PETROLIA

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

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 September 30, 2017 and 2016 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 condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada ["CPA Canada"] for a review of interim financial statements by an entity's independent auditors.

November 23, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

[unaudited]

	As at September 30, 2017 $	As at December 31, 2016 $
ASSETS		
Current		
Cash and cash equivalents *[note 5]*	**—**	788 704
Cash and cash equivalents held for exploration purposes *[note 5]*	**1 814 692**	5 703 494
Receivables *[note 6]*	**21 144 518**	843 913
Prepaid expenses	**120 356**	230 524
Inventories	**—**	330 960
Total current assets	**23 079 566**	7 897 595
Non-current		
Restricted cash equivalents *[note 5]*	**630 000**	630 000
Security deposits *[note 18]*	**600 000**	600 000
Interests in associates *[note 7]*	**—**	36 555 789
Property, plant and equipment *[note 8]*	**454 658**	554 018
Exploration and evaluation assets *[note 9]*	**42 886 404**	44 981 338
Total non-current assets	**44 571 062**	83 321 145
	67 650 628	91 218 740
LIABILITIES AND EQUITY		
Current		
Trade and other payables *[note 11]*	**1 586 511**	3 964 251
Current portion of deferred lease inducements	**18 343**	17 538
Current portion of bank borrowings	**6 903**	6 776
Partner advances for planned exploration work *[note 12]*	**900 386**	1 993 378
Provision for contingent liability *[note 13]*	**700 400**	350 000
Current portion of the provision for site restoration *[note 13]*	**300 652**	—
Liability related to flow-through shares	**111 995**	77 893
Current taxes	**20 100**	—
Total current liabilities	**3 645 290**	6 409 836
Non-current		
Partners' share in security deposits *[note 18]*	**293 820**	293 820
Deferred lease inducements	**183 847**	197 706
Bank borrowings	**8 274**	13 467
Provision for site restoration *[note 13]*	**1 191 352**	1 464 545
Deferred income tax liabilities	**803 716**	8 121 365
Total non-current liabilities	**2 481 009**	10 090 903
Total liabilities	**6 126 299**	16 500 739
Equity		
Share capital *[note 14]*	**67 669 248**	66 892 274
Contributed surplus	**6 017 878**	6 005 589
Retained earnings (deficit)	**(12 162 797)**	1 820 138
Total equity	**61 524 329**	74 718 001
	67 650 628	91 218 740

Agreement with Pieridae Energy Limited *[note 4]*

Contingencies *[note 18]*

Subsequent events *[note 20]*

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 EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

[in Canadian dollars]

[unaudited]

For the periods ended September 30

	2017 [3 months] $	2016 [3 months] $	2017 [9 months] $	2016 [9 months] $
Revenues				
Project management	**11 620**	11 298	**28 073**	42 109
Compensation related to Anticosti operator contract termination *[note 7]*	**150 000**	—	**150 000**	—
Net gain in respect of financial obligations related to the restoration of Anticosti wells assumed by the Government of Québec *[note 7]*	**152 677**	—	**152 677**	—
	314 297	11 298	**330 750**	42 109
Expenses				
Administrative expenses	**737 549**	453 591	**2 301 706**	1 672 611
Impairment of interests in associates *[note 7]*	**313 054**	—	**16 219 781**	—
Impairment of property, plant and equipment net of reversal of impairment *[notes 8 and 10]*	**(179 140)**	—	**49 032**	—
Impairment of exploration and evaluation assets net of reversal of impairment *[notes 7, 9 and 10]*	**(16 897 703)**	—	**2 309 892**	—
Financial income and expenses	**707 677**	(19 458)	**719 148**	(12 260)
Share of net loss of associates *[note 7]*	**—**	25 691	**60 895**	98 307
	(15 318 563)	459 824	**21 660 454**	1 758 658
Income (loss) before taxes	**15 632 860**	(448 526)	**(21 329 704)**	(1 716 549)
Income taxes	**20 100**	—	**20 100**	—
Deferred tax (recovery)	**540 154**	(54 807)	**(7 366 869)**	(383 094)
	560 254	(54 807)	**(7 346 769)**	(383 094)
Net income (loss) and comprehensive income (loss)	**15 072 606**	(393 719)	**(13 982 935)**	(1 333 455)
Basic net earnings (loss) per share *[note 15]*	**0.139**	(0.004)	**(0.128)**	(0.014)
Diluted net earnings (loss) per share *[note 15]*	**0.139**	(0.004)	**(0.128)**	(0.014)

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]
[unaudited]

