



These materials are important and require your immediate attention. They require Pétrolia Shareholders and Pieridae Shareholders to make important decisions. If you are in doubt as to how to make such decisions please contact your financial, legal, tax or other professional advisors. This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. Pétrolia Shareholders with questions may contact Pétrolia Inc.'s proxy solicitation agent, D.F. King, by telephone at 1-866-822-1238 (toll free in North America) or 1-201-806-7301 (collect outside North America), by facsimile at 1-888-509-5907 or by email at inquiries@dfking.com.

PÉTROLIA INC.

AND

PIERIDAE ENERGY LIMITED

Notice of

Annual General and Special Meeting of Shareholders of Pétrolia Inc. to be held
on October 3, 2017

and

Annual General and Special Meeting of Shareholders of Pieridae Energy
Limited to be held on September 26, 2017

Joint Information Circular concerning the
Plan of Arrangement involving

Pétrolia Inc. and Pieridae Energy Limited

**The Boards of Directors of each of Pétrolia Inc. and Pieridae Energy Limited
unanimously recommend that their respective shareholders vote**

FOR

the resolutions approving the Arrangement

August 29, 2017

Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Reverse Take Over described in this joint information circular.



LETTER TO PÉTROLIA SHAREHOLDERS

August 29, 2017

Dear fellow Pétrolia Shareholders:

The Board of Directors invites you to attend the Annual General and Special Meeting (the “**Pétrolia Meeting**”) of shareholders (“**Pétrolia Shareholders**”) of Pétrolia Inc. (“**Pétrolia**”) to be held at 10:00 a.m. (Eastern Daylight Time) on October 3, 2017 at La Plaza, 420 Sherbrooke Street West, Room “Les Verrières”, Montreal, Quebec H3A 1B4.

At the Pétrolia Meeting, among other matters, you will be asked to consider, and if deemed advisable, pass a special resolution (the “**Pétrolia Arrangement Resolution**”), the full text of which is set out in Schedule “B” in the accompanying joint information circular (the “**Information Circular**”), to approve a plan of arrangement (the “**Arrangement**”) under section 192 of the *Canada Business Corporations Act*, involving, among others, Pétrolia, Pétrolia’s shareholders, Pieridae Energy Limited (“**Pieridae**”) and Pieridae’s shareholders and the amalgamation of Pétrolia and Pieridae, all as more particularly described in the Information Circular.

Pursuant to the Arrangement, Pétrolia’s common shares are valued at \$0.4723 per share, which is 286.24% of the closing price of Pétrolia’s common shares on the TSX-V Venture Exchange on Friday, May 12, 2017. In addition, non-dissenting Pétrolia Shareholders will, upon completion of the Arrangement, receive a dividend, to be declared on a *pro rata* basis based on the total number of issued and outstanding Pétrolia common shares at closing of the Arrangement, of an aggregate amount of \$9,012,002, equal to \$0.0831 per Pétrolia common share, to be paid on the closing date of the Arrangement.

Upon completion of the Arrangement and based on certain assumptions about the number of issued shares, it is expected that the holders of Pétrolia Shares will hold approximately 18.39% and the holders of Pieridae Shares will hold approximately 81.61% of the outstanding shares of the amalgamated corporation.

To ensure Pétrolia’s interests in the amalgamated corporation, subject to the closing of the transaction, Mr. Martin Bélanger, currently the Interim President and Chief Executive Officer of Pétrolia, will assume the role of President, Production, and Mr. Mario Racicot, the current Chief Financial Officer and Corporate Secretary of Pétrolia will assume the role of Chief Financial Officer of the amalgamated corporation. Mr. Charles Boulanger, as well as myself, both current members of the Board of Directors of Pétrolia (the “**Pétrolia Board**”), will become board members of the amalgamated corporation.

With the completion of this transaction, Pétrolia Shareholders will have a unique opportunity to participate in the liquified natural gas (“**LNG**”) industry through the development of a fully integrated energy company, from upstream production to the sale of LNG and which is expected to provide the means for an accelerated exploration of Pétrolia’s properties while offering a long-term market for any gas production. Pétrolia’s Shareholders will receive an immediate premium and considerable potential upside when correlated against similar corporate situations in the North America equity markets this past year.

The Pétrolia Board has unanimously determined that the Arrangement is in the best interests of Pétrolia. Further, the Pétrolia Board has unanimously approved the Arrangement Agreement and unanimously recommends that the Pétrolia Shareholders vote FOR the Pétrolia Arrangement Resolution. The recommendation of the Pétrolia Board is based on various factors, as more particularly set out in the attached Information Circular, including the opinion of MNP LLP, to the effect that the consideration to be received by Pétrolia Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pétrolia Shareholders.

On behalf of the Petrolia Board, I would like to express our gratitude for the support our Petrolia Shareholders have demonstrated with respect to our decision to proceed with the proposed Arrangement

Yours truly,

“(Signed) Myron A. Tétreault”

Myron A. Tétreault
Executive Chairman of the Board



LETTER TO PIERIDAE SHAREHOLDERS

August 29, 2017

Dear fellow Pieridae Shareholders:

The Board of Directors invites you to attend the Annual General and Special Meeting (the “**Pieridae Meeting**”) of shareholders (each a “**Pieridae Shareholder**” and collectively, the “**Pieridae Shareholders**”) of Pieridae Energy Limited (“**Pieridae**”) to be held at the offices of Burstall Winger Zammit LLP, Suite 1600, 333 7th Avenue S.W., Calgary, AB T2P 2Z1 on September 26, 2017 at 9:00 a.m. (Mountain Daylight Time).

At the Pieridae Meeting, among other matters, you will be asked to consider, and if deemed advisable, pass a special resolution (the “**Pieridae Arrangement Resolution**”), the full text of which is set out in Schedule “C” in the accompanying joint information circular (the “**Information Circular**”), to approve a plan of arrangement (the “**Arrangement**”) under section 192 of the *Canada Business Corporations Act*, involving, among others, Pétrolia Inc. (“**Pétrolia**”), Pétrolia’s shareholders, Pieridae and Pieridae’s Shareholders and the amalgamation of Pétrolia and Pieridae, all as more particularly described in the Information Circular.

Pursuant to the Arrangement, Pieridae and Pétrolia will be amalgamated and continued as one corporation (“**Amalco**”) and, upon the completion of and as a result of the amalgamation, each common share in the capital of Pieridae that is issued and outstanding immediately prior to the amalgamation (each a “**Pieridae Share**” and collectively, the “**Pieridae Shares**”) shall be cancelled and in consideration therefor the holders of such Pieridae Shares shall each receive 2.2057526 fully paid and non-assessable common shares in the capital of Amalco (each an “**Amalco Share**” and collectively, the “**Amalco Shares**”) for each Pieridae Share so cancelled.

Upon completion of the Arrangement it is expected that the Pétrolia shareholders will hold approximately 18.39%, and the Pieridae Shareholders will hold approximately 81.61%, of the outstanding shares of Amalco.

Subject to the completion of the Arrangement, Mr. Alfred Sorensen, currently the President and Chief Executive Officer of Pieridae, will assume the role of Chief Executive Officer of Amalco and Mr. Thomas Dawson, currently the Chief Operating Officer of Pieridae, will assume the role of President, LNG of Amalco. Joining them will be Mr. Martin Bélanger, currently the Interim President and Chief Executive Officer of Pétrolia, who will assume the role of President, Production, and Mr. Mario Racicot, the current Chief Financial Officer and Corporate Secretary of Pétrolia who will assume the role of Chief Financial Officer of Amalco.

It is also expected that, subject to the closing of the transaction, the board of directors of Amalco will be comprised of Mr. Alfred Sorensen, Mr. Andrew Judson and Mr. Matthew Rees, each current members of the board of directors of Pieridae, and Mr. Myron A. Tétréault and Mr. Charles Boulanger, both current members of the board of directors of Pétrolia.

The completion of this transaction will not only result in significantly enhanced liquidity to Pieridae shareholders in relation to their investment in the Goldboro LNG Project, but will also significantly increase the project’s holdings of natural gas resource properties for development and future extraction when the

construction of the Goldboro LNG Facility is completed, likely in 2022. Our ultimate objective is to create a world-class integrated LNG business that will deliver value and benefit to its shareholders, employees, customers and lenders.

The Pieridae Board has unanimously determined that the Arrangement is in the best interests of Pieridae. Further, the Pieridae Board has unanimously approved the Arrangement Agreement and unanimously recommends that the Pieridae Shareholders vote FOR the Pieridae Arrangement Resolution. The recommendation of the Pieridae Board is based on various factors, as more particularly set out in the attached Information Circular, including the opinion of Laurentian Bank Securities Inc., to the effect that the consideration to be received by Pieridae Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pieridae Shareholders.

On behalf of the Pieridae Board, I would like to express our gratitude for the support that our Pieridae Shareholders have demonstrated with respect to our decision to proceed with the proposed Arrangement

Yours truly,

“(Signed) Alfred Sorensen”

Alfred Sorensen
President, Chief Executive Officer and Director

PÉTROLIA INC.

511 Saint-Joseph Street East, Suite 304,
Quebec City, Quebec
G1K 3B7

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF
PÉTROLIA INC.**

NOTICE IS HEREBY GIVEN that the Annual General and Special Meeting (the “**Pétrolia Meeting**”) of the shareholders of Pétrolia Inc. (“**Pétrolia**”) will be held at La Plaza, 420 Sherbrooke Street West, Room “Les Verrières”, Montreal, Quebec H3A 1B4, on October 3, 2017, at 10:00 a.m. (Eastern Daylight Time), for the following purposes:

1. to receive Pétrolia’s audited consolidated financial statements and related auditors' report for the financial year ended December 31, 2016;
2. to set the number of Pétrolia directors to be elected at five (5);
3. to elect Pétrolia’s directors for the ensuing year;
4. to appoint Ernst & Young LLP as Pétrolia’s auditors for the financial year ending December 31, 2017, and authorize Pétrolia’s directors to fix their remuneration;
5. to consider, and if deemed advisable, pass a resolution to ratify and confirm Pétrolia’s Stock Option Plan;
6. to consider, and if deemed advisable, to approve the special resolution annexed as Schedule “A-1” to the accompanying joint information circular dated August 29, 2017 (the “**Information Circular**”), approving the continuation of Pétrolia under the *Canada Business Corporations Act* and the adoption of a new CBCA compliant by-law (the “**Continuance Resolution**”);
7. to consider, and if deemed advisable, to approve the special resolution annexed as Schedule “A-2” to the accompanying Information Circular, approving the reduction of the stated capital of the issued and outstanding common shares of Pétrolia (the “**Pétrolia Shares**”) by the amount necessary to meet the solvency test in subsection 192(2) of the CBCA (the “**Reduction of Stated Capital Resolution**”);
8. to consider, and if deemed advisable, pass a special resolution (the “**Pétrolia Arrangement Resolution**”), the full text of which is set out in Schedule “B” in the accompanying Information Circular, to approve a plan of arrangement (the “**Arrangement**”) under section 192 of the *Canada Business Corporations Act*, involving, among others, Pétrolia, Pétrolia’s shareholders, Pieridae Energy Limited (“**Pieridae**”) and Pieridae’s shareholders and the amalgamation of Pétrolia and Pieridae, all as more particularly described in the accompanying Information Circular; and
9. to transact such other business as may be properly brought before the Pétrolia Meeting or any adjournment or postponement thereof.

Specific details of the matters to be put before the Pétrolia Meeting are set forth in the accompanying Information Circular.

The Board of Directors of Pétrolia (the “Pétrolia Board”) unanimously recommends that Pétrolia Shareholders vote FOR the Continuance Resolution, the Reduction of Stated Capital Resolution and the Pétrolia Arrangement Resolution. It is a condition to the completion of the Arrangement that the Pétrolia Arrangement Resolution be approved at the Pétrolia Meeting.

The record date (the “Pétrolia Record Date”) for the determination of Pétrolia Shareholders entitled to receive notice of and to vote at the Pétrolia Meeting is August 8, 2017. Only Pétrolia Shareholders whose names have been entered in the register of Pétrolia Shareholders at the close of business on the Pétrolia Record Date will be entitled to receive notice of and to vote at the Pétrolia Meeting.

Each Pétrolia Share entitled to be voted at the Pétrolia Meeting will entitle the holder to one vote at the Pétrolia Meeting. The Continuance Resolution, the Reduction of Stated Capital Resolution and Pétrolia Arrangement Resolution must each be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders present in person or represented by proxy at the Pétrolia Meeting.

A Pétrolia Shareholder may attend the Pétrolia Meeting in person or may be represented by proxy. Pétrolia Shareholders that are unable to attend the Pétrolia Meeting or any adjournment or postponement thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Pétrolia Meeting or any adjournment or postponement thereof. To be effective, the form of proxy must be received by Computershare Trust Company of Canada, Attention: Proxy Dept., by mail: 100 University Ave., 8th Floor, Toronto, ON M5J 2Y1, or by facsimile: 1-866-249-7775 for Toll Free within North America or 416-263-9524 outside of North America, no later than 5 p.m. (Eastern Daylight Time) on September 29, 2017 or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting. Notwithstanding the foregoing, the chairman of the Pétrolia Meeting has the discretion to accept proxies received after such deadline. The time limit for deposit of proxies may be waived or extended by the chair of the Pétrolia Meeting at his or her discretion, without notice. Pétrolia Shareholders may use the internet (www.investorvote.com) or the telephone (1-866-732-VOTE (8683)) to transmit voting instructions on or before the date and time noted above, and may also use the internet to appoint a proxyholder to attend and vote on behalf of the Pétrolia Shareholder, at the Pétrolia Meeting. For information regarding voting or appointing a proxyholder by internet or voting by telephone, see the form of proxy for Pétrolia Shareholders and/or the Information Circular section entitled “*Part I - General Proxy Information – The Pétrolia Meeting - Registered Pétrolia Shareholders - Voting by Internet and Telephone*” in the accompanying Information Circular.

Pétrolia Shareholders holding Pétrolia Shares that are registered in the name of a broker, custodian, bank, trust company or other intermediary or nominee (Non-Registered Pétrolia Shareholders) should complete and return the voting instruction form or other authorization provided to them in accordance with the instruction provided therein. Failure to do so may result in your Pétrolia Shares not being voted at the Pétrolia meeting.

