MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2016

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BY PEOPLE FROM HERE.
FOR HERE.

This management's discussion and analysis ("MD&A") covers the period from January 1, 2016 to June 30, 2016.

This MD&A was approved by the Board of Directors on August 25, 2016.

This MD&A presents the view of management on current Company activities and is accompanied by the financial results as at June 30, 2016. It may also provide information on significant events that occurred after June 30, 2016, 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 are presented in Canadian dollars.

1. DATE

The effective date of this MD&A for the quarter ended June 30, 2016 is August 25, 2016.

2. QUARTERLY HIGHLIGHTS

- On May 18, 2016, Pétrolia announced long-term production testing on the Haldimand 4 well had begun after receiving all of the necessary government approvals. Pétrolia and its partner Québénergie have approved the 240-day long-term test program.

- The Annual Shareholder Meeting was held on May 27, 2016. The shareholders elected Alexandre Gagnon, Jacques Bourgeois, David McCallum, Myron Tétreault, Martin Bélanger and Charles Boulanger as Directors. All other agenda items were also approved, including the ratification of the proposed rolling stock option plan representing no more than 10% of the shares issued by the Company. The Company's shareholders also approved the appointment of Ernst & Young LLP as the Company's auditors. In addition, Pétrolia granted 225,000 stock options to a director and officers of the Company at an exercise price of $0.22 per share, expiring May 25, 2021. Subject to TSX Venture Exchange approval, the Company also wishes to announce the renewal for a five-year period of a lease entered into by the Company with a director pertaining to privately owned land for its Québec operations in exchange for the issuance of 50,000 common shares of its capital.

  Karl Mc Lellan left his position as Pétrolia's Chief Financial Officer and Corporate Secretary upon his appointment to the Board of Directors. Karl will continue his involvement with the Company as a director.

  Mario Racicot, formerly Pétrolia's Manager of Corporate Affairs, was appointed Pétrolia's Chief Financial Officer and Corporate Secretary. Lastly, to complete Pétrolia's senior management team, Pétrolia appointed Joannie Proteau as Director of Finance. As a result, she also serves on the Company's Management Committee.

- On June 15, 2016, Pétrolia announced that the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) had issued all of the certificates of authorization necessary, including the permit for hydraulic fracking, in order to proceed with the exploration program contemplated by the agreements that led to the creation of Anticosti Hydrocarbons L.P. Readers are reminded that Pétrolia Anticosti was mandated by the Board of Directors of Anticosti Hydrocarbons to prepare the application for the certificate of authorization, as well as all required documentation and studies relating thereto.

- On June 16, 2016 Pétrolia announced that Ressources Québec inc., acting as an agent of the Government of Québec, invested an additional $8.5 million in the Bourque Project. This investment is a direct equity interest in the project through the joint venture created after the first investment phase. The investment announced, combined with that of our partner TUGLIQ Energy Corp., completes the financing for the planned work. With the completion of this financing, Pétrolia owns 51% of the joint venture, which it also operates. Provided the requisite licences and authorizations are obtained, work on the first phase of the resource confirmation program, consisting of the completion of Bourque 1 and the drilling of an additional well, is expected to begin this summer.

- On July 16, 2016, Pétrolia confirmed the closing of a private placement, issuing 4,629,686 flow-through shares at a price of $0.27 per share for gross proceeds of $1,250,015.22. The proceeds of this private placement will be used by the Company to incur Canadian exploration expenses on the Company's Bourque property located in the Province of Québec and such exploration expenses will be fully incurred on or before December 31, 2017 in accordance with the Company's undertakings to the subscribers of this private placement. As consideration for their services, Marquest Capital Markets and Secutor Capital Management Corp. received finder's fees equal to 6% of the gross proceeds of the offering. All flow-through shares issued pursuant to this private placement are subject to a hold period ending on November 15, 2016. Upon issuance of these flow-through shares, the Corporation had 97,049,881 common shares issued and outstanding.

- On July 25, 2016, Pétrolia Inc. issued a comment on the judgment rendered by the Honourable Mr. Justice Castonguay in the action filed by Pétrolia on July 12, 2016 to force its partners Ressources Québec and Saint-Aubin E&P (Québec) Inc. (Saint-Aubin) to fulfil their contractual commitments. First, Pétrolia noted that Justice Castonguay acknowledged the clear obligation of Ressources Québec and Saint-Aubin to finance the exploration program and made orders to that effect. The judgment recognizes the operator's financial needs and specifically orders Ressources Québec and Saint-Aubin to fund the administrative and day-to-day expenses of Pétrolia Anticosti on a monthly basis until May 2017. In addition to these orders, the Court also acknowledged the commitment by Ressources Québec and Saint-Aubin to finance the construction of the drilling platforms. Lastly, the judgment ordered the partners to appoint an independent director within 30 days. Given the preliminary stage of proceedings, Justice Castonguay further decided to defer judgment on the applications for the drilling of three wells scheduled for 2016.