	Share capital *[note 14]* $	Contributed surplus $	Retained earnings (deficit) $	Total equity $
Balance as at January 1, 2016	64 829 868	5 756 445	3 760 648	74 346 961
Shares issued	1 121 625	—	—	1 121 625
Share-based compensation	—	62 119	—	62 119
Issuance costs	(106 446)	—	—	(106 446)
Deferred taxes related to issuance costs	28 411	—	—	28 411
Net loss and comprehensive loss	—	—	(1 333 455)	(1 333 455)
	1 043 590	62 119	(1 333 455)	(227 746)
Balance as at September 30, 2016	65 873 458	5 818 564	2 427 193	74 119 215
Shares issued	1 093 963	—	—	1 093 963
Share-based compensation	—	187 025	—	187 025
Issuance costs	(103 105)	—	—	(103 105)
Deferred taxes related to issuance costs	27 958	—	—	27 958
Net loss and comprehensive loss	—	—	(607 055)	(607 055)
	1 018 816	187 025	(607 055)	598 786
Balance as at January 1, 2017	66 892 274	6 005 589	1 820 138	74 718 001
Shares issued	**835 556**	**—**	**—**	**835 556**
Share-based compensation	**—**	**12 289**	**—**	**12 289**
Issuance costs	**(79 704)**	**—**	**—**	**(79 704)**
Deferred taxes related to issuance costs	**21 122**	**—**	**—**	**21 122**
Net loss and comprehensive loss	**—**	**—**	**(13 982 935)**	**(13 982 935)**
	776 974	**12 289**	**(13 982 935)**	**(13 193 672)**
Balance as at September 30, 2017	**67 669 248**	**6 017 878**	**(12 162 797)**	**61 524 329**

PÉTROLIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

[unaudited]

For the periods ended September 30

	2017 [9 months] $	2016 [9 months] $
OPERATING ACTIVITIES		
Net loss	**(13 982 935)**	(1 333 455)
Items not affecting cash:		
Depreciation of property, plant and equipment	**14 111**	18 052
Deferred tax recovery	**(7 366 869)**	(383 094)
Share-based compensation	**10 178**	58 060
Amortization of deferred lease inducements	**(4 847)**	(12 967)
Loss on disposal of property, plant and equipment	**—**	13 903
Accretion expense	**27 459**	4 003
Gain on disposal of Anticosti exploration and evaluation assets	**(152 677)**	—
Impairment of interests in associates	**16 219 781**	—
Impairment of property, plant and equipment net of reversal of impairment	**49 032**	—
Impairment of exploration and evaluation assets net of reversal of impairment	**2 309 892**	—
Share of net loss of associates	**60 895**	98 307
	(2 815 980)	(1 537 191)
Net change in non-cash operating items		
Receivables	**350 047**	(169 535)
Prepaid expenses	**110 168**	(773 505)
Inventories	**330 960**	(220 837)
Trade and other payables	**462 547**	652 899
Current taxes	**20 100**	—
	1 273 822	(510 978)
Cash flows related to operating activities	**(1 542 158)**	(2 048 169)
INVESTING ACTIVITIES		
Security deposits	**—**	(600 000)
Additions to property, plant and equipment	**(1 311)**	(6 079)
Acquisitions of oil and gas properties, net of recovered amounts	**(140 001)**	(131 649)
Increase in exploration and evaluation costs, net of recovered amounts *[note 19]*	**(3 774 379)**	(2 362 971)
Disposal of interests in the Bourque project	**—**	2 000 000
Proceeds from disposal of property, plant and equipment	**—**	125
Contributions to associates	**(74 887)**	(103 863)
Cash flows related to investing activities	**(3 990 578)**	(1 204 437)
FINANCING ACTIVITIES		
Shares issued	**940 000**	1 250 015
Share issuance costs	**(79 704)**	(191 476)
Partner advances for the Bourque project	**—**	6 396 630
Repayment of bank borrowings	**(5 066)**	(4 941)
Cash flows related to financing activities	**855 230**	7 450 228
Net decrease in cash and cash equivalents	**(4 677 506)**	4 197 622
Cash and cash equivalents, beginning of period	**6 492 198**	7 522 772
Cash and cash equivalents, end of period *[note 19]*	**1 814 692**	11 720 394

See accompanying notes

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended September 30, 2017 and 2016

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

Incorporation and nature of business

The Company, incorporated under Part IA of the Québec *Companies Act* and governed by the provisions of the Québec *Business Corporations Act*, is an oil and gas exploration company. Its stock has been listed on the TSX Venture Exchange since February 16, 2005 under the symbol PEA. Its head office is located at 511 St-Joseph Street East, 2nd floor, Suite 304, Québec City, Québec, G1K 3B7.