Pursuant to sections 372 and following of the *Business Corporations Act* (Québec), Registered Pétrolia Shareholders have a right to dissent in respect of the Continuance Resolution and to be paid fair value by Pétrolia for their Pétrolia Shares. Furthermore, pursuant to the Interim Order, Registered Pétrolia Shareholders have a right to dissent in respect of the Pétrolia Arrangement Resolution and to be paid fair value by Pétrolia for their Pétrolia Shares. These Dissent Rights and the Dissent Procedures are described in the Information Circular. The Dissent Procedures require that a Registered Pétrolia Shareholder who wishes to dissent send a written notice of objection to the Continuance Resolution or the Pétrolia Arrangement Resolution, as applicable, to Pétrolia, (i) c/o DS Lawyers Canada LLP, 891, boul. Charest Ouest, Québec, Québec, G1N 2C9, Attention: Kimberley Okell, or (ii) by facsimile transmission to c/o DS Lawyers Canada LLP, Facsimile: (418) 353-1791 Attention: Kimberley Okell, not later than 5:00 p.m. (Eastern Daylight Time) on September 29, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pétrolia Meeting. In the event of exercise of Dissent

Rights in connection with the Continuance Resolution, a Pétrolia Dissenting Shareholder may also give notice of objection to the Chair during the Pétrolia Meeting. Failure to strictly comply with the dissent procedures set forth in Section 372 and following of the *Business Corporations Act* (Québec) for the Continuance Resolution and Section 190 of the *Canada Business Corporations Act* as modified by the Plan of Arrangement (as defined in the Arrangement Agreement) and the Interim Order, for the Pétrolia Arrangement Resoluton will result in loss of the right to dissent. The Arrangement will not be effective if holders of Pétrolia Shares representing more than 15% of the Pétrolia Shares in aggregate then outstanding validly exercised their respective dissent right as described above. See the sections entitled “*Part I – General Proxy Information – Continuance into the CBCA – Dissent Rights to the Continuance*” and “*Part II – The Arrangement – Approval of Shareholders*” in the accompanying Information Circular.

The proxyholder has discretion under the accompanying form of proxy or voting instruction form with respect to any amendments or variations of the matter of business to be acted on at the Pétrolia Meeting or any other matters properly brought before the Pétrolia Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the Pétrolia Meeting is routine and whether or not the amendment, variation or other matter that comes before the Pétrolia Meeting is contested. As of the date hereof, management of Pétrolia knows of no amendments, variations or other matters to come before the Pétrolia Meeting other than the matter set forth in this Notice of Meeting. Pétrolia Shareholders that are planning on returning the accompanying form of proxy or voting instruction form are encouraged to review the Information Circular carefully before submitting the form of proxy or voting instruction form.

The attached Information Circular provides details of the matters to be dealt with at the Pétrolia Meeting and is deemed to form part of the Pétrolia Notice of Meeting. Any adjournment or postponed meeting resulting from an adjournment or postponement of the Pétrolia Meeting will be held at a time and place to be specified either before or at the Pétrolia Meeting or by the Chair at the Pétrolia Meeting.

If you have any questions or need assistance with the completion and delivery of your proxy, please contact the Pétrolia’s proxy solicitation agent, D.F. King, by telephone at 1-866-822-1238 (toll free in North America) or 1-201-806-7301 (collect outside North America), by facsimile at 1-888-509-5907 or by email at inquiries@dfking.com.

Quebec City, Quebec, August 29, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF PÉTROLIA INC.**

“Myron A. Tétreault”

Myron A. Tétreault

Executive Chairman of the Board

PÉTROLIA SHAREHOLDERS QUESTIONS AND ANSWERS

The enclosed joint information circular (the “**Information Circular**”) is furnished in connection with the solicitation by or on behalf of management of Pétrolia of proxies to be used at the Pétrolia Meeting to be held at 10:00 a.m. (Eastern Daylight Time) on October 3, 2017 at La Plaza, 420 Sherbrooke Street West, Room “Les Verrières”, Montreal, Quebec H3A 1B4, for the purposes indicated in the Notice of Annual General and Special Meeting of Pétrolia Shareholders.

Please read the following for commonly asked questions and answers regarding general guidance on voting and proxies and receiving common shares of Amalco, which will be named “Pieridae Energy Limited”, upon completion of the amalgamation.

All dollar amounts in this Question and Answer section are in Canadian currency, unless specified otherwise. See “*Glossary*” in the Information Circular for the meaning assigned to certain capitalized terms herein.

QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT

Q: What are Pétrolia Shareholders being asked to vote on?

A: Pétrolia Shareholders are being asked to vote on a special resolution to approve the Plan of Arrangement involving Pétrolia, Pieridae, the Pétrolia Shareholders and the Pieridae Shareholders. The completion of the Arrangement will result in a Reverse Takeover of Pétrolia.

In addition, the Pétrolia Shareholders are being asked to vote on special resolutions to approve (i) the continuance of Pétrolia into the CBCA and (ii) the reduction of the stated capital of the Pétrolia Shares in order to complete the Arrangement.

See “*Part II - The Arrangement*”.

Q: What will I receive for my Pétrolia Shares under the Arrangement?

A: Pursuant to the Arrangement, all of Petrolia’s Shareholders that do not exercise their Dissent Rights will receive a quantity of Amalco Shares that reflects a valuation of the Pétrolia Shares of \$0.4723 per Pétrolia Share. Non-dissenting Pétrolia Shareholders will also receive the Pétrolia Dividend.

See “*Part II – The Arrangement*”.

Q: What percentage of the outstanding Amalco Shares will Petrolia Shareholders and Pieridae Shareholders own, respectively, following completion of the Arrangement?

A: After completion of the Arrangement, Pétrolia Shareholders will hold approximately 18.39% of the issued and outstanding Amalco Shares and Pieridae Shareholders will hold approximately 81.61% of the issued and outstanding Amalco Shares.

Q: Does the consideration reflect a premium for the Petrolia Shares?

A: The valuation attributed to the Pétrolia Shares in the Arrangement is 286.24% of the closing price of Pétrolia’s common shares on the TSX-V Venture Exchange on Friday, May 12, 2017. Non-dissenting Pétrolia Shareholders will also receive the Pétrolia Dividend.

Q: Does the Petrolia Board support the Arrangement?

A: The Pétrolia Board has unanimously determined that the Arrangement is in the best interests of Pétrolia. Further, the Pétrolia Board has unanimously approved the Arrangement Agreement and unanimously recommends that the Pétrolia Shareholders vote FOR the Pétrolia Arrangement Resolution.

See “*Part II – The Arrangement – Recommendation of the Boards – Pétrolia Board*”.

Q: What approvals are required of Petrolia Shareholders at the Petrolia Meeting?

A: Pétrolia Shareholders will be asked to consider, and if deemed advisable, pass a special resolution (at least 66 ⅔%) to approve an arrangement under section 192 of the *Canada Business Corporations Act*, involving, among others, Pétrolia, Pétrolia Shareholders, Pieridae and Pieridae Shareholders and the amalgamation of Pétrolia and Pieridae, all as more particularly described in this Information Circular. The full text of the special resolution (the “**Pétrolia Arrangement Resolution**”) is set out in Schedule “B” to the Information Circular attached hereto.

Q: What other approvals are required for the Arrangement?

A: Provided that the Arrangement is approved by the requisite majorities of the Pétrolia Shareholders and the Pieridae Shareholders and certain other conditions are met, Pétrolia and Pieridae will apply to the Court for the Final Order approving the Arrangement. The application for the Final Order is expected to be made on October 11, 2017 at 2:00 p.m. (Eastern Daylight Time), or as soon thereafter as counsel may be heard, at the Québec Superior Court (Commercial List), 300 Jean Lesage Boulevard, Room 3.14 (or such other room or location that the Court may determine), Quebec City, Quebec, G1K 8K6. On the application, the Court will consider, among other things, the fairness of the Arrangement.

The Arrangement must also be approved by the Exchange.

See “*Part II – The Arrangement – Procedure for the Arrangement Becoming Effective*”, “*Part II – The Arrangement – Court Approvals*” and “*Part II – The Arrangement – Exchange Approvals*”.

Q: When will the Arrangement become effective?

A: As of the date of this Information Circular, the Exchange has granted conditional acceptance of the Arrangement. Final approval for the Arrangement and the listing of the Amalco Shares to be issued in exchange for the Pétrolia Shares and the Pieridae Shares is subject to fulfillment of the general listing requirements of the Exchange, which are expected to be met in conjunction with the completion of the Arrangement, and other customary filings with the Exchange.

See “*Part II – The Arrangement – Exchange Approvals*”.

Q: What are the Canadian Federal income tax consequences of the Arrangement?

Generally, Federal income tax consequences are expected to be neutral for most Pétrolia Shareholders.

See “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations*”

Q: What will happen to Pétrolia if the Arrangement is completed?

A: Pétrolia will become the production division of Amalco. This division will be headed by the current Interim President and Chief Executive Officer of Pétrolia, Mr. Martin Bélanger. The Pétrolia operations team will remain unchanged and will continue to work towards the objective of producing oil and gas from Pétrolia's various projects.

Q: Are the Pieridae Shares listed on a stock exchange?

A: Prior to the completion of the Arrangement, due to Pieridae's private ownership, there are no Pieridae Shares listed on a stock exchange market.

Q: Are the Petrolia Shareholders entitled to Dissent Rights?

A: Pursuant to the Interim Order, Registered Holders of Pétrolia Shares have Dissent Rights in respect of the Continuance Resolution and the Pétrolia Arrangement Resolution and the right to be paid an amount equal to the fair value of their Pétrolia Shares at the Effective Time.

See "*Part I – General Proxy Information – Continuance into the CBCA - Dissent Rights to the Continuance*" and "*Part II – The Arrangement – Approval of Shareholders - Dissent Rights to the Arrangement*".

Q: What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A: If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. According to certain conditions set out in the Arrangement Agreement, a Termination Fee in the amount of \$600,000 may be payable by one party to the other.

See "*Part II – The Arrangement – The Arrangement Agreement*".

Q: When will I receive my Amalco Shares issuable pursuant to the Arrangement in exchange for my Petrolia Shares?

A: The Amalco Shares will be issued on the Effective Date.

Q: What happens if I send in the certificate(s) representing my Petrolia Shares and the Arrangement Resolution is not approved or the Arrangement is not completed?

A: If the Arrangement Resolution is not approved or if the Arrangement is not otherwise completed, the certificate(s) representing your Pétrolia Shares (if applicable) will be returned promptly to you by the Depositary.

QUESTIONS AND ANSWERS ON PROXY VOTING

Q: Who is entitled to vote on the Arrangement Resolution?

A: Only Registered Pétrolia Shareholders or holders of a duly designated proxy are eligible to attend and vote at the Pétrolia Meeting.

Q: What do I need to do in order to vote on the Arrangement Resolution?

A: Accompanying this Information Circular is a form of proxy for holders of Pétrolia Shares. The persons named in the enclosed form of proxy are directors and/or officers of Pétrolia. A Pétrolia Shareholder has the right to appoint a person (who need not be a Pétrolia Shareholder) other than the persons designated in the form of proxy provided by Pétrolia to represent the Pétrolia Shareholder at the Pétrolia Meeting. To exercise this right, the Pétrolia Shareholder should strike out the names of management designees in the applicable enclosed form of proxy and insert the name of the desired representative in the blank space provided in such form of proxy or submit another appropriate form of proxy permitted by law, and in either case, send or deliver the completed proxy to the offices of Computershare Trust Company of Canada, Attention Proxy Dept., by mail: 100 University Ave., 8th floor, Toronto, ON M5J 2Y1, or by toll free North American fax number 1-866-249-7775, or by international fax number 416-263-9524. The applicable form of proxy must be received by Computershare no later than 5 p.m. (Eastern Daylight Time) on September 29, 2017, or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting. Failure to deposit a form of proxy shall result in its invalidation.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Appointment and Revocation of Proxies*”.

Q: Should I send my proxy now?

A: Yes. Once you have carefully read and considered the information contained in the attached Information Circular, to ensure your vote is counted, you need to complete and submit the enclosed form of proxy or, if applicable, provide your Intermediary with voting instructions.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Signature of Proxy*”.

Q: What happens if I sign the form of proxy sent to me?

A: Signing and depositing the enclosed form of proxy gives authority to the person(s) designated by management of Pétrolia on such form to vote your Pétrolia Shares at the Pétrolia Meeting. If the instructions in a proxy given to Pétrolia’s management are specified, the Pétrolia Shares represented by such proxy will be voted FOR or AGAINST in accordance with your instructions on any poll that may be called for. If a choice is not specified, the Pétrolia Shares represented by a proxy given to Pétrolia management will be voted FOR the approval of the Arrangement Resolution as described in the attached Information Circular.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Voting of Proxies*”.

Q: Can I appoint someone other than the person(s) designated by management of Petrolia to vote my Petrolia Shares?

A: Yes. A Pétrolia Shareholder has the right to appoint a person (who need not be a Pétrolia Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Pétrolia Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Appointment and Revocation of Proxies*”.

Q: What if amendments are made to the matters that are brought before the Petrolia Meeting?

A: If any amendments to matters identified in the accompanying Pétrolia Notice of Meeting or any other matters which are not now known to management should properly come before the Pétrolia Meeting or any postponement or adjournment thereof, the Pétrolia Shares represented by properly executed proxies given in favour of the person(s) designated by management of Pétrolia in the enclosed form of proxy will be voted on such matters in accordance with the proxyholder’s discretionary authority.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Exercise of Discretion of Proxy*”.

Q: Can I change my vote after I have voted by proxy?

A: A Pétrolia Shareholder that has given a form of proxy or voting instruction form may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Pétrolia Shareholders or by its attorney duly authorized in writing or, if the Pétrolia Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either with Computershare Trust Company of Canada, Attention Proxy Dept., by mail: 100 University Ave., 8th floor, Toronto, ON M5J 2Y1, or by toll free North American fax number 1-866-249-7775, or by international fax number 416-263-9524 no later than 5 p.m. (Eastern Daylight Time) on September 29, 2017, or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting or with the Chair of the Pétrolia Meeting on the day of the Pétrolia Meeting or any adjournment or postponement thereof.

See “*Part I – General Proxy Information - The Petrolia Meeting – Registered Pétrolia Shareholders – Voting by Internet or Telephone*”.

Q: Who will count the votes?

A: Pétrolia’s transfer agent, Computershare Trust Company of Canada, will act as scrutineer for the Pétrolia Meeting and will count and tabulate the votes cast in connection with the Pétrolia Meeting.

Q: If my Petrolia Shares are held by an Intermediary will they vote my Petrolia Shares?

A: If the shares appear on the account statement supplied to a Pétrolia Shareholder by an Intermediary, then, generally speaking, these Pétrolia Shares will not be registered in the name of such holder in Pétrolia’s records. It is probable that these Pétrolia Shares will be registered in the name of the holder’s

Intermediary or an agent of the Intermediary. Without specific instructions, Intermediaries are prohibited from exercising the voting rights attached to the shares of their customers.

Intermediaries are required to request voting instructions from the Beneficial Pétrolia Shareholders before the Pétrolia Meeting. Intermediaries have their own specific sending procedures and instructions for returning documents, which must be followed to the letter by the Pétrolia Beneficial Shareholders so that their voting rights can be exercised at the Pétrolia Meeting. In Canada, most Intermediaries now delegate the responsibility of obtaining instructions from their customers to Broadridge Financial Solutions Inc. (“**BFSI**”). A Beneficial Pétrolia Shareholder who receives a voting instruction form from BFSI may not use this form to vote directly at the Pétrolia Meeting. If you have any questions about exercising your voting rights attached to the Pétrolia Shares that you hold through an Intermediary, please contact this Intermediary directly.

See “*Part I – General Proxy Information - The Petrolia Meeting – Non-Registered Pétrolia Shareholders*”.

