MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 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 September 30, 2016.

This MD&A was approved by the Board of Directors on November 17, 2016.

This MD&A presents the view of management on current Company activities and is accompanied by the financial results as at September 30, 2016. It may also provide information on significant events that occurred after September 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 September 30, 2016 is November 17, 2016.

2. QUARTERLY HIGHLIGHTS

- On July 15, 2016, Pétrolia confirmed the closing of the Bourque Project's second phase financing by Ressources Québec inc. for a total amount of $8,500,000. This investment, which constitutes a direct interest in the four licences related to the Bourque property, consisted of a cash amount of $2,000,000 and a $6,500,0000 contribution following a call for funds, for exploration work financing. With this investment, Ressources Québec inc. obtained 38.8% of the Company's interest in these licences and 1.32% of the interest of TUGLIQ Energy Corp. in these licences. The Company will use the proceeds of this investment to carry out the Bourque exploration program during 2016. Following the completion of this second phase of financing, the interests in the four licences related to the Bourque property amounted to 51.03% for the Company, 45% for Ressources Québec inc. and 3.97% for Tugliq Énergie Corp.

- On July 15, 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.

- 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.

- On August 26, 2016, Pétrolia Inc. announced changes to its management team following Alexandre Gagnon's announcement that he was resigning as President and CEO and as a member of the Board. Pétrolia has begun the process to fill the CEO position. In the meantime, Martin Bélanger will act as interim President and CEO. As a member of the Board of Directors for nearly two years, he is well aware of the issues that drive the Company.

  In connection with these changes, Pétrolia granted 450 000 stock options to Company officers at an exercise price of $0.21 per share, expiring August 25, 2021.

- On September 2, 2016, Pétrolia confirmed the existence of a functional oil reservoir comprising natural fractures on the Haldimand property as well as the termination of the production test on Haldimand 4 that started in May.

- On September 8, 2016, Pétrolia announced the resignation of Jacques Bourgeois, who had been a member of the Board since 2013.

- On September 26, 2016, the Company announced the start of work that will enable the drilling of the lateral section of Bourque No 1. The drilling of the horizontal leg of the reservoir will be followed by logging and completion. The lower open hole section of the well has been permanently abandoned through the installation of four cement plugs. 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. Once the drilling, electrical logging operations, installation of casing for Bourque HZ No. 3, and completion programs are finished, production tests will be performed for both wells successively to assess the natural production from the Forillon formation.

- On October 27, 2016, the Company confirmed the closing of a private placement, issuing 6,077,579 flow-through shares at $0.19 per share for gross proceeds of $1,154,740. 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.

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.

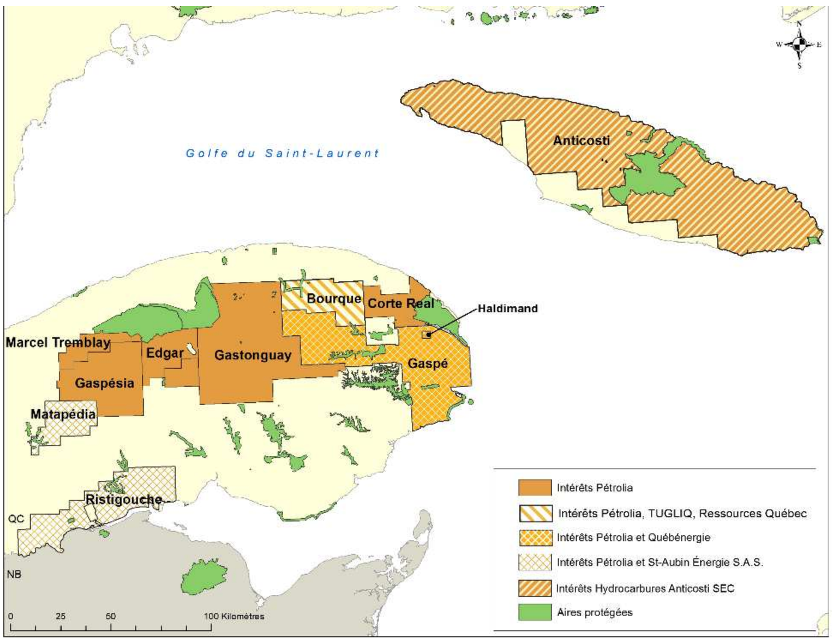
- For the Gaspé licences, Pétrolia and Québénergie each hold a 50% interest in each of the 13 licences, covering a total area of approximately 2,500 km².

- For 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 holding a 50% interest in 13 licences covering 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 and completed it in September 2016. The production test allowed the natural production, without artificial aid, of high quality oil (API 53). During this test, which included periods of production and stoppage, the well produced nearly 1,200 barrels of light oil without a pump. This test also allowed the collection of important data on the permeability and porosity of the formation. It was noted that the formation is not very permeable and that it is a system of mixed porosity.

- As a result, in order to improve the productivity of the formation, Pétrolia and its partner Québénergie are working on developing a stimulation program that would allow for optimal production of the Haldimand reservoir.

Social acceptability

- Since the production test activities were completed, no significant events have been noted.