- On August 18, 2016, the Company announced the commencement of resource confirmation work on the Bourque property, consisting of the re-entry and completion of Bourque 1, as well as the drilling and completion of an additional well.

3. COMPANY'S INCORPORATION AND MISSION

Incorporated under Part IA 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 over 16,475.85 square kilometres (“km²”), 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.

There are four partnership agreements covering portions of the Company’s territories under licence:

- A partnership agreement in respect of 38 exploration licences (6,195 km²) 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.

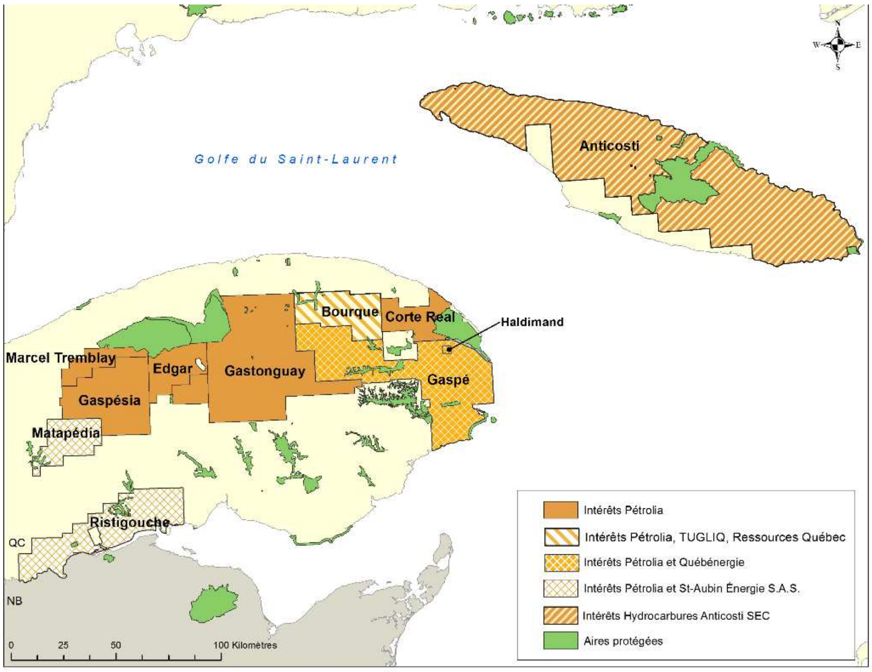
- On the Gaspé licences, Pétrolia and Québénergie each hold a 50% interest in each of the 13 licences, covering a total area of approximately 2,500 km².

- On the Baie-des-Chaleurs–Matapédia and Restigouche 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 km².

- As of July 15, 2016, the interests in the four Bourque property licences were as follows:
  Pétrolia – 51.03%; TUGLIQ Energy – 3.97%; and Ressources Québec – 45%.

- The remaining licence blocks are wholly owned by Pétrolia.

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.

Production test

- Following cleaning operations in fall 2015, Pétrolia began a 240-day long-term production test in May 2016. The first crude oil delivery occurred on June 2, 2016. Two tanker trucks containing nearly 530 barrels of crude oil were delivered to a Québec refinery. This was the first crude oil output since production testing got underway. Readers are reminded that long-term production tests are used to collect production data over 240 days to provide a basis for estimating the reserve's economic potential and possibly applying for a production lease.

Social acceptability

- Since long-term production tests began, very little activity has been noticed.

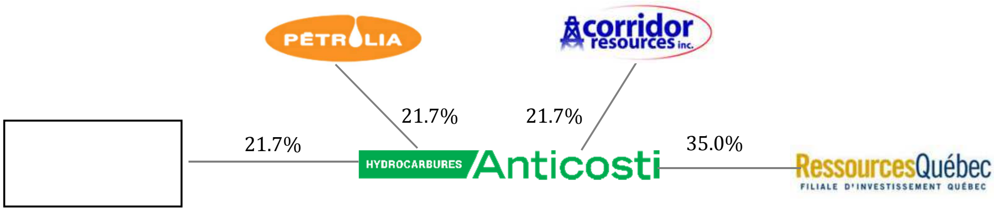
- The Citizens Committee is still in place. Meeting minutes are available here (in French).