PIERIDAE ENERGY LIMITED

1718 Argyle Street, Suite 730, Halifax, Nova Scotia B3J 3N6

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF PIERIDAE ENERGY LIMITED TO BE HELD ON SEPTEMBER 26, 2017

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the "**Pieridae Meeting**") of the shareholders of Pieridae Energy Limited ("**Pieridae**") will be held at the offices of Burstall Winger Zammit LLP, Suite 1600, 333 7th Avenue S.W., Calgary, AB T2P 2Z1, on, September 26, 2017 at 9:00 a.m. (Mountain Daylight Time), for the following purposes:

1. to receive Pieridae's annual audited financial statements for the financial year ended December 31, 2016, together with the auditor's report thereon;
2. to fix the number of directors of Pieridae for the ensuing year at five (5) and to elect the directors of Pieridae for the ensuing year;
3. to appoint Ernst & Young LLP, as the auditors of Pieridae for the ensuing year and to authorize the directors of Pieridae to fix the remuneration to be paid to the auditors;
4. to consider, and if deemed advisable, pass a special resolution (the "**Pieridae Arrangement Resolution**"), the full text of which is set out in Schedule "C" in the accompanying Information Circular, to approve a plan of arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act*, involving, among others, Pétrolia Inc. ("**Pétrolia**"), Pétrolia's shareholders, Pieridae and Pieridae's shareholders and the amalgamation of Pétrolia and Pieridae, all as more particularly described in the accompanying Information Circular; and
5. to transact such other business as may properly be brought before the Pieridae Meeting or any adjournment thereof.

Information relating to the matters to be brought before the Pieridae Meeting is set forth in the Information Circular which accompanies this Notice of Meeting.

If the Pieridae Arrangement Resolution is not approved by the Pieridae Shareholders at the Pieridae Meeting, the Arrangement cannot be completed.

DATED at Calgary as of August 29, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF
PIERIDAE ENERGY LIMITED**

"Alfred Sorensen"

Alfred Sorensen

President and Chief Executive Officer

IMPORTANT

Only holders of common shares of Pieridae (collectively, the "**Pieridae Shares**") of record at the close of business on August 25, 2017 (the "**Record Date**") are entitled to notice of and to participate at the Pieridae Meeting and only such persons or those who become holders of Pieridae Shares after the Record Date and comply with the provisions of the *Canada Business Corporations Act* are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed instrument of proxy for use at the Pieridae Meeting in the envelope provided for that purpose.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of Pieridae, 1600 - 333 7th Ave SW, Calgary, Alberta T2P 2Z1, Attention: Adrienne Ruissen, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Pieridae Meeting or any adjournment thereof.

TABLE OF CONTENTS

LETTER TO PÉTROLIA SHAREHOLDERS	i
LETTER TO PIERIDAE SHAREHOLDERS	iii
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF PÉTROLIA INC.	v
PÉTROLIA SHAREHOLDERS QUESTIONS AND ANSWERS	viii
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF PIERIDAE ENERGY LIMITED TO BE HELD ON SEPTEMBER 26, 2017	xiv
GLOSSARY	i
JOINT INFORMATION CIRCULAR	17
<i>Information Contained in this Information Circular</i>	17
<i>Information Pertaining to Pétrolia</i>	17
<i>Information Pertaining to Pieridae</i>	17
<i>Notice Regarding Forward-Looking Statements and Information</i>	18
<i>Cautionary Statements</i>	19
<i>Notice to Security Holders in the United States</i>	19
SUMMARY OF INFORMATION CIRCULAR	21
The Meetings.....	21
The Arrangement	22
The Pieridae Private Placement.....	24
Recommendation of the Pétrolia Board	25
Recommendation of the Pieridae Board.....	26
Fairness Opinions.....	28
Continuance	28
Reduction of the Pétrolia Shares’ Stated Capital	29
Arrangement Steps	29
Effect of the Arrangement.....	31
Support Agreements	31
Non-Solicitation of Acquisition Proposals.....	32
Termination of Arrangement Agreement	32
Shareholder Approvals.....	34
Arm’s Length Transaction	34
Court Approval.....	34
Exchange Listing Approval.....	35
Other Required Approvals	35
Right to Dissent.....	35
Timing of the Arrangement.....	37
Letter of Transmittal	37
Exchange Procedure.....	38
Lost or Stolen Certificates.....	38
Fractional Interest.....	39
Withholding Rights	39

Return of Pétrolia Shares and Pieridae Shares	39
Interests of Certain Persons or Companies in the Arrangement	39
Governance Matters of Amalco Following the Arrangement	40
Selected Pro Forma Consolidated Financial Information	40
Available Funds and Principal Uses	41
Closing Date of the Arrangement	42
Market Price of Pétrolia's Securities	42
Stock Option Plan	43
Expenses of the Arrangement	43
Conflicts of Interest	43
Interest of Experts and Consultants	43
Certain Canadian Federal Income Tax Considerations	43
Risk Factors	44

PART I – GENERAL PROXY INFORMATION..... 47

<i>The Pétrolia Meeting</i>	47
Solicitation of Proxies	47
Pétrolia Record Date	47
Registered Pétrolia Shareholders	48
Non-Registered Pétrolia Shareholders	50
Voting Securities and Principal Holders Thereof	51
Business of the Pétrolia Meeting and Requisite Pétrolia Shareholders Approval	51
Continuance into the CBCA	55
Reduction of Stated Capital	62
The Arrangement	63
<i>The Pieridae Meeting</i>	64
Purpose of Solicitation	64
Appointment and Revocation of Proxies	64
Voting of Proxies	65
Advice to Beneficial Shareholders on Voting their Pieridae Shares	65
Voting Shares and Principal Holders Thereof	66
<i>Particulars of Matters to be Acted Upon</i>	67
Receipt of Financial Statements	67
Election of Directors	67
Cease Trade Orders	68
Bankruptcies	68
Penalties or Sanctions	69
Appointment of Auditors	69
Approval of the Arrangement	69
<i>Interest of Certain Persons and Companies in Matters to be Acted Upon</i>	70

PART II – THE ARRANGEMENT..... 71

<i>Background to the Arrangement</i>	71
<i>The Arrangement</i>	73
The Arrangement Steps	73
Result of the Arrangement	76
Anticipated Benefits of the Arrangement	78
<i>Pieridae Private Placement</i>	79
<i>Pétrolia Continuance into the CBCA</i>	79
<i>Reduction of Stated Capital</i>	80

<i>The Arrangement Agreement</i>	80
Covenants.....	81
Representations and Warranties	84
Conditions to the Arrangement	85
Termination.....	88
Agreement as to Damages.....	88
Costs.....	89
<i>Support Agreements</i>	89
<i>Fairness Opinions</i>	90
<i>Recommendation of the Boards</i>	91
Pétrolia Board	91
Reasons for the Recommendation by Pétrolia.....	92
Pieridae Board.....	93
Reasons for the Recommendation by Pieridae.....	93
<i>Procedures for the Arrangement Becoming Effective</i>	95
<i>Approval of Shareholders</i>	95
Approval of Pétrolia Shareholders Required for the Arrangement	95
Approval of Pieridae Shareholders Required for the Arrangement.....	95
Dissent Rights to the Arrangement	96
<i>Court Approval</i>	100
Interim Order.....	100
Pétrolia Meeting Deadline Extension.....	100
Pieridae Meeting Deadline Extension	100
Final Order	100
<i>Exchange Approval</i>	102
<i>Canadian Securities Laws Matters</i>	102
<i>United States Securities Laws Matters</i>	102
<i>Expenses of the Arrangement</i>	104
<i>Other Regulatory Approval</i>	104
<i>Timing</i>	104
<i>Letter of Transmittal</i>	105
<i>Exchange Procedure</i>	105
<i>Lost or Stolen Certificates</i>	105
<i>Extinction of Rights</i>	106
<i>Fractional Interest</i>	106
<i>Withholding Rights</i>	106
<i>Return of Pétrolia Shares and Pieridae Shares</i>	106
<i>Interest of Certain Persons or Companies in the Arrangement</i>	107
<i>Risk Factors Related to the Arrangement</i>	107
<i>Risk Factors Related to the Operations of Amalco Following the Arrangement</i>	110
<i>Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders</i>	113
<i>Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders</i>	119

PART III – INFORMATION CONCERNING PÉTROLIA	125
<i>Corporate Structure</i>	125
Name and Incorporation.....	125
<i>General Development of the Business</i>	126
<i>Selected Consolidated Financial Information and Management’s Discussion and Analysis</i>	127
<i>Description of the Securities</i>	128
Securities	128
Stock Option Plan	128
<i>Prior Sales</i>	130
<i>Stock Exchange Price</i>	130
<i>Directors and Officers</i>	131
Conflict of Interest	132
Executive Compensation.....	132
Director Compensation	137
<i>Management Contracts</i>	140
<i>Information on Equity-Based Compensation Plans</i>	140
<i>Indebtedness of Directors and Senior Officers</i>	140
<i>Interest of Informed Persons in Material Transactions</i>	140
<i>Information Concerning Governance</i>	141
Board of Directors.....	141
Audit Committee	141
Compensation and Governance Committee	144
<i>Non-Arm’s Length Transaction</i>	144
<i>Arm’s Length Transaction</i>	144
<i>Legal Proceedings</i>	144
<i>Anticosti Island</i>	145
<i>Auditors, Transfer Agent and Registrar</i>	146
<i>Material Contracts</i>	146
<i>Risk Factors</i>	147
<i>Additional Information</i>	147
PART IV – INFORMATION CONCERNING PIERIDAE	148
<i>Corporate Structure</i>	148
Incorporation.....	148
Intercorporate Relationships	148
Pieridae Energy (Canada) Ltd.	149
Goldboro LNG Limited Partnership.....	149
9290834 Canada Ltd.	149
Pieridae Energy (USA) Ltd.	149
Goldboro LNG Limited Partnership II.....	149
Pieridae Production GP Ltd.....	150
Pieridae Production Limited Partnership	150
Atlantic Offshore Production Ltd.....	150
Pieridae Offshore Development Limited Partnership	150

<i>General Development of the Business</i>	150
History.....	150
Pieridae Private Placement.....	152
Significant Acquisitions and Dispositions	153
<i>Narrative Description of the Business</i>	153
General	153
Principal Products or Services.....	154
Operations	154
The Goldboro LNG Facility	154
Project Site Acquisition.....	155
Environmental Assessment	156
Environmental Protection.....	156
Pieridae Production Limited Partnership	157
The LNG Purchase and Sale Agreement.....	157
Labour Matters	157
Market and Marketing Plans	158
Regulatory - Canada.....	158
Regulatory - United States	158
Employees	159
Competition.....	159
Trends.....	161
<i>Management’s Discussion and Analysis</i>	161
<i>Description of Share Capital</i>	161
Pieridae Shares	161
Pieridae Options	161
<i>Dividends and Distributions</i>	162
<i>Disclosure of Outstanding Share Data</i>	162
<i>Prior Sales</i>	163
Trading Volume and Price	163
Securities Subject to Contractual Restriction on Transfer.....	163
<i>Principal Shareholders</i>	163
<i>Consolidated Capitalization</i>	164
<i>Directors and Executive Officers</i>	164
Ownership of Shares	165
Cease Trade Orders	166
Bankruptcies.....	166
Penalties or Sanctions	166
Conflicts of Interest.....	166
Management and Directors	167
<i>Executive Compensation</i>	168
Compensation Committee	168
Compensation Discussion and Analysis.....	168
Summary Compensation Table	168
Incentive Plan Awards	169
Termination and Change of Control Benefits	169
Compensation of Directors.....	169
<i>Equity Compensation Plans</i>	170
Pension Plan Benefits.....	171
Deferred Compensation Plans	171

<i>Indebtedness of Directors and Executive Officers</i>	171
<i>Corporate Governance and Committees</i>	171
General	171
Board of Directors.....	172
Other Reporting Issuers.....	172
Board Mandate.....	173
Board Committees.....	173
Pre-Approval Policies	173
External Auditor Service Fees (By Category).....	173
Orientation and Continuing Education of Board Members.....	174
Measures to Encourage Ethical Business Conduct	174
Assessment of the Board of Directors.....	174
Nomination of Board Members.....	175
<i>Risk Factors</i>	175
<i>Material Contracts</i>	184
<i>Legal Proceedings and Regulatory Actions</i>	184
<i>Interests of Management and Others in Material Contracts</i>	185
<i>Management Contracts</i>	185
<i>Non-Arms' length Party Transactions</i>	185
<i>Auditors, Registrar and Transfer Agent</i>	185
PART V – INFORMATION CONCERNING AMALCO	186
<i>Notice to Reader</i>	186
<i>Corporate Structure</i>	186
Name and Incorporation.....	186
Intercorporate Relationships	186
<i>Narrative Description of the Business</i>	187
Stated Business Objectives.....	187
Milestones	187
Exploration and Development.....	189
Exploration Permits.....	191
Gaspésia Property.....	191
Edgar Property	193
Marcel Tremblay Property	193
Matapédia and Restigouche Properties	194
Gastonguay Property.....	195
Gaspé Property	196
Haldimand Project.....	198
Bourque Project.....	199
Haldimand Fairway Project.....	203
Tar Point (South).....	204
Corte-Real (North)	204
Anticosti Island	204
Summary of Petroliia wells	207
Summary of Petroliia Coreholes	208
Exploration Costs.....	209
Pieridae Interest in Natural Gas Resource Properties.....	209
<i>Description of the Securities</i>	209
Share Capital	209

Options	209
Warrants	210
<i>Pro Forma Consolidated Capitalization</i>	210
Pro Forma Capitalization	210
Fully Diluted Share Capital	210
<i>Available Funds and Principal Purposes</i>	211
Funds Available	211
Principal Purposes of Funds	212
Dividends	212
<i>Principal Securityholders</i>	213
<i>Directors and Executive Officers</i>	213
Name, Address, Occupation and Security Holdings	213
Management	216
Promoter Consideration	218
Cease Trade Orders	218
Bankruptcies.....	219
Penalties or Sanctions	219
Conflicts of Interest.....	219
Other Reporting Issuer Experience	219
<i>Executive Compensation</i>	220
Compensation Committee	220
Compensation Discussion and Analysis.....	221
Anticipated Compensation	221
Incentive Plan Awards	222
Termination and Change of Control Benefits	223
<i>Indebtedness of Directors and Officers</i>	223
<i>Investor Relations Arrangements</i>	223
<i>Corporate Governance and Committees</i>	223
<i>Options and Other Rights to Purchase Securities</i>	223
Options	223
Warrants	225
Stock Option Plan	226
<i>Risk Factors</i>	226
<i>Material Contracts</i>	226
<i>Legal Proceedings and Regulatory Actions</i>	226
<i>Interests of Management and Others in Material Contracts</i>	226
<i>Management Contracts</i>	226
<i>Escrowed Securities</i>	227
<i>Auditors, Registrar and Transfer Agent</i>	231
PART VI – GENERAL MATTERS	232
<i>Sponsorship and Agent Relationship</i>	232
Relationships.....	232
<i>Experts</i>	232
<i>Expertised Reports</i>	232

<i>Other Material Facts</i>	233
<i>Approval of the Pétrolia Board</i>	233
<i>Approval of the Pieridae Board</i>	233
CERTIFICATES	234
SCHEDULE "A-1"	A
SCHEDULE "A-1"	B
SCHEDULE "A-1"	C
SCHEDULE "A-2"	D
SCHEDULE "B"	E
SCHEDULE "C"	F
SCHEDULE "D"	G
SCHEDULE "E"	H
SCHEDULE "F"	I
SCHEDULE "G"	J
SCHEDULE "H"	K
SCHEDULE "I"	L
SCHEDULE "J"	M
SCHEDULE "K"	N
SCHEDULE "L"	O
SCHEDULE "M-1"	S
SCHEDULE "M-2"	T
SCHEDULE "M-3"	U
SCHEDULE "M-4"	V

GLOSSARY

Unless otherwise indicated, or the context otherwise indicates, the following defined terms are used in this Information Circular. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Exchange policies and applicable securities laws. Unless otherwise indicated, all currency references are to Canadian dollars.

