PÉTROLIA

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED December 31, 2014

Haldimand 4 Drilling

December 2014

This management's discussion and analysis ("MD&A") covers the year from January 1, 2014 to December 31, 2014.

This MD&A was approved by the Board of Directors on March 26, 2015.

It presents the view of management on current Company activities and is accompanied by the financial results as at December 31, 2014. It may also cite significant events that occurred after December 31, 2014, and provides an overview of the activities planned for the months ahead.

In this MD&A, the reporting currency is the Canadian dollar (C$) and all amounts presented in this MD&A are in Canadian dollars.

1. DATE

The effective date of this MD&A for the year ended December 31, 2014 is March 26, 2015.

2. HIGHLIGHTS

- Closing of a $3 million financing (April 23, 2014 press release).

- Alexandre Gagnon was promoted to President and Chief Executive Officer of Pétrolia, thereby completing the implementation of the succession plan initiated in September 2013. In addition, all other senior management incumbents were confirmed (May 27, 2014 press release).

- Closing of a $2.5 million private placement (September 4, 2014 press release).

- The Company announced its intention to complete a private placement with the issuance of up to 3,437,500 flow-through shares at $0.80 per share for maximum gross proceeds of $2,750,000. The current volume weighted average price of the Company's common shares is $0.5705 for the 20 consecutive preceding trading days (February 26, 2015 press release). The Company issued 2,728,500 flow-through shares at $0.80 per share for gross proceeds of $2,182,800 (March 16, 2015 press release).

Haldimand Project

- The Superior Court rendered a decision favourable to Pétrolia in the case brought against the City of Gaspé (February 11, 2014 press release). On March 6, 2014, the City of Gaspé decided to appeal the decision of the Superior Court.

- The hydrogeological characterization study on the Haldimand area conducted by the Institut national de la recherche scientifique – Centre Eau Terre Environnement (INRS-ETE) was released last May (May 26, 2014 press release).

- The ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques ("MDDELCC") has adopted the *Regulation respecting water withdrawals and water protection* ("RRWWWP"), invalidating the regulation passed by the City of Gaspé (July 23, 2014 press release).

- On November 25, 2014, the Company announced the resumption of drilling at Haldimand 4, an important milestone in the development of this project (November 13, 2014 press release).

- The drilling phase at Haldimand 4 was completed on December 30, 2014, on budget and in line with engineering projections. Drilling started on November 25 and was completed in 35 days, on schedule. Haldimand 4 is a horizontal well, drilled without hydraulic fracturing, with a total length of 2,630 metres. The drilling of the Haldimand 4 well represents the prerequisite exploration phase for bringing this deposit onstream. The top of the deposit, located in the York River Formation, was reached at a depth of 620.5 metres (January 6, 2015 press release).

- A total of 120.4 cubic meters (757 barrels) of drilling fluids mixed with light crude oil was collected during a short-term evaluation test (approximately 100 hours of production over 13 days). This oil is comparable to that collected from the Haldimand 1 well in the same deposit. Based on our estimates, the well produced approximately 54 cubic meters of oil (340 barrels) during this evaluation test. The next stage will be to carry out the production test (February 18, 2015 press release).

- Regarding community relations, we opened an office in Gaspé in November 2014 and set up a monitoring committee. A joint initiative by the municipality and Pétrolia, the committee whose mandate is to facilitate the exchange and dissemination of project information, aims to monitor the project operations as well as other operations of the Company. Meetings will be held every quarter, at a minimum, or more frequently, as needed. The first meeting is slated for early April 2015.

Anticosti Project

- A letter of intent was signed between Pétrolia, Ressources Québec (a subsidiary of Investissement Québec), Établissements Maurel & Prom and Corridor Resources Inc. for a $100 million exploration program on Anticosti Island (February 13, 2014 press release).

- A partnership agreement was entered into in respect of 38 exploration licences for Anticosti Island between Pétrolia, Ressources Québec, Corridor Resources and Saint-Aubin E&P, which have formed a limited partnership called Anticosti Hydrocarbons L.P. (April 1, 2014 press release).