Anticosti project

Background

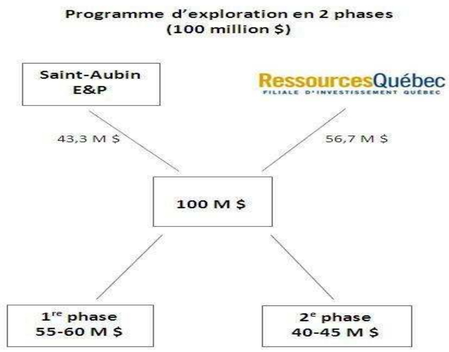
- The main goal of the Anticosti project is to develop the hydrocarbon source rock contained in the Macasty Formation and determine whether this type of deposit can be developed economically. According to Sproule Associates Limited, the best estimate (P50) of the undiscovered total petroleum initially-in-place 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.

Completed and scheduled work

First phase:

- 2014-2015:
  Stratigraphic testing was carried out using four mining drills equipped with oil drilling safety devices.

These surveys enabled the extraction of boring cores from the Macasty Formation and were used, in particular, to identify the best locations for the oil wells to be drilled in 2016.

- 2016-2017:
  During the campaign, three horizontal wells are scheduled to be drilled with fracking;
  Land clearing operations and well drilling preparations, consisting of site grading and compaction, will begin this fall.

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. As at June 30, 2016, exploration expenses incurred on the property amounted to $24,455,111.

Based on Phase I results and a green light from Anticosti Hydrocarbons L.P.'s Board of Directors, a second phase will follow subsequent to the exploration work completed from 2014 to 2017.

Second phase:

- Following the exploration work completed in the first phase, horizontal oil wells will be drilled with fracking.

  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%). Following $100 million in incurred exploration expenses borne by contributions from Ressources Québec and Saint-Aubin E&P, subsequent costs will be assumed according to the four limited partners' proportionate interests.

Planned exploration work for 2016

- Since the end of the stratigraphic drilling campaign completed in fall 2015, our team is busy planning the three horizontal wells to be drilled with fracking. The drilling timeline is being negotiated between the partners and is currently before the courts.

- In his July 21, 2016 judgment, Justice Castonguay acknowledged the clear obligation of Ressources Québec and Saint-Aubin to finance the exploration program and made orders to that effect. The judgment recognizes the operator's financial needs and specifically orders Ressources Québec and Saint-Aubin to fund the administrative and day-to-day expenses of Pétrolia Anticosti on a monthly basis until May 2017. In addition to these orders, the Court also acknowledged the commitment by Ressources Québec and Saint-Aubin to finance forthwith the construction of the drilling platforms.

- At present, Pétrolia Anticosti, the project operator, is preparing for the well drilling platform campaign that is to occur this year. It is unlikely that the wells will be drilled this year, as announced by our partner Corridor Resources.

- Under the new timeline, platform construction is scheduled for this year, with well drilling and fracking slated for 2017.

Certificate of authorization

- On June 15, 2016, Pétrolia announced that the MDDELCC had issued all of the necessary certificates of authorization, including for hydraulic fracking, in order to proceed with the exploration program.

Assessment of social acceptability

- Follow-ups are underway with outfitters.
- A daily media watch is in place.
- Every month, Pétrolia fields questions and queries from the vigilance and intervention centre for petroleum issues on Anticosti, a citizens committee known by its French acronym, CVIEPA. Follow-ups are carried out periodically.

Bourque Project

Background

- The Bourque Project is located in a non-urbanized area, about 30 km east of 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 trillion cubic feet (one thousand billion).

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 TUGLIQ Energy with the natural resources it needs to supply its industrial clients in the Côte-Nord and Nord-du-Québec regions.

- In 2015, a partnership was formed by the Company, Ressources Québec and TUGLIQ Energy for the investments made by Ressources Québec and TUGLIQ Energy in the Bourque property. For the purposes of this transaction, the value of the Bourque property was based on expenses incurred by the Company in the amount of $21.9 million. Ressources Québec invested $918,200 in the partnership in consideration for a 4.80% interest in the Company's licences for the Bourque property, while TUGLIQ Energy acquired a 5.29% interest in the same licences in consideration for its investment of $1,350,000. The Company also invested $1,350,000 in the partnership (see the November 4, 2015 press release).