“**9290834**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Acquisition Proposal**” means any inquiry or the making of any offer or proposal to a Party or, to the knowledge of a Party, its shareholders (including any take-over bid initiated by advertisement or circular) from any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) other than the other Party hereto or any person acting jointly or in concert with such other Party, whether or not subject to due diligence or other conditions and whether oral or in writing, which constitutes, or may reasonably be expected to lead to (in either case, whether in one transaction or a series of transactions): (a) an acquisition from such Party or any of the shareholders of such Party of 20% or more of the voting securities of such Party or its subsidiaries, if any; (b) any acquisition of assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of assets) constituting, individually or in the aggregate, 20% or more of the fair market value of the consolidated assets of such Party and its subsidiaries taken as a whole; (c) an amalgamation, arrangement, merger, business combination, consolidation or other transaction involving such Party or its subsidiaries, if any; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization, or (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefit to a Party under the Arrangement Agreement;

“**Affiliate**” of a particular Company means another Company that is affiliated with the particular Company as described below:

- (a) a Company is an “Affiliate” of another Company if:
 - (i) one of them is the Subsidiary of the other, or
 - (ii) each of them is controlled by the same Person;
- (b) a Company is “controlled” by a Person if:
 - (i) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
 - (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company;
- (c) a Person beneficially owns securities that are beneficially owned by:
 - (i) a Company controlled by that Person, or
 - (ii) an Affiliate of that Person or an Affiliate of any Company controlled by that Person;

“**Agents**” means LBS and NBF, co-lead agents of the syndicate of agents for the Pieridae Private Placement, and Desjardins Securities Inc. (“Desjardins”);

“**Agents' Pieridae Shares**” has the meaning ascribed to such term in "*Summary of the Information Circular*";

“**AHLP**” has the meaning set forth in “*Part III – Information Concerning Pétrolia – General Development of the Business*”;

“**Allowable Capital Loss**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Amalco**” means the corporation to be constituted upon completion of the Arrangement to be named "Pieridae Energy Limited" or such other name as the Parties may determine;

“**Amalco Board**” or “**Board of Directors of Amalco**” means the board of directors of Amalco as it may be comprised from time to time, following completion of the Arrangement;

“**Amalco Pétrolia Options**” has the meaning set forth in “*Part II – The Arrangement – The Arrangement Steps*”;

“**Amalco Pieridae Options**” has the meaning set forth in “*Part II – The Arrangement – The Arrangement Steps*”;

“**Amalco Pétrolia Warrants**” means the share purchase warrants of Amalco to be issued pursuant to the Arrangement in replacement of the outstanding Pétrolia Warrants, each entitling the holder to purchase one (1) Amalco Share at a price of \$6.48 per Amalco Share until an expiry date of November 5, 2018, in accordance with its terms;

“**Amalco Securities**” means the Amalco Shares;

“**Amalco Shareholders**” at a particular time means the holders of Amalco Shares at that particular time;

“**Amalco Shares**” means the common shares in the capital of Amalco;

“**Amalco Stock Option Plan**” means the stock option plan of Pétrolia, *mutatis mutandis*;

“**Amalco Surplus Escrowed Securities**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**Amalco Tier 1 Value Escrowed Securities**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**Amalco Tier 2 Value Escrowed Securities**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**Amalgamation**” means the amalgamation of Pétrolia and Pieridae pursuant to the Arrangement;

“**Amalgamating Corporations**” means Pieridae and Pétrolia;

“**Anticosti Settlement**” has the meaning set forth in “*Part III – Information Concerning Pétrolia – Anticosti Island*”;

“**Arm’s Length Transaction**” means a transaction which is not a Related Party Transaction;

“**Arrangement**” means the arrangement involving Pétrolia, the Pétrolia Shareholders, the Pétrolia Optionholders, the Pétrolia Warranholders, Pieridae, the Pieridae Shareholders, and the Pieridae Optionholders pursuant to Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as supplemented, modified or amended;

“**Arrangement Agreement**” means the arrangement agreement dated May 15, 2017, as amended on June 28, 2017, July 21, 2017, and August 24, 2017 between Pétrolia and Pieridae with respect to the Arrangement, setting forth the terms and conditions thereof, if and as amended to date;

“**Arrangement Securities**” has the meaning set forth in “*Joint Information Circular – Notice to Securityholders in the United States*”;

“**Articles of Continuance**” means the articles of continuance to be filed by Pétrolia with the Director in connection with the Arrangement;

“**Associate**” when used to indicate a relationship with a Person, means

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a Person who is an individual:
 - (i) that Person’s spouse or child, or
 - (ii) any relative of the Person or of his spouse who has the same residence as that Person; but
- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the rules and policies of the Exchange with respect to that Member firm, Member corporation or holding company;

“**Atlantic Production**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Beneficial Pétrolia Shareholders**” means Pétrolia Shareholders who do not hold their Pétrolia Shares in their own name;

“**Beneficial Pieridae Shareholders**” means Pieridae Shareholders who do not hold their Pieridae Shares in their own name;

“**BFSI**” means Broadridge Financial Solutions Inc.;

“**Broadridge**” has the meaning ascribed to such term in “*Part I – General Proxy Information – The Pétrolia Meeting – Non-Registered Pétrolia Shareholders*”;

“**Business Day**” means a day which is not a Saturday, Sunday or statutory or civic holiday in Quebec City, Quebec or Calgary, Alberta;

“**Canada-US Tax Treaty**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44, and includes any regulations thereto or hereafter promulgated thereunder;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CEO**” has the meaning attributed to that term in “*Part III – Information concerning Pétrolia – Executive Compensation*”;

“**Certificate of Continuance**” has the meaning set forth in “*Part I – General Proxy Information – Continuance into the CBCA - The Continuance*”;

“**CFO**” has the meaning attributed to that term in “*Part III – Information concerning Pétrolia – Executive Compensation*”;

“**Closing**” means the completion of the Arrangement in accordance with the terms and conditions of the Arrangement Agreement;

“**Closing Date**” means the date of Closing, which shall be October 25, 2017, or such other date as the parties may mutually determine;

“**Collective Agreement**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, limited partnership, trust, association or other entity other than an individual;

“**Completion Date**” means the date of the Final Exchange Bulletin;

“**Continuance**” means the continuation of Pétrolia’s corporate existence under the CBCA;

“**Continuance Resolution**” means the special resolution of Pétrolia Shareholders to approve the Continuance attached to the Information Circular as Schedule "A-1";

“**Control Person**” means, in respect of an issuer, any Person or Company that holds or is one of a combination of Persons or Companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“**Court**” means the Superior Court of Québec (commercial division), in the city of Québec, Québec, or other court as applicable;

“Damages Event” has the meaning ascribed to such term in *“Part II – The Arrangement – The Arrangement Agreement – Agreement as to Damages”*;

“Demand for Payment” means a written notice of a Registered Holder containing his or her name and address, the number and class of Dissenting Shares and a demand for payment of the fair value of such Shares, submitted to Pétrolia or Pieridae, as applicable;

“Depositary” means Comptershare Investor Services Inc.;

“Director” means the Director appointed pursuant to Section 260 of the CBCA;

“Dissent Procedures” means the dissent procedures described under *“Part I – General Proxy Information – The Pétrolia Meeting – Continuance into the CBCA – Dissent Rights to the Continuance”* describing the procedures required to be taken by a Dissenting Pétrolia Shareholder to exercise Dissent Rights in connection with the Continuance and under *“Part II – The Arrangement – Dissent Rights to the Arrangement”*, describing the procedures required to be taken by a Dissenting Pétrolia Shareholder or a Dissenting Pieridae Shareholder to exercise Dissent Rights in connection with the Arrangement;

“Dissent Rights” means, as applicable, the Pétrolia Dissent Rights and the Pieridae Dissent Rights;

“Dissenting Non-Resident Pétrolia Holder” has the meaning ascribed to such term in *“Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders”*;

“Dissenting Non-Resident Pieridae Holder” has the meaning ascribed to such term in *“Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders”*;

“Dissenting Resident Pétrolia Holder” has the meaning ascribed to such term in *“Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders”*;

“Dissenting Shareholders” means, collectively, the Pétrolia Dissenting Shareholders and the Pieridae Dissenting Shareholders;

“Dissenting Shares” means Pétrolia Shares or Pieridae Shares, as the case may be, in respect of which a Dissenting Shareholder has validly exercised Dissent Rights;

“EBITDA” means earnings before interest, taxation, depreciation and amortization calculated in accordance with IFRS;

“Effective Date” means the date on which the Arrangement becomes effective in accordance with the terms of the Arrangement Agreement;

“Effective Time” means 12:01 a.m. (Mountain Daylight Time) on the Effective Date or such other time on the Effective Date as Pétrolia and Pieridae may agree upon in writing;

“Environmental Laws” means all applicable federal, provincial, municipal and local laws, statutes, ordinances, by-laws and regulations and orders, directives and decisions rendered by any ministry, department or administrative or regulatory agency, domestic or foreign, relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substance;

“**EPC Contract**” means the engineering, procurement and construction contract that will be awarded in relation to the Goldboro LNG Project;

“**Escrow Agent**” means the Transfer Agent, in its capacity as escrow agent for the Amalco Shares held in escrow under the TSXV Tier 1 Value Escrow Agreements, the TSXV Tier 2 Value Escrow Agreements and the TSXV Surplus Escrow Agreement to be entered into prior to Closing;

“**Exchange**” means the TSX Venture Exchange Inc.;

“**Exchange Notice**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**Exchange Policy**” means Exchange Policy 5.2 - Changes of Business and Reverse Takeovers;

“**Exchange Ratio**” means a ratio of 2.2057526 Amalco Shares for each Pieridae Share;

“**Export Licence GL-313**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Final Exchange Bulletin**” means the bulletin issued by the Exchange following closing of the RTO and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the RTO;

“**Final Order**” means the definitive order of the Court approving the Arrangement under Section 192 of the CBCA, in form and substance acceptable to Pétrolia and Pieridae, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both Pétrolia and Pieridae, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment is acceptable to both Pétrolia and Pieridae, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied;

“**Former Shareholders**” means the holders of Pétrolia Shares or Pieridae Shares, as the case may be, immediately prior to the Effective Time (other than the Dissenting Pétrolia Shareholders and the Dissenting Pieridae Shareholders);

“**Goldboro LNG Facility**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae - Narrative Description of the Business*”;

“**Goldboro Canada LP**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Goldboro LNG Project**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Goldboro USA LP**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Governmental Authority**” means any government, regulatory authority, governmental department, agency, commission, board, tribunal, crown corporation, or court or other law, rule or regulation-making entity (including the Exchange) having or purporting to have jurisdiction on behalf of any nation, or province or state or other subdivision thereof or any municipality, district or other subdivision thereof;

“**IFRS**” means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board;

“**Import Licence GL-314**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Income Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), and includes any regulations thereto or hereafter promulgated thereunder;

“**Information Circular**” means this joint information circular of Pétrolia and Pieridae dated August 29, 2017;

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the Company that is an Insider or Subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities;

“**Interim Order**” means the interim order of the Court to be issued following application therefor submitted to the Court as contemplated by the Arrangement Agreement providing for, among other things, the calling and holding of the Pétrolia Meeting and the Pieridae Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both Pétrolia and Pieridae, each acting reasonably;

“**Intermediary**” means a broker, investment dealer, bank, trust company, nominee or other intermediary with whom the Non-Registered Pétrolia Shareholder or Non-Registered Pieridae Shareholder deals with, in respect to his, her, or its Pétrolia Shares or Pieridae Shares, as applicable;

“**In-the-Money Amount**” in respect of a Pétrolia Option or a Pieridae Option means the amount, if any, by which the aggregate fair market value at a particular time of the Pétrolia Shares or the Pieridae Shares, as the case may be, subject to the option, exceeds the aggregate exercise price of the relevant option at that particular time;

“**km²**” means square kilometres;

“**Laws**” means all laws, by-laws, statutes, rules, regulations, principles of law, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority or self-regulatory authority, to the extent each of the foregoing have the force of law, and the term "applicable" with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities; and "Laws" includes Environmental Laws and applicable Securities Laws;

“**LBS**” means Laurentian Bank Securities Inc.;

“**Letter of Transmittal**” means the letter of transmittal to be delivered to the Pétrolia Shareholders and to the Pieridae Shareholders providing for the delivery of the Pétrolia Shares and the Pieridae Shares to the Depositary, as applicable;

“**LNG**” means liquefied natural gas;

“**LNG Sale and Purchase Agreement**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**M&N Pipeline**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Material Adverse Change**” or “**Material Adverse Effect**” means, with respect to a Party, any fact or state of facts, circumstance, change, effect occurrence or event that, individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise), business, operations, properties, licenses, affairs, assets, liabilities (contingent or otherwise), capitalization, results of operations or cash-flows of the Party and its subsidiaries, taken as a whole, other than a change, effect, occurrence or event relating to or resulting from: (i) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere, (ii) conditions affecting the oil and gas services industry as a whole and not specifically relating to the Party and/or its subsidiaries, including changes in Laws (including tax Laws) and royalties, (iii) any material decline in crude oil or natural gas prices on a current or forward basis, (iv) any matter which has been publicly disclosed or communicated in writing to the other Party as of the date hereof, (v) any failure by such Party to meet any financial or other projections, including projections provided to the other Party in connection with negotiation of the Arrangement Agreement (provided that this clause (v) shall not prevent a determination that any change or effect underlying such failure to meet projections has resulted in a material adverse change to the extent such change or effect is not otherwise excluded from this definition), or (vi) any changes or effects arising, directly or indirectly, from the Arrangement or any other matters or actions permitted or contemplated by the Arrangement Agreement, including any public announcement of the foregoing, or consented to or approved in writing by the other Party; and further provided that references in certain Sections of the Arrangement Agreement to dollar amounts or production numbers are not intended to be, and shall not be deemed to be, illustrative or interpretive for the purposes of determining whether a "Material Adverse Change" or "Material Adverse Effect" has occurred;

“**Member**” has the meaning ascribed to such term in Rule A.1.01 of the rules and policies of the Exchange;

“**MI 61-101**” means Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions;

“**Midstream Activities**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Minister**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**MTPA**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Municipality**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**NBF**” means National Bank Financial Inc;

“**NEO**” has the meaning attributed to that term in “*Part III – Information concerning Pétrolia – Executive Compensation*”;

“**NOBOs**” means Pieridae Beneficial Shareholders who have not objected to their Intermediary disclosing certain ownership information about themselves to Pieridae;

“**Non-Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person;

“**Non-Registered Pétrolia Shareholder**” means a non-registered Beneficial Pétrolia Shareholder whose Pétrolia Shares are held through an Intermediary;