- Pétrolia Anticosti inc., a wholly owned subsidiary of Pétrolia, was appointed operator of limited partnership Anticosti Hydrocarbons L.P.

- The Superior Court of Québec has issued a judgment approving a settlement with the Centre québécois du droit à l'environnement (CQDE) regarding the stratigraphic survey program on Anticosti Island (June 30, 2014 press release).

- The limited partnership Anticosti Hydrocarbons L.P. has begun stratigraphic testing at 15-18 locations on Anticosti Island (June 17, 2014 press release).

- Following a decision of the Board of Directors of Anticosti Hydrocarbons, work was suspended for the winter. Most of the equipment remained on the island until the scheduled program resumes in April 2015. Given the change in government and adoption of a new regulatory framework, work on the Anticosti project, originally scheduled for May 2014, began in July 2014. Work will resume in spring 2015 (November 3, 2014 press release).

Bourque Project

- TUGLIQ Energy and Pétrolia have joined forces to promote economic development in the Côte-Nord region. At a press conference in Sept-Îles, Pétrolia announced, on November 19, 2014, the signing of an exclusive agreement with TUGLIQ Energy to distribute gas produced under its Bourque licences in Gaspésie. The Gaspésie authorities are backing this project which is located midway between Murdochville and Grande-Vallée. The agreement could therefore provide TUQLIQ Energy with the natural resources it needs to supply its industrial clients in Côte-Nord and Nord-du-Québec regions (November 19, 2014 press release)

3. COMPANY'S INCORPORATION AND MISSION

Incorporated under Part 1A of the *Québec Companies Act* and governed by the provisions of the Québec *Business Corporations Act*, Pétrolia is an oil and gas exploration company. It has been listed on the TSX Venture Exchange since February 16, 2005, under the symbol PEA.

The Company's oil and gas properties are in the exploration stage and the Company's long-term profitability depends in part on the costs and success of the exploration programs and subsequent development. The Company has yet to determine whether its properties contain economically feasible reserves.

The Company is primarily engaged in exploration and development under oil and gas exploration licences. In pursuing its objectives, the Company is required to enter into partnership agreements specific to the oil and gas industry.

4. FORWARD-LOOKING STATEMENTS

Some of the statements made in this MD&A may constitute forward-looking statements. Such statements relate to future events or future economic results anticipated by Pétrolia and are therefore subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance and achievements to differ from those expressed or implied by such statements. The difference from actual events or results could be material. Accordingly, a decision to invest in Pétrolia's shares should at no time be based on these forward-looking statements. Pétrolia disclaims any intention or obligation to update these forward-looking statements.

5. STRATEGIC OBJECTIVES AND PLANS

The Company aims to discover marketable oil resources and put them into production as quickly as possible, with a view to ensuring profitability. The Company pursues this objective while ensuring its operations meet personal safety standards and factor in environmental and social impacts.

Pétrolia achieves this objective by securing promising licences and associating with partners with the necessary technical and financial expertise. The Company drills wells on the basis of scientific expertise and employs leading drilling techniques in accordance with industry best practices. Occupational and community health and safety are key concerns for the Company in the planning and performance of exploration work. Special attention is also paid to local community and business relationships, as well as environmental protection.

Pétrolia is a responsible Québec oil company with the goal of producing oil in Québec.

6. TERRITORIES UNDER LICENCE AND PARTNERSHIPS

Pétrolia holds licences for and interests in an area of 16,475.85 square kilometres (“sq km”), amounting to nearly 23% of Québec’s territory under licence. Located in Eastern Québec, these areas are largely known for their oil potential. Pétrolia’s territories under licence also offer the potential of discovering natural gas possibly containing liquid natural gas.