On October 24, 2017, as disclosed in note 4, the amalgamation between the Company and Pieridae Energy Limited was completed by way of a plan of arrangement to form the amalgamated company called Pieridae Energy Limited. The amalgamated company, incorporated under the *Canada Business Corporations Act*, will invest in the development of a fully integrated liquefied natural gas project to be built in Goldboro, Nova Scotia and will continue to operate as an oil and gas exploration company through its production division. Its stock continues to trade on the TSX Venture Exchange under the symbol PEA. The amalgamated head office is located at 333 7th Avenue SW, Suite 1600, Calgary, Alberta, Canada, T2P 2Z1.

Condensed interim consolidated financial information

The financial information as at September 30, 2017 and for the three- and nine-month periods ended September 30, 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

These condensed interim consolidated financial statements for the three- and nine-month periods ended September 30, 2017 and 2016 were approved by the Board of Directors on November 23, 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, except for the notes on judgments regarding the going-concern assumption and impairment of the interests in associates disclosed in note 4.1 to the financial statements as at December 31, 2016 which are no longer valid as at September 30, 2017 as a result of the settlement agreement entered into in the Anticosti matter; see note 7 to these financial statements.

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.

Estimates and assumptions

Impairment of exploration and evaluation assets

Based on the analysis performed as at March 31, 2017, management had determined that the negotiated fair value of the Company established in connection with the initial agreement entered into with Pieridae Energy Limited on May 15, 2017 was 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, was 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 that were to be issued in connection with the initial agreement and which was 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. 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 as at March 31, 2017 are explained in greater detail in note 10.

Reversal of impairment of exploration and valuation assets

Based on the analysis performed as at September 30, 2017, management determined that the negotiated fair value of the Company established in connection with the transaction entered into with Pieridae Energy Limited on August 24, 2017 is an indicator of reversal 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 greater than the carrying amount of the Company's net assets. 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 as at September 30, 2017 are explained in greater detail in note 10.

4. AGREEMENT WITH PIERIDAE ENERGY LTD.

In connection with the initial agreement entered into on May 15, 2017, the rate of exchange for the shares represented 230% of the share price on the May 12, 2017 closing date, which priced the shares of the Company at $0.38. In addition, the Company's shareholders received one redeemable preferred share (maturing on December 31, 2018) for each of their common shares. The redemption value of the preferred shares was equal to 50% of any amount in cash receivable by the Amalgamated Entity arising from the agreement with the Government of Québec, net of any tax cost for the Company, in relation to the termination of oil and gas exploration of Anticosti Island. Pursuant to the Arrangement Agreement, Pieridae's shareholders received, for each of their shares, approximately 2.74 shares of the Amalgamated Entity. In addition, Pieridae agreed to use all reasonable commercial efforts to complete, on or before closing of the Arrangement, a private placement of Subscription Receipts at a price of $12.50 per Subscription Receipt for gross proceeds of $50,000,000, consisting of approximately $42,700,000 in cash and $6,300,000 in consideration for conversion of the Pieridae debenture, subject to any over-allotment.

The Arrangement was amended on August 24, 2017 to modify certain provisions of the initial agreement entered into on May 15, 2017. Further to the agreement with the Government of Québec in the Anticosti matter (see note 7), both parties agreed to modify the first step of the initial agreement to have a cash dividend declared by the Company to non-dissenting Company shareholders at the time of the Arrangement instead of the issuance of the preferred shares, as set out in the initial agreement. Furthermore, considering the reduction in the Pieridae private placement and the $20,500,000 compensation to be received by the Company further to the agreement with the Government of Québec regarding the Anticosti matter, both parties agreed to lower the exchange ratio by which each Pieridae shareholder will receive Amalgamated Entity shares for each of their shares from approximately 2.74 to approximately 2.21. Following this amendment, the exchange ratio for Company shares represents 286% of the share price on the May 12, 2017 closing date, thereby pricing the Company shares at $0.47. From an accounting perspective, this amendment, which includes a new basis for determining the Company's value, shows that the Company's recoverable amount has increased since March 31, 2017 in light of the changes in estimates based on these events that occurred during the third quarter of the current fiscal year. Accordingly, a portion of the impairment losses recognized in the quarter ended March 31, 2017 on exploration and evaluation assets and property, plant and equipment of the Company was reversed in the third quarter of the current fiscal year (see note 10).