“**Non-Registered Pieridae Shareholder**” means a non-registered Beneficial Pieridae Shareholder whose Pieridae Shares are held through an Intermediary;

“**Non-Registered Shareholders**” means Shareholders that do not hold their Shares in their own name and whose Shares are held through an Intermediary;

“**Non-Resident Pétrolia Holder**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Non-Resident Pieridae Holder**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders*”;

“**OBOs**” means Beneficial Pieridae Shareholders that have objected to their Intermediary disclosing certain ownership information about themselves to Pieridae;

“**Offer to Pay**” means (a) the written offer of Pétrolia to each Pétrolia Dissenting Shareholder that has sent a Demand for Payment to pay for its Pétrolia Shares in an amount considered by Pétrolia to be the fair value of the Pétrolia Shares, all in compliance with the Dissent Procedures, or (b) the written offer of Pieridae to each Pieridae Dissenting Shareholder that has sent a Demand for Payment to pay for its Pieridae Shares in an amount considered by Pieridae to be the fair value of the Pieridae Shares, all in compliance with the Dissent Procedures, as applicable ;

“**Offshore Development LP**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Option Group**” means the Pétrolia Options or the Pieridae Options, as the case may be, granted at any particular time on identical terms, including without limitation the same exercise price, vesting period and expiry date;

“**Order No. 3639**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Order No. 3768**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Party**” means either Pétrolia or Pieridae, and “**Parties**” shall mean both of Pétrolia and Pieridae;

“**Person**” means a Company or an individual;

“**Pétrolia**” means Pétrolia Inc., a corporation existing under the laws of Québec as of the date of this Information Circular, incorporated on January 22, 2002, and to be continued under the CBCA in accordance with the Arrangement Agreement;

“**Pétrolia Arrangement Resolution**” means the special resolution of Pétrolia Shareholders to approve the Arrangement attached to the Information Circular as Schedule "B";

“**Pétrolia Board**” means the board of directors of Pétrolia;

“**Pétrolia Consolidation**” means the consolidation of the issued and outstanding Pétrolia Shares, Pétrolia Options and Pétrolia Warrants on the basis of twelve (12) Pétrolia Shares, Pétrolia Options and Pétrolia Warrants for one (1) Post-consolidation Pétrolia Share, Replacement Pétrolia Option and Post-consolidation Pétrolia Warrant, respectively to be effected by the Arrangement;

“**Pétrolia Dissent Rights**” means (i) in connection with the Continuance, the rights of dissent provided to a Registered Pétrolia Shareholder under Section 372 and following of the QBCA and (ii) in connection with the Arrangement, the rights of dissent provided to a Registered Pétrolia Shareholder under Section 190 of the CBCA as modified by the Interim Order, and the right to be paid the fair value of such Pétrolia Shares in respect of which the Registered Pétrolia Shareholder dissents, all in accordance with the QBCA, the Interim Order and Section 4.1 of the Plan of Arrangement, as the case may be;

“**Pétrolia Dissenting Shareholder**” means a Registered Pétrolia Shareholder who dissents in respect of the Continuance, or the Arrangement in strict compliance with the Interim Order and Section 4.1 of the Plan of Arrangement;

“**Pétrolia Dividend**” means a dividend, to be declared on a *pro rata* basis based on the total number of issued and outstanding Pétrolia Shares at the Effective Time, of an aggregate amount of \$9,012,002, equal to \$0.0831 per Pétrolia Share, to be paid out to Pétrolia’s transfer agent on the Closing Date for distribution to eligible Pétrolia Shareholders;

“**Pétrolia Fairness Opinion**” means the opinion MNP LLP which was provided to the Pétrolia Board, dated August 21, 2017, a copy of which is attached to the Information Circular as Schedule “D”;

“**Pétrolia Holder**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Pétrolia Meeting**” means the annual general and special meeting of the Pétrolia Shareholders to be held on October 3, 2017 at 10:00 (Eastern Daylight Time);

“**Pétrolia Options**” means the 8,072,500 outstanding stock options of Pétrolia, as adjusted for any exercise or cancellations after the date of the Arrangement Agreement, each entitling the holder to purchase one Pétrolia Share upon exercise thereof, in accordance with its terms;

“**Pétrolia Optionholders**” means the holders from time to time of Pétrolia Options;

“**Pétrolia Proxy Solicitation Agent**” means D.F. King Canada, a division of CST Investor Services Inc.;

“**Pétrolia Record Date**” means August 8, 2017;

“**Pétrolia Shares**” means, at any particular time, the common shares in the capital of Pétrolia that are issued and outstanding;

“**Pétrolia Shareholders**” means the holders of Pétrolia Shares at that particular time;

“**Pétrolia Stock Option Plan**” means the incentive stock option plan of Pétrolia as of the date of this Information Circular;

“Pétrolia Support Agreements” means the agreements between Pieridae and the Pétrolia Support Shareholders, pursuant to which the Pétrolia Support Shareholders have agreed to vote the Pétrolia Shares beneficially owned or controlled or subsequently acquired by the Pétrolia Support Shareholders in favour of the Continuance Resolution and the Pétrolia Arrangement Resolution and to otherwise support the Arrangement;

“Pétrolia Support Shareholders” means each of the directors and officers of Pétrolia and each Pétrolia Shareholder holding 10% or more of the outstanding Pétrolia Shares, with the exception of Ressources Québec, (including any persons acting jointly and in concert with such Pétrolia Shareholders);

“Pétrolia Warrants” means the warrants to purchase 4,125,000 Pétrolia Shares, as adjusted for any exercise after the date of the Arrangement Agreement, if any, each entitling the holder to acquire one Pétrolia Share upon exercise thereof, in accordance with its terms;

“Pétrolia Warrantholders” means the holders from time to time of Pétrolia Warrants;

“Pieridae” means Pieridae Energy Limited, a corporation existing under the laws of Canada, incorporated on May 29, 2012;

“Pieridae Arrangement Resolution” means the special resolution of Pieridae Shareholders to approve the Arrangement attached to the Information Circular as Schedule “C”;

“Pieridae Board” means the board of directors of Pieridae;

“Pieridae Canada” has the meaning ascribed to such term in *“Part IV – Information Concerning Pieridae”*;

“Pieridae Debenture” means the US\$5,000,000 debt obligation of Pieridae issued to Alfred Sorensen Holdings Ltd., which is convertible at the option of Pieridae into Pieridae Shares at a price of \$12.50 per Pieridae Share, in accordance with its terms, such amount to be converted to Canadian dollars at the time of the conversion of the debt obligation using the daily exchange rate published by the Bank of Canada on the day preceding the day of conversion;

“Pieridae Dissenting Shareholder” means a Registered Pieridae Shareholder who dissents in respect of the Arrangement in strict compliance with the Interim Order and Section 4.2 of the Plan of Arrangement;

“Pieridae Dissent Rights” means the rights of a Registered Pieridae Shareholder to dissent to the Pieridae Arrangement Resolution under Section 190 of the CBCA as modified by the Interim Order in connection with the Arrangement, and the right to be paid the fair value of such Pieridae Shares in respect of the Arrangement in strict compliance with the Interim Order and Section 4.2 of the Plan of Arrangement;

“Pieridae Fairness Opinion” means the opinion of Laurentian Bank Securities Inc. which was provided to the Pieridae Board, dated August 21, 2017, a copy of which is attached to the Information Circular as Schedule “E”;

“Pieridae Group” has the meaning ascribed to such term in *“Part IV – Information Concerning Pieridae”*;

“Pieridae Holder” has the meaning ascribed to such term in *“Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders”*;

“Pieridae Meeting” means the annual general and special meeting of the Pieridae Shareholders to be held on September 26, 2017 at 9:00 a.m. (Mountain Daylight Time);

“**Pieridae Options**” means the 1,625,000 outstanding stock options of Pieridae, as adjusted for any exercise or cancellations after the date of the Arrangement Agreement, if any, each entitling the holder to purchase one Pieridae Share upon exercise thereof, in accordance with its terms;

“**Pieridae Private Placement**” means the brokered private placement of an aggregate of 1,970,600 Pieridae Subscription Receipts at a price of \$12.50 per Pieridae Subscription Receipt for net proceeds of \$24,632,500;

“**Pieridae Record Date**” means August 25, 2017;

“**Pieridae Shareholders**” means the holders of Pieridae Shares at that particular time;

“**Pieridae Shares**” means, at any particular time, the common shares in the capital of Pieridae that are then issued and outstanding;

“**Pieridae Stock Option Plan**” means the stock option plan of Pieridae;

“**Pieridae Subscription Receipts**” means, at any particular time, the subscription receipts issued by Pieridae pursuant to the Pieridae Private Placement;

“**Pieridae Support Agreements**” means the agreements between Pétrolia and the Pieridae Support Shareholders, pursuant to which the Pieridae Support Shareholders have agreed to vote the Pieridae Shares beneficially owned or controlled or subsequently acquired by the Pieridae Support Shareholders in favour of the Pieridae Arrangement Resolution and to otherwise support the Arrangement;

“**Pieridae Support Shareholders**” means each of the directors and officers of Pieridae and each Pieridae Shareholder holding 10% or more of the outstanding Pieridae Shares (including any persons acting jointly and in concert with such Pieridae Shareholders);

“**Pieridae USA**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Pilatus**” means Pilatus Energy Canada Inc.;

“**Plan of Arrangement**” means the plan of arrangement under the CBCA as set forth in Schedule “A” to the Arrangement Agreement, as such plan may be amended or supplemented from time to time in accordance with the terms thereof and of the Arrangement Agreement;

“**Post-consolidation Pétrolia Shares**” means the Pétrolia Shares that have been consolidated pursuant to the Pétrolia Consolidation in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement;

“**Post-consolidation Pétrolia Warrants**” means the Pétrolia Warrants that have been consolidated pursuant to the Pétrolia Consolidation in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement;

“**Production GP**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Production LP**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Proposed Amendments**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Pro Forma Financial Statements**” means the unaudited pro forma balance sheet for Amalco as at December 31, 2016 to give effect to the Arrangement as if it had taken place as of December 31, 2016 that is attached to this Information Circular as Schedule “J”;

“**PUC**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**QBCA**” means the *Business Corporations Act*, C.Q.L.R. c. S-31.1, and includes any regulations thereto or hereafter promulgated thereunder;

“**Québénergie**” means Québénergie Inc.;

“**Reduction of Stated Capital**” has the meaning ascribed to such term in “*Part II – The Arrangement – Reduction of Stated Capital*”;

“**Reduction of Stated Capital Resolution**” means the special resolution of Pétrolia Shareholders to approve the reduction of the stated capital of the Pétrolia Shares, attached to the Information Circular as Schedule “A-2”;

“**Registered Holder**” means, as applicable, the person whose name appears on the register of Pétrolia as the owner of Pétrolia Shares or whose name appears on the register of Pieridae as the owner of Pieridae Shares, as the case may be;

“**Registered Pétrolia Shareholder**” means, as applicable, a Person whose name appears on the register of Pétrolia as the owner of Pétrolia Shares;

“**Registered Pieridae Shareholder**” means, as applicable, a Person whose name appears on the register of Pieridae as the owner of Pieridae Shares;

“**Regulation 52-110**” means Regulation 52-110 respecting Audit Committees under the *Securities Act* (Québec);

“**Regulation 45-102**” means Regulation 45-102 respecting Resale of Securities under the *Securities Act* (Québec);

“**Related Party Transaction**” has the meaning ascribed to that term under MI 61-101, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm’s Length Parties, or other circumstances exist which may compromise the independence of an issuer with respect to the transaction;

“**Replacement Pétrolia Options**” has the meaning set forth in “*Part II – The Arrangement – The Arrangement Steps*”;

“**Representatives**” means the officers, directors, employees, financial advisors, legal counsel, accountants and other agents and representatives of a Party;

“**Resident Pétrolia Holder**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Resident Pieridae Holder**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders*”;

“**Ressources Québec**” means Ressources Québec inc., a subsidiary of Investissements Québec;

“**Reverse Takeover**” or “**RTO**” means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and
- (b) a Change of Control (as defined in the Exchange Policy) of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws (as defined in the Exchange Policy).

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement (as defined in the Exchange Policy) effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“**RRIFs**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**RRSPs**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Saint-Aubin**” means Saint-Aubin E&P (Québec) Inc.;

“**Securities Laws**” means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, and includes the applicable rules, policies and guidelines of the Exchange, as such may be amended from time to time prior to the Effective Date;

“**SEC**” means the United States Securities and Exchange Commission;

“**Shares**” means, collectively, Pétrolia Shares and Pieridae Shares;

“**Solicited Party**” has the meaning set forth in “*Part II – The Arrangement – The Arrangement Agreement*”;

“**Subscription Receipt Agent**” means Computershare Trust Company of Canada;

“**Subscription Receipt Agreement**” means the subscription receipt agreement entered into between Pieridae, the Co-Lead Agents on behalf of the Agents and Computershare Trust Company of Canada dated August 25, 2017;

“**Subsidiary**” includes, with respect to any Person, Company, partnership, limited partnership, trust or other entity, any Company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such Person, Company, partnership, limited partnership, trust or other entity;

“**Superior Proposal**” means a written *bona fide* Acquisition Proposal from a third party which the board of directors of the Party subject to the Acquisition Proposal determines in good faith: (1) that the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably likely to be available to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (2) after consultation with its financial advisor(s), would or would be reasonably likely to, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction financially superior for shareholders of such Party to the transaction contemplated by the Agreement (including taking into account any modifications to the Arrangement Agreement proposed by the other Party as contemplated by the Arrangement Agreement; (3) after consultation with its financial advisor(s) and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel, as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for the board of directors of the Party subject to the Acquisition Proposal to act in a manner consistent with its fiduciary duties under applicable Laws;

“**Support Agreements**” means the Pétrolia Support Agreements and the Pieridae Support Agreements;

“**Taxable Capital Gain**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Termination Fee**” means the \$600,000 termination fee payable by either Pétrolia or Pieridae, as the case may be, to the other Party in accordance with the terms of the Arrangement Agreement;

“**TFSA**” has the meaning ascribed to such term in “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*”;

“**Transfer Agent**” means Computershare Trust Company of Canada, the transfer agent and registrar of Pétrolia;

“**TSXV Surplus Escrow Agreements**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**TSXV Tier 1 Value Escrow Agreements**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**TSXV Tier 2 Value Escrow Agreements**” has the meaning set forth in “*Part V – Information Concerning Amalco – Escrowed Securities*”;

“**TUGLIQ Energy**” means TUGLIQ Energy Corp.;

“**Uniper**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**Upstream Activities**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“**U.S.**” means of or pertaining to the United States;

“**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**US DOE**” has the meaning ascribed to such term in “*Part IV – Information Concerning Pieridae*”;

“U.S. Exchange Act” means the United States Securities Exchange Act of 1934, as amended;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

JOINT INFORMATION CIRCULAR

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “Glossary”.

INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Pétrolia and the management of Pieridae, respectively, for use at the Pétrolia Meeting and the Pieridae Meeting, respectively, and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by Pétrolia or Pieridae.

Unless otherwise indicated, all references to “\$” or “C\$” in this Information Circular refer to Canadian dollars and all reference to “US\$” in this Information Circular refer to U.S. dollars.