As at December 31, 2014, there were three partnership agreements covering portions of the Company’s territories under licence:

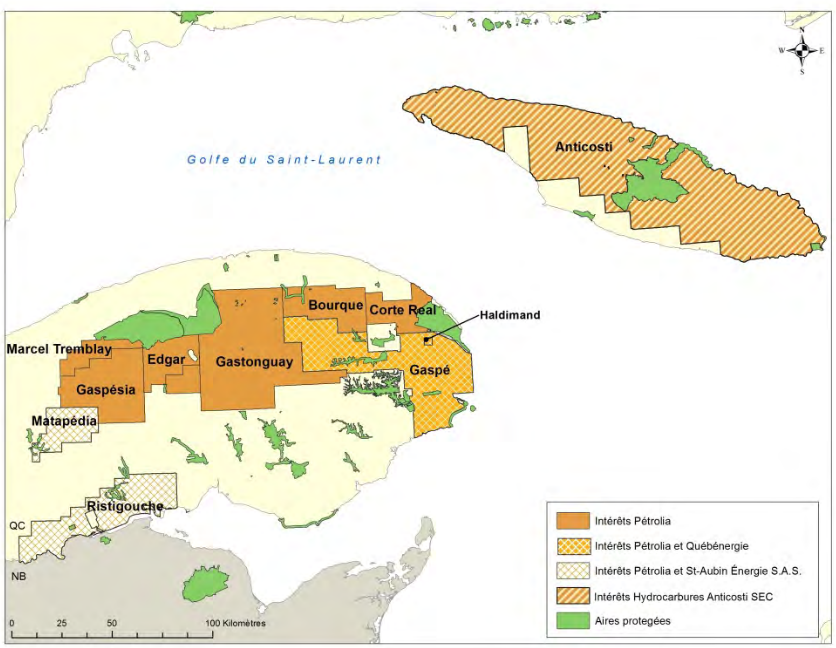
- A partnership agreement in respect of 38 exploration licences (6,195 sq km) on Anticosti Island was entered into on March 31, 2014 between Ressources Québec (35%), Pétrolia Inc. (21.7%), Saint-Aubin E&P (Québec) inc. (21.7%) and Corridor Resources Inc. (21.7%). This limited partnership is named Anticosti Hydrocarbons L.P.

- On the Gaspé licences, Pétrolia and Québénergie each hold a 50% interest in each of the 13 licences, covering a total area of approximately 2,500 sq km.

- On the Baie-des-Chaleurs–Matapédia and Ristigouche licences, Pétrolia and Saint-Aubin Énergie S.A.S. (a subsidiary of Maurel & Prom and Maurel & Prom International) each hold a 50% interest in 13 licences that cover an area of over 1,800 sq km.

- The remaining licence blocks are wholly owned by Pétrolia, except for the Bourque project, in which it holds a 99% interest.

- The following map plots the locations of the licences held by Pétrolia and its partners.



7. PROJECTS, WORK PROGRAMS AND OUTLOOK

Haldimand Project (Gaspé Block)

Background

- Discovered in 2006, Haldimand is a conventional deposit located in the York River Formation, which consists of naturally fractured sandstone. An independent assessment by Sproule Associates Limited in 2010 placed the best estimate of the oil-initially-in-place (P50) at 69.7 million barrels and the recoverable (contingent) portion of that volume at 7.7 million barrels.

Completion of drilling at Haldimand 4

- The drilling phase at Haldimand 4 was completed on December 30, 2014, on budget and in line with engineering projections. Drilling started on November 25 and was completed in 35 days, on schedule. Haldimand 4 is a horizontal well, drilled without hydraulic fracturing, with a total length of 2,630 meters.

Evaluation test

- A total of 120.4 cubic meters (757 barrels) of drilling fluids mixed with light crude oil was collected during a short evaluation test (approximately 100 hours of production over 13 days). This oil is comparable to that collected from the Haldimand 1 well in the same deposit. Based on our estimates, the well produced approximately 54 cubic meters of oil (340 barrels) during this evaluation test. The next stage will be to carry out the production test.

Legislative developments

- The Superior Court rendered a decision favourable to Pétrolia in the case brought against the City of Gaspé (February 11, 2014 press release). On March 6, 2014, the City of Gaspé decided to appeal the decision of the Superior Court.

- The ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques ("MDDELCC") has adopted the *Regulation respecting water withdrawals and water protection* ("RRWWWP"), invalidating the regulation passed by the City of Gaspé (July 23, 2014 press release).

- Subsequent to the adoption of the RRWWWP, the Company completed drilling of the Haldimand 4 well.

