
Provision made during the period	—	350,000
Balance, end of period	**350,000**	350,000

During the year ended December 31, 2016, an amount of $350,000 was recognized for a dispute settlement with a service provider in connection with exploration work performed by the Company's subsidiary, Pétrolia Anticosti inc., on behalf of Anticosti Hydrocarbons L.P. On May 30, 2017, a settlement was reached in this matter, and the Company paid an amount of $350,000 to the service provider. The impact of this dispute on the Company's net loss was nil, given that the Company has the contractual right, under the operations contract, to re-invoice all the expenses incurred in connection with this dispute to Anticosti Hydrocarbons L.P. including professional fees since it was a contract entered into in the normal course of business by the Company as designated operator. As the settlement amount was re-invoiced and borne by Anticosti Hydrocarbons L.P., an amount of $350,000 was thus recognized against the advance from Anticosti Hydrocarbons L.P. *[note 16]* as at March 31, 2017 and December 31, 2016.

14. SHARE CAPITAL

Authorized

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

	As at March 31, 2017 [3 months]		As at December 31, 2016 [12 months]	
	Number of shares	**Amount $**	**Number of shares**	**Amount $**
Issued				
Balance, beginning of period	**103,177,460**	**66,892,274**	92,420,195	64,829,868
Share issuance:				
Shares issued	**5,222,223**	**835,556**	10,757,265	2,215,588
Issuance costs		**(79,704)**		(209,551)
Deferred tax related to issuance costs		**21,122**		56,369
Balance, end of period	**108,399,683**	**67,669,248**	103,177,460	66,892,274

During the three-month period ended March 31, 2017, the Company issued 5,222,223 flow-through shares under a private placement for gross proceeds of $940,000. A flow-through share liability amounting to $104,444 was recognized in respect of this placement. Issuance costs of $79,704 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 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:

	As at March 31, 2017 [3 months]		As at December 31, 2016 [12 months]	
	Number of options	**Weighted average exercise price** $	**Number of options**	**Weighted average exercise price** $
Outstanding, beginning of period	**8,880,000**	**0.56**	8,575,000	0.87
Granted	**—**	**—**	2,462,500	0.18
Expired	**(307,500)**	**0.86**	(2,157,500)	1.36
Outstanding, end of period	**8,572,500**	**0.55**	8,880,000	0.56
Exercisable	**6,482,500**	**0.65**	6,766,875	0.65

15. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the fiscal period by the weighted average number of common shares outstanding during the period. In calculating diluted loss per share for the periods ended March 31, 2017 and 2016, 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 loss per share have been calculated using net loss for the period as the numerator, therefore no adjustment to loss was necessary.

	As at March 31, 2017 [3 months]	**As at March 31, 2016** [3 months]
Net loss	**$(16,475,497)**	$(307,835)
Weighted average number of shares – basic	**103,989,806**	92,420,195
Dilutive effect of warrants and options	**—**	—
Weighted average number of diluted shares	**103,989,806**	92,420,195
Basic net loss per share	**$(0.158)**	$(0.003)
Diluted net loss per share	**$(0.158)**	$(0.003)

16. 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, 2017 [3 months] **$**	**As at March 31, 2016** [3 months] **$**
Short-term employee benefits:		
Salaries and employee benefits	**39,875**	96,793
Director fees	**35,003**	37,735
Total short-term employee benefits	**74,878**	134,528
Fees	**93,500**	21,450
Total compensation	**168,378**	155,978

During the periods ended March 31, 2017 and 2016, no options granted under the stock option plan were exercised by key management personnel of the Company.

Related companies and other parties

Transactions were carried out:

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

	As at March 31, 2017 [3 months] **$**	**As at March 31, 2016** [3 months] **$**
Comprehensive loss:		
Administrative expenses	**6,000**	3,900

For the periods ended March 31, 2017 and 2016

With Anticosti Hydrocarbons L.P.:

	As at March 31, 2017 [3 months] $	As at March 31, 2016 [3 months] $
Comprehensive loss:		
Project management	**8,973**	10,362

As at March 31, 2017, Anticosti Hydrocarbons L.P. advanced $121,605 to the Company [December 31, 2015 – $458,964] to fund the exploration operations of subsidiary Pétrolia Anticosti inc. This advance was offset by a $350,000 provision for contingent liability [December 31, 2016 – $350,000] to be borne by Anticosti Hydrocarbons L.P. Accordingly, as at March 31, 2017, an amount of $228,395 was receivable from Anticosti Hydrocarbons L.P. while as at December 31, 2016, an amount of $108,964 was payable to Anticosti Hydrocarbons L.P.

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.