Shareholders should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with their own legal, tax, financial and other professional advisors.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the Arrangement Agreement, a copy of which is available for review under Pétrolia’s profile on SEDAR, and the complete text of the Plan of Arrangement, a copy of which is attached as Schedule “H” to this Information Circular. You are urged to read carefully the full text of the Plan of Arrangement.

Information contained in this Information Circular is given as of August 29, 2017 unless otherwise specifically stated.

INFORMATION PERTAINING TO PÉTROLIA

The information concerning Pétrolia contained or incorporated by reference in this Information Circular has been provided or publicly filed by Pétrolia. Although Pieridae has no knowledge that would indicate that any of such information is untrue or incomplete, Pieridae does not assume any responsibility for the accuracy or completeness of such information or the failure by Pétrolia to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Pieridae.

INFORMATION PERTAINING TO PIERIDAE

The information concerning Pieridae contained in this Information Circular has been provided by Pieridae. Although Pétrolia has no knowledge that would indicate that any of such information is untrue or incomplete, Pétrolia does not assume any responsibility for the accuracy or completeness of such information or the failure by Pieridae to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Pétrolia. Pieridae is a private issuer under Canadian Securities Laws.

NOTICE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Information Circular, including documents incorporated by reference herein, contains forward-looking statements and information. Often, but not always, forward-looking statements can be identified by the use of words such as “plan”, “expect” or “does not expect”, “is expected”, “estimate”, “intend”, “anticipate” or “does not anticipate”, or “believe”, “objective”, “ongoing”, “potential” or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “project” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Pétrolia or Amalco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. More particularly and without limitation, this Information Circular contains forward-looking statements and information concerning: the expected completion date of the Arrangement and satisfaction of the conditions thereto, including obtaining approval of the Pétrolia Shareholders and the Pieridae Shareholders, the anticipated timing of filing submissions for, and receipt of regulatory approvals, receipt of the necessary Exchange approvals for listing of Amalco Shares to be issued pursuant to the Arrangement and receipt of the Final Order; certain combined operational and financial information of Pétrolia and Pieridae; Amalco’s assets, cost structure, financial position, cash flow, strategy and growth prospects following the Arrangement; future project development; the ability of Amalco to realize the anticipated benefits from the Arrangement, including growth prospects, cost savings, improved operating and capital efficiencies and integration opportunities; the board of directors and executive leadership team of Amalco following the Arrangement, and their ownership interest in Amalco following the Arrangement; governance policies and corporate governance matters in respect of Amalco following the Arrangement and other statements that are not historical facts.

Such statements may include, but are not limited to, those statements found under the headings “*Part II - The Arrangement*”, “*Part II - The Arrangement - Pieridae Private Placement*”, “*Part IV - Information Concerning Pieridae*”, “*Part V - Information Concerning Amalco – Narrative Description of the Business*”, “*Part V–Information Concerning Amalco – Description of the Securities*”, “*Part V - Information Concerning Amalco - Pro Forma Consolidated Capitalization*”, “*Part V - Information Concerning Amalco - Available Funds and Principal Purposes*” and “*Part V - Information Concerning Amalco - Directors and Executive Officers*”. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Information Circular. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: satisfying the requirements of the Exchange with respect to the Arrangement; the approval of the shareholders of Pétrolia and Pieridae; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing Pétrolia’s views as of any date subsequent to the date of this Information Circular. Although Pétrolia has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect Pétrolia, Pieridae or Amalco. Additional factors are noted under “*Part II – The Arrangement – Risk Factors Related to the Arrangement*” and “*Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement*” in this Information Circular.

The forward-looking statements included in this Information Circular are made as of the date of this Information Circular and neither of Pétrolia nor Pieridae undertake an obligation to publicly update or revise such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this Information Circular are expressly qualified in their entirety by this cautionary statement.

CAUTIONARY STATEMENTS

The Arrangement has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Arrangement or upon the accuracy or adequacy of the information contained in this Information Circular. Any representation to the contrary is a criminal offence. This Information Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

NOTICE TO SECURITY HOLDERS IN THE UNITED STATES

The Arrangement and the securities to be issued in connection with the Arrangement (collectively, the “Arrangement Securities”) have not been approved or disapproved by the SEC or any commission or securities regulatory authority in any state in the United States, nor has the SEC or any commission or securities regulatory authority of any state in the United States passed on the adequacy or accuracy of this Information Circular. Any representation to the contrary is a criminal offence.

The Arrangement Securities to be issued and exchanged pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act, or applicable securities laws of any state, and such securities will be issued and exchanged in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof (the “**Section 3(a)(10) Exemption**”) and in reliance upon similar exemptions under applicable state securities laws. The Section 3(a)(10) Exemption exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Final Order, if issued, will constitute a basis for the Section 3(a)(10) Exemption with respect to the Arrangement Securities to be issued to Pétrolia securityholders and Pieridae securityholders in exchange for their Pétrolia securities and Pieridae securities pursuant to the Arrangement. See “*The Arrangement – Court Approval*”.

The Arrangement Securities issued pursuant to the Arrangement may generally be resold without restriction under the U.S. Securities Act, except by persons who are "affiliates" of Pétrolia, Pieridae or Amalco as of the Effective Date or within 90 days prior to the Effective Date. Persons who may be deemed to be "affiliates" of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Arrangement Securities by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an exemption or exclusion therefrom. Further information is disclosed under "*The Arrangement - United States Securities Laws Matters*".

The Section 3(a)(10) Exemption does not exempt the issuance of securities issued upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Amalco Shares issuable upon the exercise of the Amalco Pétrolia Options, the Amalco Pieridae Options and the Amalco Pétrolia Warrants following the Effective Date may not be issued in reliance upon the Section 3(a)(10) Exemption and may be exercised only pursuant to an available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

Pétrolia is a corporation existing under the laws of the Province of Québec. Pieridae is a corporation existing under the federal laws of Canada. Amalco will be a corporation existing under the federal laws of Canada. The solicitation of proxies and the transactions contemplated herein involve securities of Canadian issuers and are being effected in accordance with applicable Canadian corporate and securities laws. Pétrolia securityholders and Pieridae securityholders should be aware that requirements under such Canadian laws may differ from requirements under U.S. corporate and securities laws relating to U.S. domestic issuers. The proxy solicitation rules under the U.S. Exchange Act, are not applicable to Pétrolia, Pieridae, Amalco or this solicitation and therefore this solicitation is not being effected in accordance with such rules. This Information Circular may not contain all of the disclosure required to be included in proxy statements prepared in accordance with the proxy solicitation rules under the U.S. Exchange Act or in registration statement prepared in accordance with the U.S. Securities Act. Enforcement by investors of civil remedies under the U.S. securities laws may be affected adversely by the fact that Pétrolia and Pieridae exist, and Amalco will exist, under the laws of a jurisdiction other than the United States, that their officers and directors are, or will be, residents of countries other than the United States, and that all or a substantial portion of their assets are, or will be, located outside the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States.

The financial statements and other financial information of Pétrolia, Pieridae and Amalco included in the Information Circular have been prepared in Canadian dollars and in accordance with IFRS applicable to Pétrolia, Pieridae and Amalco, as the case may be, and are subject to Canadian auditing and auditor independence standards which differ from United States generally accepted accounting principles and United States auditing and auditor independence standards in certain material respects and thus are not directly comparable to financial statements of United States companies which are prepared in accordance with United States generally accepted accounting principles and that are subject to United States auditing and auditor independence standards.

Securityholders should be aware that the Arrangement described in this Information Circular may have tax consequences in both the United States and Canada which are not fully described herein. **Securityholders who are resident in, or citizens of, the United States are advised to consult their own tax advisors to determine the particular United States tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.**

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of information related to Pétrolia, Pieridae and Amalco (assuming completion of the Arrangement). This summary is provided for convenience only and the information in this summary should be read together with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere in this Information Circular or incorporated by reference herein. Certain capitalized terms used in this summary are defined in the “Glossary” or elsewhere in this Information Circular.

The Meetings

Pétrolia Meeting

Purpose of the Pétrolia Meeting

At the Pétrolia Meeting, Pétrolia Shareholders will be asked to consider and, if deemed advisable, to pass the Pétrolia Arrangement Resolution, the full text of which is attached as Schedule “B” to this Information Circular. Approval of the Pétrolia Arrangement Resolution will require the affirmative vote of at least two-thirds of the votes cast on such resolution by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. The Pétrolia Arrangement Resolution is a special resolution to approve the Arrangement under section 192 of the CBCA, involving, among other things, the amalgamation of Pétrolia and Pieridae, all as more particularly described in “*Part II - The Arrangement*” in this Information Circular.

In order for the Arrangement to proceed, Pétrolia, which is currently a corporation governed by the *Business Corporations Act* of the Province of Québec, must first continue its corporate existence to the federal jurisdiction of Canada so that it will be governed by the CBCA. Accordingly, the Pétrolia Shareholders will also be asked at the Pétrolia Meeting to consider and, if deemed advisable, to approve the Continuance Resolution, the full text of which is attached as Schedule “A-1” to this Information Circular. Approval of the Continuance Resolution will require the affirmative vote of at least two-thirds of the votes cast on such resolution by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. The Continuance Resolution is a special resolution to approve the continuation of Pétrolia under the CBCA, all as more particularly described in “*Part II - The Arrangement*” in this Information Circular.

In order to proceed with the Arrangement, Pétrolia must satisfy the solvency requirements of subsection 192(2) of the CBCA, and in order to do so it must reduce the stated capital of the Pétrolia Shares. Accordingly, the Pétrolia Shareholders will also be asked at the Pétrolia Meeting to consider and, if deemed advisable, to pass the Reduction of Stated Capital Resolution, the full text of which is attached as Schedule “A-2” to this Information Circular. Approval of the Reduction of Stated Capital Resolution will require the affirmative vote of at least two-thirds of the votes cast on such resolution by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. The Reduction of Stated Capital Resolution is a special resolution to approve the reduction of the stated capital by the amount necessary to meet the particular solvency test in subsection 192(2) of the CBCA, as more fully described in “*Part I - General Proxy Information - The Pétrolia Meeting - Reduction of Stated Capital*” and “*Part II - The Arrangement- Reduction of Stated Capital*” in this Information Circular.

In addition, the purpose of the Pétrolia Meeting is to receive Pétrolia’s audited consolidated financial statements and related auditors' report for the financial year ended December 31, 2016,

determine the number of Pétrolia directors to be elected, elect the directors and authorize them to appoint Ernst & Young LLP as Pétrolia's auditors for the current financial year and establish their compensation and confirm Pétrolia's stock option plan.

Date and Place of the Pétrolia Meeting

The Pétrolia Meeting will be held on October 3, 2017 at 10:00 a.m. (Eastern Daylight Time) at La Plaza, 420 Sherbrooke Street West, Room "Les Verrières", Montreal, Quebec H3A 1B4.

Record Date for the Pétrolia Meeting

The Record Date for determining the Pétrolia Shareholders entitled to receive notice of and to vote at the Pétrolia Meeting is August 8, 2017. Only Pétrolia Shareholders of record as of the close of business on such date are entitled to receive notice of and to vote at the Pétrolia Meeting.

Pieridae Meeting

Purpose of Pieridae Meeting

The Pieridae Meeting will be held for the purposes set out in the accompanying Pieridae Notice of Meeting attached to this Information Circular, including, among other things, to consider and if deemed advisable, pass the Pieridae Arrangement Resolution, the full text of which is attached as Schedule "C" to this Information Circular. The Pieridae Arrangement Resolution is a special resolution to approve the Arrangement under section 192 of the CBCA, involving, among other things, the amalgamation of Pétrolia and Pieridae, all as more particularly described in "*Part II - The Arrangement*" in this Information Circular.

In addition, the purpose of the Pieridae Meeting is to receive Pieridae's audited consolidated financial statements and related auditors' report for the financial year ended December 31, 2016, fix the number of Pieridae directors to be elected at five (5), elect the directors, and authorize the directors to appoint Ernst & Young LLP as Pieridae's auditors for the current financial year, and establish their compensation.

Date and Place of the Pieridae Meeting

The Pieridae Meeting will be held on September 26, 2017 at the offices of Burstall Winger Zammit LLP, Suite 1600, 333 7th Avenue S.W., Calgary, AB T2P 2Z1 at 9:00 a.m. (Mountain Daylight Time).

Record Date for the Pieridae Meeting

The Record Date for determining the Pieridae Shareholders entitled to receive notice of and to vote at the Pieridae Meeting is August 25, 2017. Only Pieridae Shareholders of record as of the close of business on such date are entitled to receive notice of and to vote at the Pieridae Meeting.

The Arrangement

General

The Arrangement is being proposed pursuant to the terms of the Arrangement Agreement entered into by Pétrolia and Pieridae on May 15, 2017, as amended on June 28, 2017, July 21, 2017 and August 24, 2017. The Arrangement provides for the amalgamation of Pétrolia and

Pieridae (the “**Amalgamation**”). As a consequence of the Amalgamation, the resulting amalgamated company (“**Amalco**”) will continue the operations of Pétrolia and Pieridae on a combined basis. For further information in respect of Amalco following the completion of the Arrangement, see “*Part V – Information Concerning Amalco*” and Schedule “J” – “*Pro Forma Financial Statements of Amalco*”. In connection with the Amalgamation, the securities of Pétrolia and the securities of Pieridae will be cancelled in consideration for securities of Amalco.

The Arrangement is subject to a number of conditions, including, but not limited to, the following:

- Completion of the Pieridae Private Placement;
- The issuance of the Interim Order;
- Pétrolia obtaining approval of the Continuance Resolution, the Reduction of Stated Capital Resolution and the Pétrolia Arrangement Resolution by its shareholders;
- Pieridae obtaining approval of the Pieridae Arrangement Resolution by its shareholders;
- Receipt of Exchange approval;
- Pétrolia and Pieridae obtaining all third-party consents and approvals;
- Holders of Pétrolia Shares representing not more than 15% of the Pétrolia Shares in the aggregate then outstanding shall have validly exercised Pétrolia Dissent Rights, and not withdrawn their dissent;
- Holders of Pieridae Shares representing not more than 2% of the Pieridae Shares in the aggregate then outstanding shall have validly exercised Pieridae Dissent Rights, and not withdrawn their dissent; and
- The issuance of the Final Order.

The Parties to the Arrangement Agreement

Pétrolia is a publicly traded oil and gas exploration company quoted on the Exchange under the symbol “PEA”.

Pieridae is a privately-held Canadian corporation based in Calgary, Alberta and Halifax, Nova Scotia focused on the development of integrated liquefied natural gas opportunities. It is developing a fully integrated LNG infrastructure project on the East coast of Canada. It has embarked on a strategy to consolidate natural gas reserves in key natural gas basins to develop new international markets for Canadian and US natural gas.

The Financial Terms to the Arrangement Agreement

Pétrolia Shares

- a) In connection with the Arrangement, the valuation of Pétrolia is set at \$0.4723 per each issued and outstanding Pétrolia Share (on a fully diluted basis) prior to the Pétrolia

Consolidation. This amount is 286.24% of the closing price of the Pétrolia Shares on the Exchange on Friday, May 12, 2017.