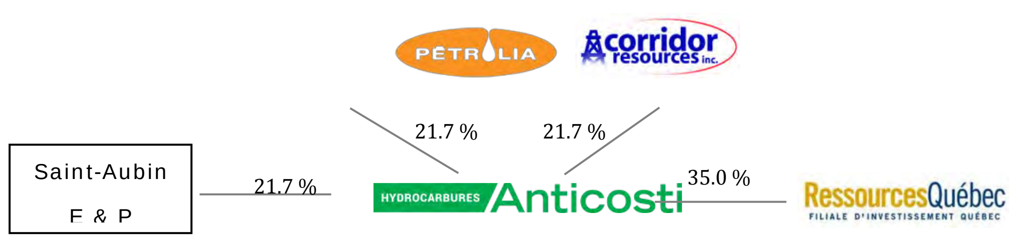
Social acceptability

- Pétrolia also hired a Head of Community Relations in Gaspésie to build ties with the community and strengthen Pétrolia's partnerships with the economic and social stakeholders in the region (September 3, 2014 press release).
- Pétrolia opened an information office in Gaspé.
- The relationship with the Gaspé municipality has been largely normalized and a monitoring committee has been set up with City of Gaspé to gauge public opinion.
- A Léger Marketing survey carried out in November 2014 found that 69% of the population supports exploration work on Haldimand 4.

Anticosti Project

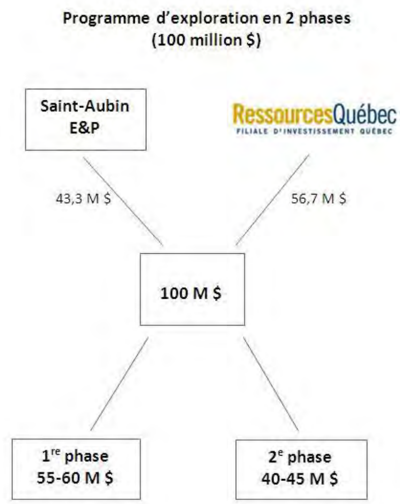
Background

- The main goal of the Anticosti project is to develop the hydrocarbon source rock contained in the Macasty Formation and determine whether this type of deposit can be developed economically. According to Sproule Associates Limited, the best estimate (P50) of the undiscovered total petroleum-initially-in-place volume amounted to 33.9 billion barrels. That estimate was based on the information available on June 1, 2011 for the 38 licences held by Anticosti Hydrocarbons L.P.
- An agreement was entered into on March 31, 2014 between Pétrolia and its partners and covers 38 licences on Anticosti Island:



- Anticosti Hydrocarbons L.P. is managed by a five-member Board of Directors comprising one member representing each of the partners and an independent director, Mr. Kjell Pedersen.

- Saint-Aubin E&P and Ressources Québec will assume the cost of the first two exploration program phases up to a maximum of $100 million:



- Pétrolia Anticosti inc., a wholly owned subsidiary of Pétrolia, was appointed operator of limited partnership Anticosti Hydrocarbons L.P.

Scheduled work

First phase:

- 2014-2015:
  Stratigraphic testing at 15-18 locations will take place using four mining drills equipped with oil drilling security devices;

  With these stratigraphic surveys, boring cores will be taken from the Macasty Formation and will be used, in particular, to identify the best locations for the oil wells to be drilled in 2016.

- 2016:
  Drilling of 3 horizontal exploration wells with fracking;

  Costs for this initial phase are expected to total between $55 million and $60 million, of which 56.7% will be borne by Ressources Québec and 43.3% by Saint-Aubin E&P.

In the event of a positive outcome and a green light from Anticosti Hydrocarbons L.P.'s Board of Directors, a second phase will follow starting in 2017.

Second phase:

- 2017 +:
  Horizontal oil wells will be drilled with fracking;

  Costs for this second phase are currently being estimated. Under the current agreements, the first $40 million–$45 million of costs will be borne by Ressources Québec (56.7%) and Saint-Aubin E&P (43.3%). Thereafter, costs will be assumed according to each limited partner's proportionate interest.