- In July 2016, the Company confirmed the second phase of financing by Ressources Québec inc. amounting to $8,500,000. This investment is a direct equity interest in the Bourque project through the partnership. Upon completion of this second phase of financing, Pétrolia owned 51.05% of the partnership and became the project operator, while its two partners, Ressources Québec and TUGLIQ Energy owned 45% and 3.97%, respectively.

- The proceeds from these investments were spent in part by the Company in 2015, with the remainder to be spent in 2016 in connection with the Bourque property exploration program including the re-entry and completion of Bourque 1 well and completion of a third well. On August 18, 2016, the Company announced the commencement of work on the property.

Planned exploration work for fall 2016

- For Bourque 1, initially, the lower open hole section of the well will be abandoned through the installation of 4 cement plugs at depths of 2,746 m–1,780 m. Then, the drilling of the deviated section will be initiated at 1,230 m and progressively deviated to reach a near horizontal angle at 1,700 m kb (to a true vertical depth (TVD) of 1,505 m), before setting the intermediate casing. The projected total measured depth of the well is 3,450 m (1,488 m TVD). The drilling of the 1,750 m horizontal leg of the reservoir will be followed by logging and completion.

- Subsequently, the drilling rig will be moved a few metres away toward the enlarged portion of the Bourque 1 site in order to drill Bourque Hz No. 3. This new well will be drilled vertically to a depth of 1,006 m Kb. The hole will then be progressively deviated down to a total measured depth of 1,500 m Kb or a TVD of 1,299 m Kb before setting the intermediate casing. Drilling will resume for a horizontal section of 1,650 m in length. The planned total measured depth of Bourque Hz No 3 is 3,150 m Kb, to a TVD of 1,288 m.

- At the end of the drilling, electrical logging operations and installation of casing for Bourque Hz No. 3, a completion program and production tests will be performed for both wells successively to assess the natural production from the Forillon formation.

Social acceptability

- A Citizens Committee was set up in conjunction with the Municipality of Murdochville and a first meeting was held in August 2016. This Committee consists of three Murdochville citizens, a hunting association representative, a First Nations representative and a representative from La Côte-de-Gaspé RCM.

Other properties

Other

- Pétrolia reviewed all of its data from its other properties in the Gaspé Peninsula to pinpoint areas with characteristics similar to those found in the Bourque Project and identify high-potential development properties.

COMPANY EXPERTISE

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

All Company worksites employ industry best practices. As a result, every effort is made to reduce environmental and social risks 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 three-month period ended June 30, 2016 consisted of $9,185 in interest income from short-term investments, compared with $11,775 for the three-month period ended June 30, 2015, $14,087 in project management revenues, compared with $36,639, and nil other income, compared with $7,028. For the quarter, revenues from oil deposit evaluation amounted to $18,888, compared with $21,800 in the second quarter of 2015, and are recognized as a reduction of exploration expenses.

Project management revenues comprise management fees invoiced by the Company as a project operator for exploration work, with such fees varying based on the exploration work performed over the period.

The Company recognized a loss of $631,901 for the second quarter of fiscal 2016, compared with a loss of $362,795 for the three-month period ended June 30, 2015.

As at June 30, 2016, the Company had $3,927,129 in cash and cash equivalents, including $3,297,691 held for exploration purposes, and $1,191,026 in positive working capital.

On July 15, 2016, the Company issued 4,629,686 flow-through shares for gross proceeds of $1,250,015. In addition, the Company confirmed the closing of the Bourque project's second phase financing by Ressources Québec inc. in a total amount of $8,500,000. Upon completion of this transaction, the Company's interest in the four Bourque property licences amounted to 51.03%, with the interests of Ressources Québec inc. and TUGLIQ Energy Corp. amounting to 45% and 3.97%, respectively.

ANALYSIS OF CASH FLOWS

For the six-month period ended June 30, 2016, the Company reported a net loss of $939,736, compared with a net loss of $668,318 for the six-month period ended June 30, 2015. For the first two quarters of 2016, net cash used in the Company's operating activities amounted to $854,479, compared with net cash used of $50,409 for the same period of 2015.