- b) A dividend will be declared by Pétrolia in the aggregate amount of \$9,012,002, equal to \$0.0831 per Pétrolia Share, to be paid out on the Closing Date.
- c) The Pétrolia Shares will be consolidated on a 12-to-1 basis, resulting in a valuation of \$5.667 for each issued and outstanding Pétrolia Share. Subsequently, Petrolia Shareholders that do not exercise their Dissent Rights to the Arrangement shall receive one Amalco Share in exchange for each Pétrolia Share, resulting in a theoretical valuation of Amalco Shares of \$5.667 each (on a fully diluted basis).

Pieridae Shares

In connection with the Arrangement, the valuation of Pieridae is based on the subscription price of the Pieridae Subscription Receipts to be issued pursuant to the Pieridae Private Placement (summarized below), being \$12.50 per Pieridae Subscription Receipt, multiplied by the number of Pieridae Shares (on a fully diluted basis) that are issued and outstanding as of the Closing Date.

As a result, each Pieridae Shareholder will receive 2.2057526 Amalco Shares for every Pieridae Share, at a deemed price of \$5.667 per Amalco Share. An aggregate of 35,572,887 Amalco Shares will be issued to Pieridae Shareholders (assuming that 504,000 Pieridae Shares (post-Arrangement: 1,111,699 Amalco Shares) are issued upon the conversion of the Pieridae Debenture), resulting in deemed consideration for Pieridae of approximately \$201,591,550.

See “*Part III – Information concerning Pétrolia*”, “*Part IV – Information Concerning Pieridae*”, and “*Part V – Information Concerning Amalco*” for further details.

The Pieridae Private Placement

The Pieridae Private Placement was completed on August 25, 2017 for net proceeds of \$24,632,500. An aggregate of 1,970,600 Pieridae Subscription Receipts were issued at a price of \$12.50 per subscription receipt. Subject to the satisfaction or waiver of each of the conditions to complete the Arrangement, immediately prior to the Closing of the Arrangement each Pieridae Subscription Receipt shall be cancelled and in consideration therefor the holders of such Pieridae Subscription Receipts shall receive one Pieridae Share in respect of each Pieridae Subscription Receipt so cancelled. Such Pieridae Shares will be exchanged for an aggregate of 4,346,655 Amalco Shares at a deemed price of \$5.667 per Amalco Share, in accordance with the Exchange Ratio concurrently with the completion of the Arrangement at no additional cost and with no further action by the holder.

Pieridae engaged the Agents, to act on a "commercially reasonable efforts" basis for the Pieridae Private Placement pursuant to the terms of an agency agreement dated August 25, 2017 entered into between Pieridae, Desjardins Securities Inc. and the Co-Lead Agents. The net proceeds of the Pieridae Private Placement will be held in escrow by an escrow agent acceptable to Pieridae and the Agents and released concurrent with the completion of the Arrangement pursuant to the terms of the Subscription Receipt Agreement entered into upon closing of the Pieridae Private Placement. In the event the Arrangement is not completed or upon certain other events set forth in the Subscription Receipt Agreement, an amount equal to the full purchase price of each holder's Pieridae Subscription Receipts plus any interest accrued

thereon during the term of the escrow will be paid to the holders of the Pieridae Subscription Receipts and the Pieridae Subscription Receipts will be cancelled.

As compensation for acting as agents, Pieridae intends to pay the Agents a commission equal to 5% of the net proceeds of the Pieridae Private Placement received from subscribers, other than Alfred Sorensen Holdings Ltd., payable by way of the issuance of 81,530 Pieridae Shares (the "**Agents' Pieridae Shares**") to the Agents at a price of \$12.50 per Pieridae Share. Such Pieridae Shares will be converted into an aggregate of 179,835 Amalco Shares at a deemed price of \$5.667 per Amalco Share, in accordance with the Exchange Ratio concurrently with the completion of the Arrangement.

The net proceeds of the Pieridae Private Placement will be used to fund certain activities to allow Amalco to reach the final investment decision with respect to the Goldboro LNG Project, Amalco's operations and general working capital purposes.

See "*Part IV – Information Concerning Pieridae*" for further information on the Pieridae Private Placement.

Recommendation of the Pétrolia Board

The Pétrolia Board, after careful consideration, review of the Arrangement Agreement and the Plan of Arrangement, consultation with senior management, legal counsel and financial, tax and technical advisors, review of a significant amount of information, and consideration of a number of factors, has unanimously determined that the consideration to be received by Pétrolia Shareholders under the Arrangement Agreement (which includes the Pétrolia Dividend) is fair to Pétrolia Shareholders and the Arrangement is in the best interest of Pétrolia.

Accordingly, the Pétrolia Board unanimously recommends that Pétrolia Shareholders vote FOR the Pétrolia Arrangement Resolution.

Benefits of the Arrangement for Pétrolia

- The valuation attributed to Pétrolia Shares is 286.24% of the closing price of the Pétrolia Shares on the Exchange on Friday, May 12, 2017.
- Holders of Pétrolia Shares shall receive the Pétrolia Dividend.
- The Arrangement will provide Pétrolia with financial and corporate stability and should allow for the accelerated development of its existing oil and gas properties, as well as the opportunity to pursue further consolidation in the upstream oil and gas industry.
- The Arrangement will provide diversification of Pétrolia's economic activities.
- The Arrangement will enable Amalco to strategically position itself in the North American equity markets as a developing fully integrated energy company, from upstream production to the sale of LNG.
- The Goldboro LNG Project, combined with the resource potential held by Pétrolia, constitutes an opportunity for investors to participate in the evolution and growth of Canada's only integrated LNG facility holding key permits and approvals for its current stage of development.

- It is expected that the combined expertise and diversification of Pétrolia and Pieridae will provide Amalco with the potential of an effective and sustainable long term growth plan, and could substantially enhance shareholder value.

Reasons for the Pétrolia Board Recommendation

In reaching its determination described above, the Pétrolia Board considered a number of factors, including, among other things, the following:

- (a) **Benefits to Pétrolia:** as outlined above, the Petrolia Board considers that the Arrangement will be beneficial for Pétrolia;
- (b) **Pétrolia Fairness Opinion:** MNP LLP provided the Pétrolia Fairness Opinion that, as of the date thereof and subject to and based on the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pétrolia Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Pétrolia Shareholders;
- (c) **Acceptance by Directors and Senior Officers of Pétrolia:** pursuant to the Pétrolia Support Agreements, the Pétrolia Support Shareholders have agreed to vote all of their Pétrolia Shares in favour of the Arrangement at the Pétrolia Meeting, representing 1.25% of the issued and outstanding Pétrolia Shares;
- (d) **Negotiated Transaction:** the Arrangement Agreement is the result of an arm's length negotiation process and includes terms and conditions that are reasonable in the judgment of the Pétrolia Board;
- (e) **Shareholder Approval:** the Arrangement must be approved by at least 66 ⅔% of the votes cast by Pétrolia Shareholders, present in person or by proxy at the Pétrolia Meeting;
- (f) **Regulatory Approval:** the Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement to Pétrolia Shareholders. The Arrangement Agreement also contains a condition precedent that all regulatory approvals shall be obtained prior to Closing;
- (g) **Dissent Rights:** the terms of the Plan of Arrangement provide that any Registered Pétrolia Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissenting Shares in accordance with the Arrangement.

See “*Part II – The Arrangement – Reasons for Recommendation by Pétrolia*”

Recommendation of the Pieridae Board

After careful consideration, review of the Arrangement Agreement and the Plan of Arrangement, consultation with senior management, legal counsel and financial advisors, review of a significant amount of information, and consideration of a number of factors, the Pieridae Board has determined that the Arrangement is fair, from a financial point of view, to Pieridae Shareholders, and that it is in the best interests of Pieridae to support and facilitate the

Arrangement and enter into the Arrangement Agreement. **Accordingly, the Pieridae Board unanimously recommends that the Pieridae Shareholders vote “FOR” the Pieridae Arrangement Resolution.**

Benefits of the Arrangement for Pieridae

- The Amalgamation is the first step in the creation of a world-class integrated LNG business.
- The Amalgamation will result in greater access to the capital markets for the purpose of financing the development of the Goldboro LNG Project.
- The Amalgamation will enhance the public profile of the Goldboro LNG Project resulting in greater financial and commercial opportunities and the ability to attract and retain talented and experience personnel.
- The Amalgamation and the concomitant public listing will allow Amalco the opportunity to acquire additional natural gas resource properties through future possible amalgamations and similar transactions.
- The Amalgamation will result in increased holdings of natural gas resource properties that can be developed in the future to produce natural gas thereby increasing the likelihood of a positive final investment decision in relation to the construction of the Goldboro LNG Facility.

Reasons for the Pieridae Board Recommendation

In reaching its determinations described above, the Pieridae Board considered a number of factors, including among other things, the following:

- (a) **Benefits to Pieridae:** as outlined above, the Pieridae Board considers that the Arrangement will be beneficial for Pieridae;
- (b) **Acceptance by Directors, Senior Officers and Pieridae Shareholders:** pursuant to the Pieridae Support Agreements, the Pieridae Support Shareholders, representing approximately 54% of the issued and outstanding Pieridae Shares, have agreed to vote all of their Pieridae Shares in favour of the Arrangement at the Pieridae Meeting;
- (c) **Pieridae Fairness Opinion:** LBS provided the Pieridae Fairness Opinion that, as of the date thereof and subject to and based on the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pieridae Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Pieridae Shareholders;
- (d) **Negotiated Transaction:** the Arrangement Agreement is the result of an arm’s length negotiation process and includes terms and conditions that are reasonable in the judgment of the Pieridae Board;

- (e) **Shareholder Approval:** the Arrangement must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pieridae Shareholders, present in person or by proxy at the Pieridae Meeting;
- (f) **Regulatory Approval:** the Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement to Pieridae Shareholders. The Arrangement Agreement also contains a condition precedent that all regulatory approvals shall be obtained prior to Closing;
- (g) **Dissent Rights:** the terms of the Plan of Arrangement provide that any Pieridae Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissenting Shares in accordance with the Arrangement.

See “*Part II – The Arrangement – Reasons for Recommendation by Pieridae*”.

Fairness Opinions

In connection with the Arrangement, MNP LLP was formally retained by Pétrolia to provide the Pétrolia Board with the Pétrolia Fairness Opinion. The Pétrolia Fairness Opinion, dated August 21, 2017, states that, as of the date of the Pétrolia Fairness Opinion, and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pétrolia Shareholders is fair, from a financial point of view, to Pétrolia Shareholders.

Similarly, LBS was formally retained by Pieridae to provide the Pieridae Board with the Pieridae Fairness Opinion. The Pieridae Fairness Opinion, dated August 21, 2017 states that, as of the date of the Pieridae Fairness Opinion, and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pieridae Shareholders is fair, from a financial point of view, to Pieridae Shareholders.

The full texts of the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion, which set forth, among other things, the assumptions made, matters considered and limitations on the review undertaken in connection with the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion, are attached as Schedule “D” and Schedule “E”, respectively to this Information Circular. Pétrolia Shareholders and Pieridae Shareholders are urged to, and should, read the Pétrolia Fairness Opinion and Pieridae Fairness Opinion, respectively, in their entirety. This summary is qualified in its entirety by reference to the full texts of the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion.

See “*Part II – The Arrangement – Fairness Opinions*”.

Continuance

In order for the Arrangement to proceed, Pétrolia, which is currently a corporation governed by the QBCA, must continue its corporate existence to the federal jurisdiction of Canada to be governed by the CBCA. Accordingly, at the Pétrolia Meeting, Pétrolia Shareholders will be asked to consider, and if thought advisable, to pass the Continuance Resolution to approve the Continuance, which is required to become effective prior to the Arrangement proceeding.

To be effective, the Continuance Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. A copy of

the Continuance Resolution is set out in Schedule “A-1” to this Information Circular. Should the Pétrolia Shareholders fail to pass the Continuance Resolution by the requisite margin; the Continuance will not be completed. Completion of the Continuance is a condition to the completion of the Arrangement.

See “*Part II – The Arrangement – Continuance into the CBCA*”.

Reduction of the Pétrolia Shares’ Stated Capital

In order for the Arrangement to proceed, Pétrolia must reduce the stated capital of the Pétrolia Shares by the amount necessary to meet the solvency requirements set forth in subsection 192(2) of the CBCA. Accordingly, the Pétrolia Shareholders will be asked at the Pétrolia Meeting to consider and, if deemed advisable, to pass the Reduction of Stated Capital Resolution, which must be passed prior to the Arrangement. No amount shall be paid or distributed to the Pétrolia Shareholders in respect of such reduction of stated capital.

To be effective, the Reduction of Stated Capital Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. A copy of the Reduction of Stated Capital Resolution is set out in Schedule “A-2” to this Information Circular. Should the Pétrolia Shareholders fail to pass the Reduction of Stated Capital Resolution by the requisite margin; the requisite reduction of the stated capital of the Pétrolia Shares will not be completed. Completion of the reduction of the stated capital of the Pétrolia Shares is a condition of the completion of the Arrangement.

See “*Part I - General Proxy Information - The Pétrolia Meeting - Reduction of Stated Capital*” and “*Part II – The Arrangement – Reduction of Stated Capital*”.

Arrangement Steps

There are several steps required in order to effect the Arrangement, which will be deemed to occur in the following chronological order commencing at the Effective Time without any further act or formality except as expressly provided in the Plan of Arrangement:

- a) the Pétrolia Dividend shall be declared and paid out to Pétrolia’s transfer agent for distribution to eligible Pétrolia Shareholders; Pétrolia Shareholders exercising their Dissent Rights in connection with the Arrangement will consequently not participate in the Pétrolia Dividend;
- b) Pétrolia Shares held by Pétrolia Dissenting Shareholders will be deemed to have been transferred to Amalco and cancelled, and such Pétrolia Dissenting Shareholders shall cease to have any rights as Pétrolia Shareholders other than the right to be paid by Pétrolia the fair value of such Pétrolia Shares;
- c) Pieridae Shares held by Pieridae Dissenting Shareholders will be deemed to have been transferred to Amalco and cancelled, and such Pieridae Dissenting Shareholders shall cease to have any rights as Pieridae Shareholders other than the right to be paid by Pieridae the fair value of such Pieridae Shares;
- d) the issued and outstanding Pétrolia Shares and Pétrolia Warrants shall be consolidated on the basis of one Post-consolidation Pétrolia Share and Post-consolidation Pétrolia

- Warrant for every twelve pre-consolidation Pétrolia Shares and Pétrolia Warrants, respectively;
- e) for each Option Group, each Pétrolia Option of that particular Option Group (whether vested or unvested) shall be exchanged for options (“**Replacement Pétrolia Options**”) entitling the Pétrolia Optionholder to receive from Pétrolia the number of Pétrolia Shares equal to the number of Pétrolia Shares subject to the Pétrolia Options immediately before the Effective Time divided by 12 and the exercise price per Pétrolia Share subject to the Replacement Pétrolia Options shall be an amount equal to the product of: (A) the exercise price per Pétrolia Share subject to each Pétrolia Option included in that particular Option Group and (B) 12;
- f) Pétrolia and Pieridae shall be amalgamated and continued as one corporation under the CBCA to form Amalco and:
- each issued and outstanding Pétrolia Share and Pétrolia Warrant shall be cancelled and in consideration therefor the holders thereof, as applicable, shall receive one fully paid and non-assessable Amalco Share and/or Amalco Warrant, as applicable;
 - each Replacement Pétrolia Option (whether vested or unvested) shall be exchanged for an option (each, an “**Amalco Pétrolia Option**”) entitling the holder to receive from Amalco the number of Amalco Shares equal to the number of Pétrolia Shares subject to the Replacement Pétrolia Options immediately before the Effective Time. The exercise price per Amalco Share subject to the Amalco Pétrolia Options shall be an amount equal the exercise price per Pétrolia Share subject to such Replacement Pétrolia Options immediately prior to the Effective Time;
 - each issued and outstanding Pieridae Share shall be cancelled and in consideration therefor the holders thereof, as applicable, shall receive 2.2057526 fully paid and non-assessable Amalco Shares;
 - for each Option Group, each Pieridae Option of that particular Option Group (whether vested or unvested) shall be exchanged for options (“**Amalco Pieridae Options**”) entitling the Pieridae Optionholder to receive from Amalco the number of Amalco Shares equal to the number of Pieridae Shares subject to the Pieridae Options immediately before the Effective Time multiplied by the Exchange Ratio and the exercise price per Amalco Share subject to the Amalco Pieridae Options shall be an amount equal to the quotient of: (A) the exercise price per Pieridae Share subject to each Pieridae Option included in that particular Option Group divided by (B) the Exchange Ratio.