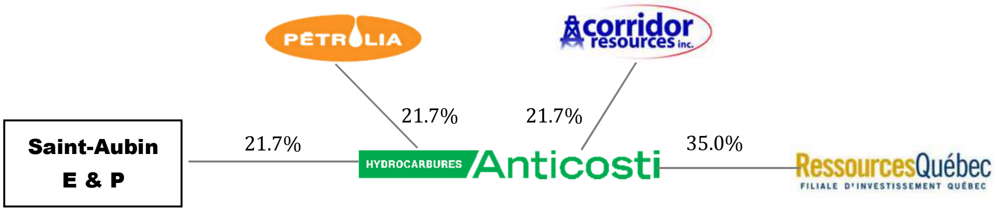
- The Citizens Committee is still in place. A new Company representative was appointed to the Committee. The meeting minutes are available here.

Anticosti project

Background

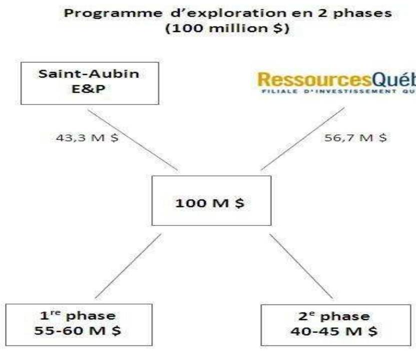
- The main goal of the Anticosti project is to develop the hydrocarbon source rock contained in the Macasty Formation and determine whether this type of deposit can be developed economically. According to Sproule Associates Limited, the best estimate (P50) of the undiscovered total petroleum initially-in-place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

  The preparation work for well drilling is currently underway.

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 September 30, 2016, exploration expenses incurred on the property amounted to $25,630,854.

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 fracturing.

  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 fracturing campaign completed in fall 2015, our team is busy planning the three horizontal wells to be drilled with fracturing. 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 the well drilling platforms.
- Under the new timeline, platform construction is scheduled for this year, with well drilling and fracturing 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 fracturing, in order to proceed with the exploration program.

- On August 8, 2016, Pétrolia applied to the MDDELCC to amend the certificates of authorization for the Jupiter well. The application for an amendment was solely related to the location of the Jupiter well. This new location will reduce environmental impacts as well as costs. We are currently awaiting the issuance of amended certificates.

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).

- 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 Bourque No. 3 are currently underway and are expected to be finished before the year-end.

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 and during the first nine months of 2016, 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.

Planned exploration work for fall 2016

- For Bourque 1, initially, the lower open hole section of the well was abandoned through the installation of 4 cement plugs at depths of 2,746 m–1,780 m. On September 25, 2016, the drilling of the deviated section was 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 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.

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

Social acceptability

- A daily media watch is in place.

- A Citizens Committee was set up in conjunction with the Municipality of Murdochville 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. Communication among the Committee members as well as with the Company are frequent, thereby ensuring the monitoring of operations and continuity in information sharing.

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 September 30, 2016 consisted of $11,298 in project management revenues, compared with $22,524 for the three-month period ended September 30, 2015, and nil other income, compared with $998 for 2015. 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 $393,719 for the third quarter of fiscal 2016, compared with a loss of $406,862 for the three-month period ended September 30, 2015.

As at September 30, 2016, the Company had $11,720,394 in cash and cash equivalents, including $9,795,253 held for exploration purposes, and $3,229,666 in positive working capital.

At the end of the third quarter, the Company confirmed the closing of a private placement, issuing 6,077,579 flow-through shares at $0.19 per share for gross proceeds of $1,154,740. In consideration of the services provided in connection with this private placement, finder's fees in the amount of $75,000 were paid in cash and recognized as a reduction in the Company's share capital.

ANALYSIS OF CASH FLOWS

The Company reported a net loss of $1,333,455 for the nine-month period ended September 30, 2016 compared with a net loss of $855,414 for the nine-month period ended September 30, 2015. For the first three quarters of 2016, net cash used in the Company's operating activities amounted to $2,048,169, compared with net cash used of $757,366 for the same period of 2015.

Cash flows used in investing activities for the nine-month period ended September 30, 2016, totalled $1,204,437, owing primarily to $2,362,971 in exploration and evaluation costs net of recovered amounts, $2,000,000 in proceeds from the disposal of interests in the Bourque project, $600,000 in security deposits, $131,649 in oil and gas property costs net of recovered amounts and $103,863 in contributions from associates. Cash flows used in investing activities for the nine-month period ended September 30, 2015 totalled $4,564,332, mainly as a result of $4,323,233 in exploration and evaluation expenses net of recovered amounts and $133,054 in oil and gas property costs net of recovered amounts and $111,702 in contributions from associates.

Cash flows from financing activities for the nine-month period ended September 30, 2016 amounted to $7,450,228 stemming essentially from proceeds totalling $1,058,539, net of share issuance costs, from the issue of 4,679,686 shares, and $6,396,630 in advances received from partners for the Bourque Project. Cash inflows from financing activities for the same period in 2015 amounted to $2,006,133, primarily as a result of the issuance of 2,728,500 flow-through shares for $2,003,753 in proceeds net of share issuance costs.