Cash flows used in investing activities for the six-month period ended June 30, 2016 totalled $2,652,023, owing primarily to $2,027,979 in net exploration and evaluation costs net of recovered amounts, $450,000 in guarantee deposits, $92,509 in oil and gas property costs net of recovered amounts and $75,582 in contributions from associates. Cash flows used in investing activities for the six-month period ended June 30, 2016 totalled $4,849,887, mainly as a result of $4,762,277 in exploration and evaluation expenses net of recovered amounts and $95,719 in oil and gas property costs net of recovered amounts.

Cash flows used in financing activities for the six-month period ended June 30, 2016 totalled $89,141, arising mainly from share issuance costs paid during the first half of the year for financing completed in November 2015. Cash inflows from financing activities for the same period in 2015 amounted to $2,000,550, primarily as a result of the issuance of 2,728,500 flow-through shares for net proceeds from share issuance of $2,003,753.

ANALYSIS OF OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the three-month period ended June 30, 2016 were up $360,968 compared with the same period of the previous fiscal year, and the Company re-invoiced operating and administrative expenses totalling $221,397.

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

- Professional services: During the period ended June 30, 2016, professional services increased nearly $290,000 year over year, as non-recurring professional fees were incurred in the 2016 period.
- Salaries and employee benefits: Following the departure of a member of key management personnel in November 2015, a release was signed in June 2016. A $150,000 termination benefit was granted subsequent to this settlement.

ANALYSIS OF SHARE OF ASSOCIATES

The Company's share in the net losses of associates for the first second of 2016 totalled $40,399 compared with $49,567 for the second quarter of 2015.

Financial information

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

	As at June 30, 2016 $	**As at June 30, 2015 $**
Assets	125,530,693	124,181,863
Liabilities	1,050,127	799,857
Partners' equity	124,480,566	123,382,005
Revenues	—	—
Net loss and comprehensive loss	(335,153)	(427,181)
Share of Pétrolia [21.7%]	(72,616)	(92,556)

SUMMARY OF QUARTERLY RESULTS

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

	June 2016 $	March 2016 $	December 2015 $	September 2015 $
Revenues (including financial income)	23,272	23,167	51,627	27,912
Net loss	(631,901)	(307,835)	(697,221)	(187,096)[1]
Net loss per share				
Basic	(0.007)	(0.003)	(0.008)	(0.002)
Diluted	(0.007)	(0.003)	(0.008)	(0.002)

	June 2015 $	March 2015 $	December 2014 $	September 2014 $
Revenues (including financial income)	55,442	104,412	40,289	107,406
Net loss	(362,795)[1]	(305,523)[1]	(740,982)	(298,900)
Net loss per share				
Basic	(0.005)	(0.004)	(0.010)	(0.004)
Diluted	(0.005)	(0.004)	(0.010)	(0.004)

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

2014 – November	Recognition of share-based payment of $305,492
2015 – March	Recognition of share-based payment of $22,275
2015 – May	Recognition of share-based payment of $31,006
2015 – November	Recognition of share-based payment of $222,663
2015 – May	Recognition of share-based payment of $22,544

[1] During the quarter ended September 30, 2015, the Company reviewed the calculation of the deferred tax recovery, adjusting it to $50,004 from $142,786 for the first quarter of 2015 and to $112,290 from $239,773 for the second quarter of 2015. These adjustments resulted in increases in the deferred tax liability by $92,782 as at March 31, 2015 and by $126, 983 as at June 30, 2015 while the net loss increased and retained earnings decreased by these same amounts for the three-month periods ended March 31, 2015 and June 30, 2015. Those adjustments also increased net loss per share and net diluted loss per share by $0.001 and $0.002, respectively, for the three-month periods ended March 31, 2015 and June 30, 2015.

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:

	2016	2015
	[6 months]	[6 months]
	$	$
Short-term employee benefits:		
Salaries and employee benefits	215,843	466,191
Termination benefit	150,000	—
Director fees	83,742	66,947
Total short-term employee benefits	449,585	533,138
Fees	42,900	50,600
Share-based compensation	19,777	53,281
Total compensation	512,262	637,019

During the periods ended June 30, 2016 and 2015, no options granted under the stock option plan were exercised by key management personnel.

RELATED COMPANIES AND OTHER PARTIES

Transactions were carried out:

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

	2016	2015
	[6 months]	[6 months]
	$	$
Comprehensive loss:		
Other expenses	7,800	9,200

With an associate:

	2016	2015
	[6 months]	[6 months]
	$	$
Comprehensive loss:		
Project management	20,116	42,224

As at June 30, 2016, an amount of $762,885 [December 31, 2015 – $944,309] was receivable from Anticosti Hydrocarbons L.P.