On August 25, 2017, Pieridae Energy Limited closed a private placement of Subscription Receipts at a price of $12.50 per Subscription Receipt for gross proceeds of $25,651,625, consisting of $24,632,500 in cash and $1,019,125 in issuance of Subscription Receipts to the agents in the form of commissions.

On October 24, 2017, after the approval of shareholders and as per the Canada Business Corporations Act., amalgamation between the Company and Pieridae Energy Limited, a private Canadian corporation, was entered into by way of a plan of arrangement (the Arrangement) to form the amalgamated company named Pieridae Energy Limited. The Arrangement constitutes a reverse takeover of the Company under the policies of the TSX Venture Exchange Inc and IFRS.

For the periods ended September 30, 2017 and 2016

5. CASH AND CASH EQUIVALENTS

	As at September 30, 2017 $	As at December 31, 2016 $
Cash	**2,444,692**	6,022,198
Guaranteed investment certificates (redeemable on demand)	**—**	1,100,000
	2,444,692	7,122,198
Less: Restricted cash equivalents[1]	**630,000**	630,000
	1,814,692	6,492,198
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares[2]	**2,126,413**	1,308,793
Bourque project[3]	**1,140,511**	4,394,701
Cash deficiency for exploration purposes[4]	**(1,452,232)**	—
	1,814,692	5,703,494
Cash and cash equivalents	**—**	788,704

[1] As at September 30, 2017 and December 31, 2016, a portion of cash and cash equivalents was pledged as security for the performance bonds issued for total amount of $630,000 *[note 18]*.

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

[3] Cash and cash equivalents earmarked for future exploration work on the Bourque project represent the remaining cash as at September 30, 2017 and December 31, 2016 from partner advances which, under the agreements, must be spent on exploration work related to the Bourque project.

[4] As at September 30, 2017, the Company did not have the necessary liquidity to meet its exploration commitments. Receipt on October 4, 2017 of the compensation in the Anticosti matter (see note 7) will offset this cash deficiency as at September 30, 2017.

As at September 30, 2017, cash bore interest at rates ranging from 0% to 0.85% [December 31, 2016 – 0% to 1.2%].

6. RECEIVABLES

	As at September 30, 2017 $	As at December 31, 2016 $
Government of Québec *[note 7]*	**20,800,652**	—
Partners	**129,973**	120,358
Associate *[note 16]*	**—**	475
Commodity taxes	**65,379**	661,382
Interest receivable	**—**	2,188
Other	**148,514**	59,510
	21,144,518	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. In the third quarter of this fiscal year, all partners signed a settlement agreement with the Government of Québec for the repurchase of their shares in Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner. Accordingly, as at September 30, 2017, Ressources Québec inc. held 100% of the interests of both partnerships. Prior to the settlement agreements entered into between the Government of Québec and the partners, the percentage of ownership of each of the partners was as follows:

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

	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 nine-month period ended September 30, 2017	**(38,587)**	**(22,308)**	**(60,895)**
Contributions for the nine-month period ended September 30, 2017	**48,444**	**26,443**	**74,887**
Impairment of interest	**(16,229,899)**	**10,118**	**(16,219,781)**
Compensation received from the Government of Québec	**(20,350,000)**	**—**	**(20,350,000)**
Value of the interest as at September 30, 2017	**—**	**—**	**—**

Agreement with the Government of Québec

On July 24, 2017, the Government of Québec adopted an order in council, published in the *Gazette officielle du Québec* and effective July 28, 2017, prohibiting the exploration and development of oil and gas on Anticosti Island. It also announced the conclusion of agreements with certain companies involved in oil and gas exploration on Anticosti Island, particularly Junex inc. as well as Corridor Resources Inc. and Saint-Aubin E&P (Québec) inc., two of the partners of Anticosti Hydrocarbons L.P.

On September 29, 2017, the Government of Québec and the Company entered into a settlement agreement concerning the cessation of oil and gas exploration and development activities on Anticosti Island. The cessation of work and end of the exploration program were negotiated in return for financial compensation amounting to $20,350,000 for Pétrolia Inc., which subsequent to the winding-up of Investissement PEA inc. on September 27, 2017, held 21.26% of the interest in the Anticosti Island project and $150,000 for Petrolia Anticosti Inc. by way of operator contract termination compensation subsequent to the cessation of the exploration program set out in the initial agreements.

Pursuant to this agreement, the Government also agreed to assume all the financial obligations regarding the work related to the well closures of Anticosti Hydrocarbons L.P. and the wells partly owned by the Company on Anticosti Island. On September 29, 2017, the Company's exploration and evaluation assets on Anticosti Island amounted to $147,975, whereas the financial obligations related to the future restoration of those wells stood at $300,652. Given that these financial obligations will be assumed by the Government of Québec, a receivable in an amount of $300,652 was recognized, whereas the Company's exploration and evaluation assets on these wells have been written down by $147,975, for a net gain of $152,677.