Assessment of the 2014 stratigraphic survey campaign

- At the time work was suspended, five stratigraphic surveys and four shallow wells had been completed. Furthermore, 15 survey sites have been prepared, which will expedite the resumption of work on the remaining surveys in the coming spring.

- The five completed surveys confirmed the existence of the Macasty Formation. The Chicotte site drilling revealed a Macasty Formation with a thickness of 67.5 meters; at Lac-Martin the observed thickness is 30 meters; at Jupiter-South the thickness is over 60 meters; at Cerf-Sau the thickness is XX meters; and last, at the Bell site, a thickness of 13 meters was measured. The presence of gas and oil fluorescence was also confirmed during these operations. The program's first phase has been highly successful; the results are encouraging and confirm the high potential of the Macasty Formation.

Legislative developments

- On June 26, 2014, the Superior Court of Québec issued a judgment approving a settlement between the parties in connection with the motion brought by the Centre québécois du droit à l'environnement ("CQDE"). The judgment pertained to the issue of the stratigraphic surveys carried out on Anticosti Island in summer 2014 and allows Anticosti Hydrocarbons L.P. to continue drilling as planned. Since the July 4, 2014 ministerial order from the Ministère de l'Énergie et des Ressources naturelles, made public on July 11, 2014, provided an appropriate framework for stratigraphic surveys on Anticosti Island, the CQDE has discontinued its motion for an interlocutory injunction and confirmed that a settlement had been reached. The settlement with the CQDE only pertained to the stratigraphic surveys on Anticosti Island (June 30, 2014 press release).

- The ministerial order from the Ministère de l'Énergie et des Ressources naturelles, which was made public on July 11, 2014 and provides a framework for stratigraphic surveys on Anticosti Island, also covers the strategic survey work in 2015.

Bourque Project

Background

- The Bourque project is located in a non-urbanized area, about 30 km from the town of Murdochville.

- When the Bourque 1 and Bourque 2 wells were drilled in 2012, samples of wet natural gas (containing up to 20% natural gas liquids and condensates) were taken from the Forillon Formation. The presence of gas liquids and condensates adds significant commercial value to the Bourque discovery. The discovery of this type of deposit adds value to Pétrolia's licences in the Gaspé peninsula where similar geological conditions exist and are conducive to new discoveries.

- The drilling of Bourque 1 and 2 wells and the 3D seismic interpretation revealed four geological prospects in the Forillon Formation for which Sproule Associates Limited provided an estimate of the resources initially in place. Based on information available as at March 31, 2013, Sproule estimated the undiscovered gas volume initially in place at over 1 Tcf (one trillion cubic feet; one thousand billion).

Distribution partnership

- TUGLIQ Energy and Pétrolia have joined forces to promote economic development in the Côte-Nord region. At a press conference in Sept-Îles, Pétrolia announced, on November 19, 2014, the signing of an exclusive agreement with TUGLIQ Energy to distribute gas produced under its Bourque licences in Gaspésie. The Gaspésie authorities are backing this project which is located midway between Murdochville and Grande-Vallée. The agreement could therefore provide TUQLIQ Energy with the natural resources it needs to supply its industrial clients in Côte-Nord and Nord-du-Québec regions.

Social acceptability

- Through a municipal council resolution, the Murdochville municipality has given its support to the development of this project.

- The municipality is also in the process of setting up a monitoring committee.

Other properties

Matapédia

- In July 2013, Pétrolia and Saint-Aubin Énergie S.A.S. acquired two blocks totalling 13 licences from Gastem in the Baie-des-Chaleurs and Matapédia areas. These licences cover an area of over 1,800 sq km. Each company holds a 50% interest in the licences.

- In fall 2013, the partners carried out a stratigraphic survey to evaluate the potential of a known anticlinal structure in the Casault Lake area of Matapédia Regional County Municipality. Drilling reached a depth of 1,416 m and found indicators of natural gas in the Silurian sandstone. The results of analyses, coupled with the petrophysical assessment, indicate the presence of a low-porosity sandstone, probably airtight, containing natural gas. The two companies have pooled their expertise to put together an exploration program for these areas.