In addition, as at June 30, 2016, a contribution of $28,281 [December 31, 2015 – $19,637] was payable to Anticosti Hydrocarbons L.P., while no contribution [December 31, 2015 – $10,120] was payable to Anticosti Hydrocarbons General Partner Inc.

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.

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 period-end date, that is, June 30, 2016.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company finances its growth by issuing shares, selling interests in some of its oil assets and by obtaining short-term loans. One of management's primary financial goals is to maintain an optimal level of liquidity through the active management of its exploration activities. The Company's maximum exposure to liquidity risk is equal to the amounts recognized under trade and other payables, which will be paid in the subsequent quarter, and bank borrowings to be repaid as contractually agreed under the loan agreement.

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: interest rate risk, currency risk and other price risk. The Company is exposed to one of those risks, namely interest rate risk.

Interest rate risk

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

JUDGMENTS, ESTIMATES AND ASSUMPTIONS

For a complete description of the judgments, estimates and assumptions made by management in the preparation of its annual consolidated financial statements, see note 4 to the annual consolidated financial statements as at December 31, 2015.

FUTURE CHANGES IN ACCOUNTING POLICIES

For a complete description of future changes in accounting policies, see note 3 to the annual consolidated financial statements as at December 31, 2015.

CAPITAL MANAGEMENT

For a complete description of the Company's capital management policy, see note 21 to the annual consolidated financial statements as at December 31, 2015.

OTHER INFORMATION

(a) Supplemental documents

Certain supplemental documents, including prior management reports and press releases, are available online at www.sedar.com in the documents section or on Pétrolia's website at www.petrolia-inc.com.

(b) Regulation 51-102 Section 5.2

Exploration expenses for the six-month period ended June 30, 2016 are detailed as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracking	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti	-	-	-	-	-	1,321	-	-	-	1,321
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	38,484	3,615	5,264	-	-	21,501	-	-	1,241	70,105
Bourque	10,305	9,072	119,707	2,112	-	2,459	-	-	2,552	146,207
Haldimand	4,753	370	432,509	11,696	-	45,971	-	-	65,598	560,897
Tar Point	-	-	-	-	-	358	-	-	1,347	1,705
Matapédia	-	-	-	-	-	-	-	-	-	-
	53,542	**13,057**	**557,480**	**13,808**	**-**	**71,610**	**-**	**-**	**70,738**	**780,235**

Exploration expenses for the six-month period ended June 30, 2015 are detailed as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracking	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti	-	-	202	-	-	2,505	-	37,788	-	40,495
Gastonguay	78	-	-	-	-	-	-	-	-	78
Gaspésia Marcel-Tremblay Edgar	332	-	-	-	-	-	-	-	-	332
Gaspé	13,846	600	-	75	-	269,349	-	30,881	-	314,751
Bourque	4,043	11,807	-	54,122	-	4,171	-	111,059	-	185,202
Haldimand	4,980	600	3,564,155	1,050	-	10,744	-	79,920	10,487	3,671,936
Tar Point	75	-	-	-	-	2,282	-	26,632	-	28,989
Matapédia	85	-	-	-	-	-	-	-	-	85
	23,439	**13,007**	**3,564,357**	**55,247**	**-**	**289,051**	**-**	**286,280**	**10,487**	**4,241,868**

(c) Regulation 51-102 Section 5.4

Information regarding shares issued, stock options and warrants as at August 25, 2016

Common shares: 97,099,881 shares are issued and outstanding.

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

• 985,000 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;

• 2,045,000 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;

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

• 555,000 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 27, 2019;

• 885,000 options exercisable at a price of $0.49 per share until November 25, 2019;

• 75,000 options exercisable at a price of $0.57 per share until March 25, 2020;

• 75,000 options exercisable at a price of $0.55 per share until May 27, 2020;

• 1,800,000 options exercisable at a price of $0.34 per share until November 24, 2020;

• 225,000 options exercisable at a price of $0.22 per share until May 25, 2021.

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

• 4,125,000 warrants exercisable at a price of $0.54 per share until November 6, 2018.

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. The condensed interim consolidated financial statements of Pétrolia inc. for the periods ended June 30, 2016 and 2015 have not been audited by the Company's independent 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, August 25, 2016

On behalf of the Board of Directors,

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

(signed) Mario Racicot
Mario Racicot
Chief Financial Officer and Corporate Secretary