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 interests in associates relating to the Anticosti project. As at September 29, 2017, the Company's management believes that the $20,350,000 negotiated compensation to be an indicator of impairment of its interests in associates. Subsequent to the $15,906,727 impairment loss recognized in the second quarter of the fiscal year, a $313,054 additional impairment loss was recognized in the third quarter to reduce the value of the investment to its recoverable amount, which is its value in use, of $20,350,000.

Given the recoverable amount of interests in associates is less than their carrying amount, an impairment loss against interests in associates had to be recognized.

	$
Financial compensation from the Government of Québec to terminate the project	20,350,000
Less: Carrying amount of interests in associates, prior to impairment loss	(36,569,781)
Impairment of the interest in associates as at September 30, 2017	**(16,219,781)**
Allocation:	
Impairment recognized as at June 30, 2017, following the signing of the August 2017 agreements in principle	(15,906,727)
Impairment recognized as at September 29, 2017, following the signing of the final settlement agreement	(313,054)
	(16,219,781)

	$
Financial compensation from the Government of Québec to assume all financial obligations regarding the work related to the closure of the Company's wells on Anticosti Island	300,652
Less: Carrying amount of Anticosti exploration and evaluation assets	(147,975)
Gain relating to the obligations assumed by the Government of Québec	**152,677**

As a result of the recognition of this impairment loss, management revised the valuation of the deferred tax asset related to the Company's tax loss carryforwards. The deferred tax asset was reduced by an amount of $2,643,626, an asset initially recognized as a reduction of the deferred tax liability, thereby resulting in an additional loss of $2,433,622 for three-month period ended June 30, 2017 and $210,004 for the three-month period ended September 30, 2017.

Receipt of the compensation in a total amount of $20,500,000 on October 4, 2017 and the related dividend of $9,012,002 distributed to the Company's shareholders based on the arrangement with Pieridae on October 24, 2017 also removes any uncertainty regarding the going-concern assumption as at September 30, 2017.

8. PROPERTY, PLANT AND EQUIPMENT

	Land $	Leasehold improvements $	IT, office and field equipment $	Automotive equipment $	Reserves $	Field offices $	Total $
Gross carrying amount							
Balance as at December 31, 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 September 30, 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**
Reversals of impairment *[note 10]*	**(28,148)**	**(71,047)**	**(19,720)**	**(4,897)**	**(34,192)**	**(21,136)**	**(179,140)**
Depreciation	—	**16,875**	**9,456**	**3,212**	**13,655**	**8,441**	**51,639**
Balance as at September 30, 2017	**3,994**	**44,683**	**270,973**	**39,728**	**236,101**	**132,464**	**727,943**
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 September 30, 2017	**71,440**	**180,317**	**50,050**	**12,428**	**86,780**	**53,643**	**454,658**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended September 30, 2017 and 2016

9. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	December 31, 2016 $	Impairment *[notes 10]* $	Reversal of impairment *[note 10]* $	Net additions $	September 30, 2017 $
Québec					
Gastonguay	794,683	**(338,614)**	**314,708**	**27,953**	**798,730**
Gaspésia – Edgar – Marcel-Tremblay	515,680	**(219,731)**	**207,911**	**23,818**	**527,678**
Gaspé[1]	533,864	**(227,479)**	**227,982**	**44,253**	**578,620**
Bourque project[1]	123,356	**(52,562)**	**64,007**	**27,649**	**162,450**
Haldimand – Tar Point projects[1]	2,797,910	**(1,214,544)**	**1,064,956**	**54,538**	**2,702,860**
Matapédia	216,968	**(92,450)**	**87,299**	**9,748**	**221,565**
Total oil and gas properties	4,982,461	**(2,145,380)**	**1,966,863**	**187,959**	**4,991,903**

Exploration expenses

	December 31, 2016 $	Impairment *[notes 10]* $	Reversal of impairment *[note 10]* $	Net additions $	September 30, 2017 $
Québec					
Anticosti	260,558	—	—	**(260,558)**[2]	—
Gastonguay	76,900	—	—	—	**76,900**
Gaspésia – Edgar – Marcel-Tremblay	3,795,750	—	—	**29,451**	**3,825,201**
Gaspé	3,624,503	—	—	**14,455**	**3,638,958**
Bourque project	29,645,904	—	—	**1,138,184**	**30,784,088**
Haldimand project	29,318,018	—	—	**76,004**	**29,394,022**
Tar Point project	5,281,210	—	—	**4,393**	**5,285,603**
Matapédia	1,206,444	—	—	**3,348**	**1,209,792**
	73,209,287	—	—	**1,005,277**	**74,214,564**