Other

- Pétrolia is reviewing all of its data on its other properties in the Gaspé peninsula to identify areas with similar characteristics to those found in the Bourque project.

COMPANY EXPERTISE

Pétrolia has a dynamic, motivated team, with highly skilled technical personnel, making it an industry leader in Québec.

All Company worksites employ industry best practices. As a result, every effort is made to reduce environmental and social risk as much as possible. On that front, an emergency measures plan tailored to the reality of each region is prepared to prevent and react effectively to emergency situations.

MANAGEMENT'S ANALYSIS OF FINANCIAL INFORMATION

OPERATING RESULTS AND CASH POSITION

Revenues for the 12-month period ended December 31, 2014 consisted of $55,843 in interest income from short-term investments, $313,983 in project management revenues and $52,226 in other income, compared with $67,374, $104,985, and $15,048, respectively, for the 15-month period ended December 31, 2013. No revenues from oil deposit evaluation were earned compared with $49,602 in the previous fiscal year and reported as a deduction from exploration expenses.

As at December 31, 2014, the Company had cash and cash equivalents of $5,239,511 including $368,004 held for exploration purposes, and $1,968,495 in positive working capital.

Management considers that these funds will not be sufficient to meet the Company's obligations and expenses projected up to December 31, 2015. Any shortfall could be met in a number of ways in future, including but not limited to the issuance of new debt or equity instruments, additional cost-cutting measures or the introduction of new partners. On March 16, 2015, the Company completed a financing amounting to $2,182,800.

For fiscal 2014, the Company generated net income of $17,581,772, compared with a loss of $5,525,409 for the previous fiscal year.

ANALYSIS OF OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses decreased by $2,452,552, mainly due to the length of the 2013 fiscal year, which consisted of 15 months compared to 12 months in fiscal 2014. A decrease in share-based compensation as well as salaries and employee benefits also contributed to this decrease in operating and administrative expenses. In addition, the Company was able to re-invoice operating and administrative expenses in the amount of $725,994 as at December 31, 2014.

The main differences in operating and administrative expenses were as follows:

- Share-based payments: 1,435,000 options were granted in 2014 with an established value of $656,029, compared with 3,670,000 options granted in 2013 with a value of $1,986,025.
- Salaries and employee benefits: Operating expenses were impacted by the hiring of personnel to meet the different manpower needs related to the Haldimand 4 well drilling.

SELECTED ANNUAL INFORMATION

	2014 **$** [**12 months**]	**2013** **$** [**15 months**]
Revenues (including financial income)	422,052	187,407
Net income (loss)	17,581,772	(5,525,409)
Net earnings (loss) per share – basic	0.237	(0.081)
Net earnings (loss) per share – diluted	0.237	(0.081)
Total assets	84,183,385	53,079,372
Dividend per share	N/A	N/A

SUMMARY OF QUARTERLY RESULTS

The information for the summary of quarterly results is based on International Financial Reporting Standards (IFRS).

	2014			
	December	**September**	**June**	**March**
	$	**$**	**$**	**$**
Revenues (including financial income)	40,289	107,406	63,644	210,713
Net income (loss)	(842,224)	(298,900)	(975,907)	19,698,803
Net earnings (loss) per share				
Basic	(0.011)	(0.004)	(0.013)	0.291
Diluted	(0.011)	(0.004)	(0.013)	0.289

	2013			
	December	**September**	**June**	**March**
	$	**$**	**$**	**$**
Revenues	32,516	21,029	34,682	58,053
Net loss	(2,139,356)	(1,205,541)	(500,545)	(538,863)
Net loss per share				
Basic	(0.031)	(0.014)	(0.007)	(0.008)
Diluted	(0.031)	(0.014)	(0.007)	(0.008)

Revenues consist primarily of interest income, rental income and project management revenues for each quarter. Operating and administrative expenses are relatively stable from quarter to quarter. The main changes in quarterly income (loss) resulted from the following:

2013 – March	Recognition of share-based payment of $128,700.
2013 – May	Recognition of share-based payment of $94,500;
2013 – August	Recognition of share-based payment of $52,265.
2013 – September	Recognition of share-based payment of $280,000.
2013 – December	Recognition of share-based payment of $485,586;
2014 – March	Recognition of a gain on transfer of certain licences of $28,059,532
2014 – May	Recognition of share-based payment of $148,843.
2014 – November	Recognition of share-based payment of $305,492.