ANALYSIS OF OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the three-month period ended September 30, 2016 were up $201,716 compared with the three-month period ended September 30, 2015, and the Company re-invoiced operating and administrative expenses totalling $145,293.

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

- Professional services: During the period ended September 30, 2016, professional services increased nearly $100,000 year over year, as non-recurring professional fees were incurred in the 2016 period.
- Reversal of a provision: A $51,525 provision related to a non-recurring item in 2016 was reversed during the three-month period ended September 30, 2015.

ANALYSIS OF SHARE OF ASSOCIATES

The Company's share in the net losses of associates for the third quarter of 2016 totalled $25,691 compared with $21,682 for the third 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 September 30,2016 $	**As at September 30, 2015 $**
Assets	128,990,504	123,947,176
Liabilities	1,798,103	565,173
Partners' equity	127,192,401	123,382,005
Revenues	—	—
Net loss and comprehensive loss	(453,724)	(527,251)
Share of Pétrolia [21.7%]	(98,307)	(114,238)

SUMMARY OF QUARTERLY RESULTS

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

	September 2016 $	June 2016 $	March 2016 $	December 2015 $
Revenues (including financial income)	18,732	23,272	23,167	51,627
Net loss	(393,719)	(631,901)	(307,835)	(697,221)
Net loss per share				
Basic	(0.004)	(0.007)	(0.003)	(0.008)
Diluted	(0.004)	(0.007)	(0.003)	(0.008)

	September 2015 $	June 2015 $	March 2015 $	December 2014 $
Revenues (including financial income)	27,912	55,442	104,412	40,289
Net loss	(187,096)[1]	(362,795)[1]	(305,523)[1]	(740,982)
Net loss per share				
Basic	(0.002)	(0.005)	(0.004)	(0.010)
Diluted	(0.002)	(0.005)	(0.004)	(0.010)

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
2016 — August	Recognition of share-based payment of $39,575

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 [9 months] $	2015 [9 months] $
Short-term employee benefits:		
Salaries and employee benefits	309,331	553,779
Termination benefit	150,000	—
Director fees	123,098	105,472
Total short-term employee benefits	582,429	659,251
Fees	103,500	72,050
Share-based compensation	47,117	53,281
Total compensation	733,046	784,582

During the periods ended September 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 [9 months] $	2015 [9 months] $
Comprehensive loss:		
Other expenses	12,400	13,100

With an associate:

	2016 [9 months] $	2015 [9 months] $
Comprehensive loss:		
Project management revenues	29,536	97,770

As at September 30, 2016, an amount of $1,174,981 [December 31, 2015 – $944,309] was receivable from Anticosti Hydrocarbons L.P.

In addition, as at September 30, 2016, a contribution of $29,485 [December 31, 2015 – $19,637] was payable to Anticosti Hydrocarbons L.P., while a contribution of $4,802 [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, September 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 following 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

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

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 nine-month period ended September 30, 2016 are detailed as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Stimulation	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti	-	-	-	-	-	2,104	-	-	-	2,104
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	43,384	18,603	12,703	-	-	25,651	-	-	1,241	101,582
Bourque	20,831	12,480	1,747,729	3,520	-	16,121	-	-	10,328	1,811,009
Haldimand	4,753	501	493,931	11,696	-	54,984	-	-	102,314	668,179
Tar Point	-	-	242	-	-	569	-	-	1,637	2,448
Matapédia	-	-	-	-	-	-	-	-	-	-
	68,968	**31,584**	**2,254,605**	**15,216**	**-**	**99,429**	**-**	**-**	**115,520**	**2,585,322**

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

	Geology	Geophysics	Completion and drilling	Analysis	Stimulation	General expenses	Options	Provision	Site maintenance	Total
	$	$	$	$	$	$	$	$	$	$
Anticosti	-	-	202	-	-	3,060	-	37,788	-	41,050
Gastonguay	78	-	-	-	-	-	-	-	-	78
Gaspésia Marcel-Tremblay Edgar	332	-	-	-	-	-	-	-	-	332
Gaspé	13,846	600	-	75	-	284,411	-	30,881	137	329,950
Bourque	15,279	13,157	64,181	54,122	-	6,531	-	111,059	1,500	265,829
Haldimand	5,976	600	3,761,980	21,325	-	17,638	-	79,920	25,261	3,912,700
Tar Point	75	-	-	-	-	2,592	-	26,632	500	29,799
Matapédia	85	-	-	-	-	-	-	-	-	85
	35,671	**14,357**	**3,826,363**	**75,522**	**-**	**314,232**	**-**	**286,280**	**27,398**	**4,579,823**

(c) Regulation 51-102 Section 5.4

Information regarding shares issued, stock options and warrants as at November 17, 2016

Common shares: 103,177,460 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;
- 2,030,000 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;
- 545,000 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;
- 862,500 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.
- 450,000 options exercisable at a price of $0.21 per share until August 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 September 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, November 17, 2016

On behalf of the Board of Directors,

(signed) Martin Bélanger
Martin Bélanger
Interim President and Chief Executive Officer

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