17. 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:

	March 31, 2017			
	Fair value through profit or loss $	**Loans and receivables** $	**Other financial liabilities** $	**Total carrying amount** $
Financial asset				
Cash and cash equivalents[1]	**5,028,759**	**—**	**—**	**5,028,759**
Receivables	**—**	**453,632**	**—**	**453,632**
	5,028,759	**453,632**	**—**	**5,482,391**
Financial liability				
Trade and other payables[2]	**—**	**—**	**1,100,766**	**1,100,766**
Partners' share in security deposits	**—**	**—**	**293,820**	**293,820**
Bank borrowings	**—**	**—**	**18,565**	**18,565**
	—	**—**	**1,413,151**	**1,413,151**

For the periods ended March 31, 2017 and 2016

	December 31, 2016			
	Fair value through profit or loss $	Loans and receivables $	Other financial liabilities $	Total carrying amount $
Financial asset				
Cash and cash equivalents[1]	6,492,198	—	—	6,492,198
Receivables[2]	—	182,531	—	182,531
Restricted cash equivalents[1]	630,000	—	—	630,000
	7,122,198	182,531	—	7,304,729
Financial liability				
Trade and other payables	—	—	3,964,251	3,964,251
Partners' share in security deposits	—	—	293,820	293,820
Bank borrowings	—	—	20,243	20,243
	—	—	4,278,314	4,278,314

[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 or pay an amount.

18. 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. During the three-month period ended March 31, 2017, the Company received $940,000 [December 30, 2016 – $2,404,755] in private placements following the issuance of flow-through shares for which it renounced a tax deduction of $104,444 [December 31, 2016 – $199,667]. As at March 31, 2017, the balance of eligible expenses to be incurred amounted to $2,218,632 [December 31, 2016 – $1,308,793], an amount of $1,278,632 is to be incurred by December 31, 2017 and an amount of $940,000 is to be incurred by December 31, 2018.

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.

During the year ended December 31, 2016, security deposits amounting to $600,000 were paid by the Company under performance bonds. Performance bonds amounting to $630,000, expiring in March 2017, were issued by a financial institution to the Ministère des Ressources naturelles to guarantee the completion of certain site closures. These performance bonds were renewed on May 1, 2017. The performance bonds must be kept in effect until the definitive closure of the wells. The partners advanced an amount of $293,820 to finance their share of the security deposits relating to the Bourque project and that amount is reported in non-current liabilities as it will be recovered by the partners once the security deposits are released by the Ministère des Ressources naturelles.

Anticosti Hydrocarbons L.P.

On July 12, 2016, in connection with Anticosti Hydrocarbons L.P.'s exploration work for which the Company serves as operator, the Company filed an application for an injunction to require its project partners, Ressources Québec inc. and Saint-Aubin E&P (Québec) inc., to fulfil their contractual commitments. On July 25, 2016, the Superior Court justice acknowledged the clear obligation of Ressources Québec inc. and Saint-Aubin E&P (Québec) inc. to fund the exploration program and issued orders accordingly. In this regard, the judgment acknowledged the Company's financial requirements and ordered its partners to provide for the Company's administrative and day-to-day expenses on a monthly basis until May 2017. In addition to these orders, the court also acknowledged the commitment of Ressources Québec inc. and Saint-Aubin E&P (Québec) inc. to finance the construction of drilling platforms. Subsequent to this injunction, on June 14, 2017, the Company reached an agreement with its partners relating to safeguard measures for maintaining the status quo with respect to the project. This safeguard order acknowledges the obligation to cover certain financial expenses of the operator and, in particular, orders Ressources Québec to advance sufficient funds on a monthly basis to cover the essential needs of Anticosti Hydrocarbons L.P. until September 1, 2017. The partners of Anticosti Hydrocarbons L.P. also agreed to postpone the work planned for Anticosti Island this summer pending the result of the ongoing negotiations with the Québec government. In the meantime, Pétrolia has committed to perform essential work only until the resumption of work.

During the quarter ended March 31, 2017, within the context of the application for UNESCO World Heritage Site protection, the Québec government initiated negotiations with the Company and its partners in Anticosti Hydrocarbons L.P. with a view to terminating its oil and natural gas exploration on Anticosti Island. To date, no agreement has been entered between the parties.

In May 2017, hearings took place for the application for a permanent injunction involving the Band Council of the Innus of Ekuanitshit against, *inter alia*, Anticosti Hydrocarbons L.P. seeking to have the MDDELCC certificates of authorization declared null and void. Judgment may be rendered during fiscal 2017.

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.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Reconciliation of the increase in exploration and evaluation costs, net of recovered amounts:

	As at March 31, 2017 [3 months] $	**As at March 31, 2016** [3 months] $
Additions to exploration costs	**310,048**	413,588
Non-cash acquisition		
Depreciation of property, plant and equipment	**(14,940)**	(15,426)
Amortization of deferred lease inducements	**3,086**	—
Recovered amounts		
Haldimand project	—	(100,031)
Oil reserve evaluation revenue	—	(10,924)
Change in non-cash working capital items	**2,464,458**	1,077,869
Increase in exploration and evaluation costs, net of recovered amounts	**2,762,652**	1,365,076

Other information:

Interest paid	**123**	164
Interest received	**8,031**	17,979

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Cash and cash equivalents comprise:

	As at March 31, 2017 [3 months] $	**As at March 31, 2016** [3 months] $
Cash	**5,028,759**	2,882,826
Guaranteed investment certificates, redeemable on demand	—	2,180,980
	5,028,759	5,063,806