RELATED PARTY TRANSACTIONS

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

Unless otherwise indicated, 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:

	2014 [12 months]	2013 [15 months]
Salaries and employee benefits	**1,087,525**	1,053,907
Termination benefit	**—**	333,333
Director fees	**122,500**	134,716
Total short-term employee benefits	**1,210,025**	1,521,956
Fees	**391,750**	112,500
Share-based compensation	**428,976**	1,656,356
Total compensation	**2,030,751**	3,290,812

During the year ended December 31, 2014, key management personnel exercised nil options [2013 - 460,000] granted under the stock option plan.

Related companies and other parties

Transactions were carried out:

	2014 [12 months] $	2013 [15 months] $
With two companies whose chief officer (holding a minority interest) also serves on Pétrolia's Board:		
Consolidated statements of financial position		
Exploration and evaluation assets	—	17,142
Comprehensive income (loss)		
Other expenses	—	11,514

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

	2014 [12 months] $	2013 [15 months] $
Comprehensive income (loss)		
Other expenses	**30,000**	10,000

An amount of $16,786 is due from general partner Anticosti Hydrocarbons L.P. as at December 31, 2014 [2013 – $11,959 due from a company whose chief officer has a minority interest in and is also a director of Pétrolia].

As at December 31, 2014, the Company had a trade payable to Anticosti Hydrocarbons L.P. in the amount of $258,819 [2013 – $0].

These transactions took place in the normal course of business and were measured at their exchange value, which is the consideration established and accepted by related parties.

COMMITMENTS

Under the terms of exploration licences granted by the ministère des Ressources naturelles et de la Faune du Québec, the Company is committed to pay fees in the amount of $2,359,102 by 2022. The minimum payments required in the next five years are as follows:

2015 $	2016 $	2017 $	2018 $	2019 $
132,062	172,014	172,014	514,011	514,011

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

FINANCIAL INSTRUMENT DISCLOSURE

Risk management policy

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of those risks as at the date of the statement of financial position, that is, December 31, 2014.

Credit risk

The financial instruments that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, accounts receivable and investments. The Company's cash and cash equivalents are held with or are issued by high-credit quality financial institutions. Accounts receivable consist primarily of amounts due from governments and partners. Therefore, management considers the risk of non-performance of these instruments to be remote.

Liquidity risk

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

Market risk

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

(a) Interest rate risk

The Company is exposed to interest rate risk on its fixed- and variable-rate financial instruments. Fixed-rate financial instruments expose the Company to fair value risk, whereas variable-rate instruments expose it to cash flow risk.

A 1% change in the base rate would have little impact on the fair value of the Company's investments due to their nature and would result in a $21,922 increase or decrease in net financial debt costs.

Fair value

The fair value of investments is measured as follows:

Guaranteed investment certificates: cost represents fair value due to their recent issuance.

Money market funds: cost represents fair value due to their short-term maturities.

As regards the loan, the carrying amount approximates fair value due to the variable interest rate on the debt.

Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

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

There were no transfers between Level 1 and Level 2 fair value measurements during the period.

JUDGMENTS, ESTIMATES AND ASSUMPTIONS

For a complete description of the judgments, estimates and assumptions made by management in the preparation of its annual financial statements, see Note 4 to the annual financial statements as at December 31, 2014.

FUTURE CHANGES IN ACCOUNTING POLICIES

For a complete description of future changes in accounting policies, see Note 3 to the annual financial statements as at December 31, 2014.

CAPITAL MANAGEMENT

For a complete description of the Company's capital management policy, see Note 20 of the annual financial statements as at December 31, 2014.

OTHER INFORMATION

(a) Supplemental documents

Certain supplemental documents, including prior MD&As and press releases, are available online at www.sedar.com or on Pétrolia's website at www.petrolia-inc.com.