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	December 31, 2016 $	Impairment *[note 10]* $	Reversal of impairment *[note 10]* $	Net additions $	September 30, 2017 $
Deductions					
Government exploration grants, impairment and partner contributions:					
Anticosti	5,847	**108,867**	**—**	**(114,714)** [2]	**—**
Gastonguay	19,020	**24,663**	**(21,598)**	**—**	**22,085**
Gaspésia – Edgar – Marcel-Tremblay	428,740	**1,434,683**	**(1,275,537)**	**—**	**587,886**
Gaspé	711,141	**1,242,928**	**(1,095,505)**	**—**	**858,564**
Bourque project	15,113,442	**6,197,441**	**(5,448,766)**	**1,092,992**	**16,955,109**
Haldimand project	14,853,647	**6,017,765**	**(5,302,175)**	**—**	**15,569,237**
Tar Point project	1,051,894	**1,802,527**	**(1,580,740)**	**—**	**1,273,681**
Matapédia	658,824	**233,341**	**(206,519)**	**—**	**685,646**
	32,842,555	**17,062,215**	**(14,930,840)**	**978,278**	**35,952,208**
Revenue from oil reserve evaluation:					
Gaspé					
Haldimand project	367,855	**—**	**—**	**—**	**367,855**
Total exploration expenses	39,998,877	**(17,062,215)**	**14,930,840**	**26,999**	**37,894,501**

Summary as at September 30, 2017

	December 31, 2016 $	Impairment *[note 10]* $	Reversal of impairment *[note 10]* $	Net additions *[note 10]* $	September 30, 2017 $
Oil and gas properties	4,982,461	**(2,145,380)**	**1,966,863**	**187,959**	**4,991,903**
Exploration expenses	39,998,877	**(17,062,215)**	**14,930,840**	**26,999**	**37,894,501**
Exploration and evaluation assets	44,981,338	**(19,207,595)**	**16,897,703**	**214,958**	**42,886,404**

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.

2 Net addtions for Anticosti comprise an amount of $262,689 for exploration expense reversal and $114,714 of deductions reversal for a net impact of $147,975, as descride in Note 7.

10. IMPAIRMENT AND REVERSALS OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND VALUATION ASSETS

Impairment loss recorded in the first quarter of 2017

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 or cash-generating unit ("CGU"). Where the recoverable amount of the asset or CGU is less than its carrying amount, an impairment loss is recognized.

As at March 31, 2017, management had identified an indicator of impairment, namely the signing of a non-binding term sheet on March 29, 2017 with Pieridae Energy Limited, which preceded the closing of the initial agreement on May 15, 2017 *[note 4]*, based on a rate of exchange indicating an observable value lower than the carrying amount of the Company's net assets. As a result, the Company had 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). 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 initial agreement entered into on May 15, 2017 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 fair value of the redemption of the preferred shares that were to be issued in connection with the initial agreement 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 net 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, as at March 31, 2017	75,169,258
Less: Carrying amount of the deferred tax asset related to tax carryforwards, as at March 31, 2017	(5,745,610)
	69,423,648
Impairment loss recognized in the first quarter of 2017	(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)

As a result of the recognition of impairment losses on exploration and evaluation assets, management revised the valuation of the deferred tax asset related to the Company's tax loss carryforwards. 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 June 30, 2017 of $1,832,128.

As at March 31, 2017, no impairment loss had been allocated to the interests in associates in light of the rights and obligations of each of the parties stipulated in the agreements pertaining to Anticosti Hydrocarbons L.P. The Company's management believed that the recoverable amount of the investment exceeded the carrying amount of the interest in the associates. As discussed in note 7, an impairment loss of $16,219,781 has been recognized on interests in associates as a result of entering into an agreement with the Government of Québec regarding the Anticosti project in September 2017.

Reversal of impairment recorded in the third quarter of 2017

The renegotiations of the agreement with Pieridae Energy Limited and the settlement of the Anticosti matter during the quarter indicate that recoverable amount of the Company has increased since June 30, 2017. The Arrangement was amended on August 24, 2017 to modify certain provisions of the initial agreement entered into on May 15, 2017. Further to the agreement with the Government of Québec in the Anticosti matter (see note 7), both parties agreed to modify the first step of the initial agreement to have a $9,012,002 cash dividend declared by the Company to non-dissenting Company shareholders at the time of the Arrangement instead of the issuance of the preferred shares, as set out in the initial agreement. Furthermore, considering the reduction in the Pieridae private placement and the $20,500,000 compensation to be received by the Company further to the agreement with the Government of Québec regarding the Anticosti matter, both parties agreed to lower the exchange ratio by which each Pieridae shareholder will receive Amalgamated Entity shares for each of their shares from approximately 2.74 to approximately 2.21. Following this amendment, the exchange ratio for Company shares represents 286% of the share price on the May 12, 2017 closing date, thereby pricing the Company shares at $0.47.

The key assumption of the fair value measurement of the Company pertains to the value allocated to unused tax losses. The estimation by informed market players of the fair value allocated to the unused tax losses included in the transaction set at $0.47 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 higher than the carrying amount net of the Company's net assets, a reversal of impairment had to be recognized and allocated proportionately to the CGU's long-term assets.

Reversal of impairment estimate

	$
Fair value	59,806,338
Costs of disposal	(1,360,000)
	58,446,338
Carrying amount of net assets, prior to impairment reversal, as at September 30, 2017	45,894,859
Reversal of impairment	12,551,479
Allocation:	
Property, plant and equipment	179,140
Exploration and evaluation assets	16,897,703
Deferred tax liability	(4,525,364)
	12,551,479

As a result of the recognition of reversals of impairment on exploration and evaluation assets, management revised the valuation of the deferred tax asset related to the Company's tax loss carryforwards. The deferred tax asset was increased by an amount of $3,689,850, an asset initially recognized as a reduction of the deferred tax liability, thereby resulting in an additional tax recovery of $3,689,850 for three-month period ended September 30, 2017.

11. TRADE AND OTHER PAYABLES

	As at September 30, 2017 $	**As at December 31, 2016** $
Trade payables and accrued liabilities	**1,323,344**	3,461,589
Salaries, fees, vacation pay and director fees	**190,909**	326,487
Partners	**72,258**	67,211
Advance from an associate *[note 16]*	—	108,964
	1,586,511	3,964,251

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 September 30, 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	**(1,092,992)**	(5,978,315)
Balance, end of period	**900,386**	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 September 30, 2017, the total future estimated amount required to settle obligations related to site restoration, indexed at 2% [December 31, 2016 – 2%], stood at $1,492,004 [December 31, 2016 – $1,462,545]. 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 September 30, 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	**27,459**	28,321
Change in accounting estimates	**—**	196,090
Balance, end of period	**1,492,004**	1,464,545
Current portion of liability *[note 7]*	**300,652**	—
	1,191,352	**1,464,545**

Provision for contingent liability

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

	As at September 30, 2017 $	**As at December 31, 2016** $
Balance, beginning of period	**350,000**	—
Provision made during the period	**700,400**	350,000
Payment made during the period	**(350,000)**	—
Balance, end of period	**700,400**	350,000

The Company is financed in part by the issuance of flow-through shares. As at September 30, 2017, the balance of eligible expenses to be incurred amounted to $2,126,413 [December 31, 2016 – $1,308,793], an amount of $1,186,413 is to be incurred by December 31, 2017 and an amount of $940,000 is to be incurred by December 31, 2018. The Company has not received the necessary permits from the Government of Quebec for completing planned exploration work. As a result, there is a material risk that it will not expend sufficient Canadian exploration and evaluation expenses in 2017 to fully meet its undertaking to the subscribers of flow-through shares issued in 2016. Accordingly, the Company has recorded a provision of $700,400 in the third quarter of 2017 relating to potential penalties relating thereto. If the Company receives the necessary permit from the government to execute the planned exploration work, it expects to meet its obligation regarding expenses to be incurred before December 31, 2018.

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. as at December 31, 2016.

14. SHARE CAPITAL

Authorized

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

	As at September 30, 2017 [9 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 nine-month period ended September 30, 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.

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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 September 30, 2017 [9 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	**(1,062,500)**	**0.82**	(2,157,500)	1.36
Outstanding, end of period	**7,817,500**	**0.52**	8,880,000	0.56
Exercisable	**5,952,500**	**0.62**	6,766,875	0.65

For the periods ended September 30, 2017 and 2016

15. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing income (loss) for the fiscal period by the weighted average number of common shares outstanding during the period. In calculating diluted earnings (loss) per share for the periods ended September 30, 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 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 September 30,		**As at September 30,**	
	2017 [3 months]	**2016** [3 months]	**2017** [9 months]	**2016** [9 months]
Net income (loss)	**$15,684,465**	$(393,719)	**$(13,371,076)**	$(1,333,455)
Weighted average number of shares – basic	**108,399,683**	96,386,889	**108,861,316**	93,758,282
Dilutive effect of warrants and options	**—**	—	**—**	—
Weighted average number of diluted shares	**108,399,683**	96,386,889	**108,861,316**	93,758,282
Net earnings (loss) per share – basic	**$0.145**	$(0.004)	**$(0.123)**	$(0.014)
Net earnings (loss) per share – diluted	**$0.145**	$(0.004)	**$(0.123)**	$(0.014)

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.