(b) Regulation 51-102 Section 5.2

Exploration expenses for the year ended December 31, 2014 are as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti [1]	73,720	7,500	9,132	26,345	-	193,165	-	-	-	309,862
Gastonguay	515	-	-	-	-	321	-	-	-	836
Gaspésia Marcel-Tremblay Edgar	1,750	-	-	-	-	1,254	-	-	-	3,004
Gaspé	25,629	8,325	1,540	150	-	104,482	-	-	600	140,726
Bourque	9,207	13,575	46,795	56,426	-	85,793	-	-	-	211,796
Haldimand	8,860	-	5,935,663	2,440	-	696,472	-	73,778	46,021	6,763,234
Tar Point	478	-	-	-	-	19,242	-	-	-	19,720
Matapédia	790	1,200	28,388	-	-	10,879	-	-	-	41,257
	120,949	**30,600**	**6,021,518**	**85,361**	**-**	**1,111,608**	**-**	**73,778**	**46,621**	**7,490,435**

(1) These amounts include exploration expenses before the transfer of licences to Anticosti Hydrocarbons L.P.

Exploration expenses for the year ended December 31, 2013 are as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti	257,553	42,080	1,215,316	105,241		169,560	56,690		220	1,846,660
Gastonguay	837					48	65			950
Gaspésia Marcel-Tremblay Edgar	5,689	5,840		1,400		4,155	5,096			22,180
Gaspé	62,919	10,960	751	15,630		120,445	6,598		110	217,413
Bourque	57,358	13,256	10,009,007	8,460	400	33,378	94,882	291,612		10,508,353
Haldimand	288,152	1,880	2,309,133	950	49,883	34,626	80,098		99,886	2,864,608
Tar Point	38		(104,227)			(1,072)	14,358		220	(90,683)
Dalhousie	620					73	876			1,569
Matapédia	38	160	1,067,913			53,546	42,345			1,164,001
	673,203	**74,176**	**14,497,893**	**131,681**	**50,283**	**414,759**	**301,008**	**291,612**	**100,436**	**16,535,051**

(c) Regulation 51-102 Section 5.3

Information on shares issued, share options and warrants as at March 26, 2015:

Common shares: 80,345,195 shares are issued and outstanding.

Stock options outstanding: The stock options granted to directors, members of senior management, employees and service providers are as follows:

• 647,500 options exercisable at a price of $0.50 per share until December 8, 2015;

• 75,000 options exercisable at a price of $1.31 per share until February 25, 2016;

• 500,000 options exercisable at a price of $1.69 per share until May 18, 2016;

• 1,080,000 options exercisable at a price of $1.52 per share until December 4, 2016;

• 75,000 options exercisable at a price of $1.51 per share until February 22, 2017;

• 2,170,000 options exercisable at a price of $1.02 per share until December 10, 2017;

• 150,000 options exercisable at a price of $1.14 per share until February 28, 2018;

• 250,000 options exercisable at a price of $0.89 per share until August 21, 2018;

• 400,000 options exercisable at a price of $0.98 per share until September 14, 2018;

• 650,000 options exercisable at a price of $0.67 per share until December 5, 2018;

• 405,000 options exercisable at a price of $0.67 per share until May 28, 2019;

• 1,030,000 options exercisable at a price of $0.67 per share until November 26, 2019;

Warrants outstanding: Each warrant entitles the holder to purchase one common share of the Company at the stipulated exercise price until the expiry date:

• 5,545,776 warrants exercisable at a price of $1.78 per share until May 15, 2015;

• 100,000 warrants exercisable at a price of $0.70 per share until July 11, 2015;

• 714,286 warrants exercisable at a price of $1.00 per share until July 11, 2016;

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for Pétrolia’s financial statements, which have been approved by the Board of Directors on recommendation of the Audit Committee. The financial statements have been prepared by management in accordance with International Financial Reporting Standards. These financial statements have not been audited by the Company’s auditors. The financial statements include certain amounts that are based on the use of estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Québec City,
March 26, 2015

On behalf of the Board

(signed) Alexandre Gagnon
Alexandre Gagnon
President and Chief Executive Officer

(signed) Karl McLellan
Karl Mc Lellan
Chief Financial Officer and Corporate Secretary