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Transactions with key management personnel

Key management personnel compensation includes the following expenses: As at

	As at September 30, 2017 [9 months] $	**As at September 30, 2016** [9 months] $
Short-term employee benefits:		
Salaries and employee benefits	**119,625**	309,331
Termination benefit	—	150,000
Director fees	**102,317**	123,098
Total short-term employee benefits	**221,942**	582,429
Fees	**270,500**	103,500
Share-based compensation	**7,332**	47,117
Total compensation	**499,774**	733,046

During the periods ended September 30, 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 September 30, 2017 [9 months] $	**As at September 30, 2016** [9 months] $
Comprehensive loss:		
Administrative expenses	**18,000**	12,400

With Anticosti Hydrocarbons L.P.:

	As at September 30, 2017 [9 months] $	**As at September 30, 2016** [9 months] $
Comprehensive loss:		
Project management	**12,912**	29,536

As at December 31, 2016, Anticosti Hydrocarbons L.P. advanced an amount of $458,964 to the Company offset by a $350,000 provision for a contingent liability borne by Anticosti Hydrocarbons L.P. to finance the exploration activities for the next few months. Since September 29, 2017, following the settlement agreement entered into with the Government of Québec in the Anticosti matter disclosed in note 7, Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc. are no longer related parties of the Company.

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:

	September 30, 2017			
	Fair value through profit or loss $	Loans and receivables $	Other financial liabilities $	Total carrying amount $
Financial asset				
Cash and cash equivalents[1]	**1,814,692**	**—**	**—**	**1,814,692**
Receivables[2]	**—**	**21,079,139**	**—**	**21,079,139**
Restricted cash equivalents[1]	**630,000**	**—**	**—**	**630,000**
	2,444,692	**21,079,139**	**—**	**23,523,831**
Financial liability				
Trade and other payables	**—**	**—**	**1,586,511**	**1,586,511**
Partners' share in security deposits	**—**	**—**	**293,820**	**293,820**
Bank borrowings	**—**	**—**	**15,177**	**15,177**
	—	**—**	**1,895,508**	**1,895,508**

	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 an amount.

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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 nine-month period ended September 30, 2017, the Company received $940,000 [December 31, 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 September 30, 2017, the balance of eligible expenses to be incurred amounted to $2,126,413 [December 31, 2016 – $1,308,793], an amount of $1,186,413 is to be incurred by December 31, 2017 and an amount of $940,000 is to be incurred by December 31, 2018. As described in Note 13, a provision was taken related to the expenses to be incurred before December 31, 2017.

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 and renewed until February 1st, 2018, were issued by a financial institution to the Ministère des Ressources naturelles to guarantee the completion of certain site closures. 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.

PÉTROLIA

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19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	As at September 30, 2017 [9 months] $	**As at September 30, 2016** [9 months] $
Additions to exploration costs	**1,267,966**	2,585,322
Non-cash acquisition		
Depreciation of property, plant and equipment	**(37,528)**	(64,797)
Amortization of deferred lease inducements	**8,207**	3,984
Stock-based compensation	**(2,111)**	(4,059)
Recovered amounts		
Haldimand project	—	(284,780)
Oil reserve evaluation revenue	—	(41,632)
Change in non-cash working capital items	**2,537,845**	168,933
Increase in exploration and evaluation costs, net of recovered amounts	**3,774,379**	2,362,971
Other information:		
Interest paid	**336**	582
Interest received	**17,881**	23,560

Cash and cash equivalents comprise:

	As at September 30, 2017 [9 months] $	**As at September 30, 2016** [9 months] $
Cash	**2,444,692**	9,653,904
Guaranteed investment certificates, redeemable on demand	**—**	2,066,940
Less: Restricted cash equivalents	**(630,000)**	—
	1,814,692	11,720,394

20. SUBSEQUENT EVENTS

On October 23, 2017, the Company bought back the interest of Québénergie in the 13 Gaspé property permits including the Haldimand and Tar Point projects. The Company and Québénergie held the interests in these permits jointly, with exploration expenses incurred borne equally by the partners.