Following the Arrangement, Pétrolia and Pieridae will continue as one corporation, Amalco, under the CBCA. The name of Amalco shall be “Pieridae Energy Limited”. The capital structure of Amalco will remain unchanged to that of Pétrolia. Upon completion of the Arrangement and subject to the approval of the Exchange, Amalco is expected to become a Tier 2 Industrial issuer on the Exchange.

See “Part V – Information concerning Amalco”.

Effect of the Arrangement

The effect of the Arrangement is as follows:

- all of the property of each of Pétrolia and Pieridae shall be the property of Amalco;
- Amalco shall be liable for all of the obligations of each of Pétrolia and Pieridae (other than any amount owing by either Pétrolia or Pieridae to the other);
- any existing cause of action, claim or liability to prosecution of either Pétrolia or Pieridae shall be unaffected;
- any civil, criminal or administrative action or proceeding pending by or against Pétrolia or Pieridae may be continued to be prosecuted by or against Amalco; and
- a conviction against, or ruling, order or judgment in favour of or against, either Pétrolia or Pieridae may be enforced by or against Amalco.

There is a risk that Amalco may not realize the anticipated benefits stated above. See “*Part II – The Arrangement – Risk Factors Related to the Arrangement*” and “*Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement*” in this Information Circular. The foregoing summary of the information considered by the Pétrolia Board and the Pieridae Board is not, and is not intended to be, exhaustive. In view of the wide variety of factors and information considered in connection with their evaluation of the Arrangement, the Pétrolia Board and the Pieridae Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to assign any relative weight to each specific factor or item of information considered in reaching their conclusions and recommendations. In addition, individual members of the Pétrolia Board and of the Pieridae Board may have given different weights to different factors or items of information.

Support Agreements

In connection with the Arrangement, Pétrolia has obtained a Pieridae Support Agreement from each of the Pieridae Support Shareholders (including each of the directors and officers of Pieridae), holding in the aggregate 8,374,192 Pieridae Shares, representing approximately 54% of the issued and outstanding Pieridae Shares. Similarly, Pieridae obtained a Pétrolia Support Agreement from each of the Pétrolia Support Shareholders (including each of the directors and officers of Pétrolia), holding in the aggregate 1,351,567 Pétrolia Shares representing approximately 1.25% of the issued and outstanding Pétrolia Shares. Pursuant to the Support Agreements, such directors, officers, and shareholders have agreed to, among other things, vote or to cause to be voted all Pétrolia Shares and Pieridae Shares, as applicable, beneficially owned by such director, officer or shareholder, and any other Pétrolia Shares or Pieridae Shares directly or indirectly acquired by or issued to the director, officer or shareholder after the date of the Arrangement Agreement (including, without limitation, any Pétrolia Shares or Pieridae Shares issued upon further exercise of options or other rights to purchase such Shares) at the Pétrolia Meeting or the Pieridae Meeting, as the case may be (or any adjournment or postponement thereof) in favour of the Arrangement, including, without limitation, the Continuance Resolution, the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution, as the case may be, and any other matter that could reasonably be expected to facilitate the Arrangement.

See “Part II – The Arrangement – Support Agreements”.

Non-Solicitation of Acquisition Proposals

Pursuant to the Arrangement Agreement, each of Pétrolia and Pieridae has agreed not to, directly or indirectly, solicit, initiate, encourage or facilitate any Acquisition Proposal. However, if either Party (the “**Solicited Party**”) receives a written Acquisition Proposal and determines that it constitutes a Superior Proposal, the Solicited Party has the right to accept the Superior Proposal under certain conditions. In response to any Acquisition Proposal that the Solicited Party determines is a Superior Proposal, the other Party has the right to offer to amend the terms of the Arrangement Agreement in accordance with the Arrangement Agreement. If the Solicited Party accepts the Superior Proposal and either Party terminates the Arrangement Agreement, the Solicited Party must pay the other Party the Termination Fee.

See “Part II – The Arrangement – The Arrangement Agreement – Covenants – Mutual Covenants regarding Non-Solicitation”.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated prior to the Effective Time in certain circumstances, many of which lead to payment of the Termination Fee by Pétrolia to Pieridae or *vice versa*.

The Termination Fee is payable by Pétrolia if any of the following occur prior to the termination of the Arrangement Agreement in accordance with its terms:

- a) the Pétrolia Board fails to make or reaffirm any of the recommendations or determinations in favour of the Continuance, the Reduction of Stated Capital and the Arrangement as provided in the Arrangement Agreement or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Pieridae, any such recommendations, approvals or determinations;
- b) a *bona fide* Acquisition Proposal (or *bona fide* intention to make an Acquisition Proposal) is publicly announced, proposed, offered or made to Pétrolia or the Pétrolia Shareholders prior to the date of the Pétrolia Meeting and (i) remains outstanding at the time of the Pétrolia Meeting, and (ii) the Pétrolia Shareholders do not pass the Continuance Resolution, the Reduction of Stated Capital Resolution or the Pétrolia Arrangement Resolution, or such resolutions are not submitted for their approval at the Pétrolia Meeting;
- c) the Pétrolia Board or any committee of the Pétrolia Board accepts, recommends, approves or enters into an agreement, understanding or letter of intent to implement a Superior Proposal;
- d) Pétrolia is in breach of any of its non-solicitation covenants or obligations set out in the Arrangement Agreement;
- e) Pétrolia is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Pétrolia or

materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Pétrolia fails to cure such breach in accordance with the terms of the Arrangement Agreement; or

- f) Pétrolia is in breach of any of its representations or warranties made in the Arrangement Agreement, which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Pétrolia or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Pétrolia fails to cure such breach in accordance with the terms of the Arrangement Agreement.

The Termination Fee is payable by Pieridae if any of the following occur prior to the termination of the Arrangement Agreement in accordance with its terms:

- a) the Pieridae Board fails to make or reaffirm any of the recommendations or determinations in favour of the Arrangement as provided in the Arrangement Agreement or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Pétrolia, any such recommendations, approvals or determinations;
- b) a *bona fide* Acquisition Proposal (or *bona fide* intention to make an Acquisition Proposal) is publicly announced, proposed, offered or made to Pieridae or the Pieridae Shareholders prior to the date of the Pieridae Meeting and (i) remains outstanding at the time of the Pieridae Meeting, and (ii) the Pieridae Shareholders do not pass the Pieridae Arrangement Resolution, or such resolution is not submitted for their approval at the Pieridae Meeting;
- c) the Pieridae Board or any committee of the Pieridae Board accepts, recommends, approves or enters into an agreement, understanding or letter of intent to implement a Superior Proposal;
- d) Pieridae is in breach of any of its non-solicitation covenants or obligations set out in the Arrangement Agreement;
- e) Pieridae is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Pieridae or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Pieridae fails to cure such breach in accordance with the terms of the Arrangement Agreement; or
- f) Pieridae is in breach of any of its representations or warranties made in the Arrangement Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Pieridae or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Pieridae fails to cure such breach in accordance with the terms of the Arrangement Agreement.

See “Part II – The Arrangement – The Arrangement Agreement – Termination”.

Shareholder Approvals

Approval of Pétrolia Shareholders Required for the Continuance, the Reduction of the Pétrolia Shares Stated Capital and the Arrangement

To be effective, the Continuance Resolution, the Reduction of Stated Capital Resolution and the Pétrolia Arrangement Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders, present in person or represented by proxy at the Pétrolia Meeting.

See “*Part I – General Proxy Information – Continuance into the CBCA – Approval of Pétrolia Shareholders Required for the Continuance Resolution*” and “*Part II – The Arrangement – Approval of Pétrolia Shareholders Required for the Arrangement*”.

Approval of Pieridae Shareholders Required for the Arrangement

To be effective, the Pieridae Arrangement Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pieridae Shareholders, present in person or represented by proxy at the Pieridae Meeting.

See “*Part II – The Arrangement – Approval of Pieridae Shareholders Required for the Arrangement*” and “*Part I - General Proxy Matters – Pieridae – Approval of the Arrangement*”.

Arm’s Length Transaction

The Arrangement is an Arm’s Length Transaction.

See “*Part III – Information Concerning Pétrolia – Arm’s Length Transaction*”

Court Approval

On June 27, 2017, Pétrolia and Pieridae obtained an Interim Order providing for the calling and holding of the Pétrolia Meeting and the Pieridae Meeting and other procedural matters. The Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution authorize the Pétrolia Board and the Pieridae Board, respectively, without further notice to or approval of the Pétrolia Shareholders or Pieridae Shareholders, respectively, to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement. In addition, any amendment, modification or supplement to the Plan of Arrangement must comply with the Interim Order. If the Pétrolia Arrangement Resolution is not approved by the Pétrolia Shareholders, or the Pieridae Arrangement Resolution is not passed by the Pieridae Shareholders, the Arrangement cannot be completed. See Schedule “B” to this Information Circular for the full text of the Pétrolia Arrangement Resolution and Schedule “C” to this Information Circular for the full text of the Pieridae Arrangement Resolution.

Under the terms of the Interim Order, each Pétrolia Shareholder and Pieridae Shareholder will have the right to appear and make representations at the hearing for the Final Order. The Court hearing in respect of the Final Order is scheduled to take place at 2:00 p.m. (Eastern Daylight Time) on October 11, 2017, unless adjourned, or as soon after that time as the application may be heard, at the Québec Superior Court (Commercial List), 300 Jean Lesage Boulevard, Quebec City, Quebec, room 3.14 (or such other room or location that the Court may determine),

G1K 8K6, subject to the approval of the Pétrolia Arrangement Resolution at the Pétrolia Meeting and the Pieridae Arrangement Resolution at the Pieridae Meeting. Any Pétrolia Shareholder or Pieridae Shareholder who wishes to participate in or be represented at the Court hearing should consult with their legal advisors as to the procedural requirements. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct. The Court's approval is required for the Arrangement to become effective.

See "*Part II – The Arrangement – Court Approval*".

Exchange Listing Approval

The Arrangement constitutes a reverse-takeover of Pétrolia pursuant to the Exchange Policy. It is a mutual condition to completion of the Arrangement that the Exchange shall have conditionally approved the Arrangement and the listing of the Amalco Shares issuable pursuant to the Arrangement on the Exchange.

As of the date of this Information Circular, the Exchange has granted its conditional acceptance of the Arrangement. Final approval for the Arrangement and the listing of the Amalco Shares to be issued in exchange for the Pétrolia Shares and the Pieridae Shares will be subject to fulfillment of the general listing requirements of the Exchange, which are expected to be met in conjunction with the completion of the Arrangement, and other customary filings with the Exchange.

See "*Part II – The Arrangement – Exchange Approval*".

Other Required Approvals

Pursuant to the terms of the Arrangement Agreement, Pieridae is required to use commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the Arrangement and other transactions contemplated by the Arrangement Agreement.

Pursuant to the terms of an equity participation agreement dated August 29, 2014 made between Pieridae and GE Oil & Gas Canada Inc. (as the successor to General Electric Canada), Pieridae has requested the consent of GE Oil & Gas Canada Inc. for the Arrangement. As of the date hereof, such request remains outstanding.

Pieridae has also applied for approval of the Amalgamation by the Assistant Secretary for Fossil Energy of the Department of Energy of the United States pursuant to section 590.405 (Transferability) of the Code of Federal Regulations (10 C.F.R. 590.405) and the procedures for changes in control affecting applications and authorizations to import or export natural gas as described in the Federal Register, vol. 79, p.65441 (79 Fed. Reg. 65541, November 5, 2014). Pieridae was informed that the Assistant Secretary will not consider the application prior to the completion of the Amalgamation.

See "*Part II - The Arrangement - Other Regulatory Approval*".

Right to Dissent

Registered Pétrolia Shareholders have Dissent Rights with respect to the Continuance Resolution. Registered Petrolia Shareholders have Dissent Rights in respect of the Pétrolia

Arrangement Resolution and Registered Pieridae Shareholders have Dissent Rights in respect of the Pieridae Arrangement Resolution pursuant to the Interim Order. In all cases, and in the event the Arrangement becomes effective, each Pétrolia Shareholder and Pieridae Shareholder who properly dissents and becomes a Pétrolia Dissenting Shareholder or Pieridae Dissenting Shareholder, as applicable, will be entitled to be paid an amount equal to the fair value of their Pétrolia Shares or Pieridae Shares, as of the close of business on the Business Day before the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, was passed.

Pétrolia Shareholders and Pieridae Shareholders are cautioned that, pursuant to Dissent Rights in connection with the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution, fair value could be determined to be less than the value of the consideration payable pursuant to the terms of the Arrangement. Further, the proceeds of disposition received by a Dissenting Pétrolia Shareholder or a Dissenting Pieridae Shareholder, as applicable, may be treated in a different, and potentially more adverse, manner under Canadian federal income tax laws than had such Pétrolia Shareholder or Pieridae Shareholder exchanged his or her Pétrolia Shares or Pieridae Shares, as applicable, for Amalco Shares pursuant to the Arrangement. In addition, any judicial determination of fair value pursuant to the exercise of Dissent Rights in connection with the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, will result in delay of receipt by a Dissenting Pétrolia Shareholder or Dissenting Pieridae Shareholder, as applicable, of consideration for the Pétrolia Shares and the Pieridae Shares held by such Dissenting Pétrolia Shareholder and Pieridae Dissenting Shareholder, respectively, as applicable.

The Dissent Procedures require that a Registered Pétrolia Shareholder who wishes to dissent must send a written notice of objection to the Continuance Resolution or the Pétrolia Arrangement Resolution to (i) Pétrolia, c/o DS Lawyers Canada LLP, 891 boul. Charest Ouest, Québec, Québec, G1N 2C9, Attention: Kimberley Okell, or (ii) by facsimile transmission to c/o DS Lawyers Canada LLP, Facsimile: 1 (418) 353-1791 Attention: Kimberley Okell, not later than 5:00 p.m. (Eastern Daylight Time) on September 29, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pétrolia Meeting, and must otherwise strictly comply with the Dissent Procedure. In the event of exercise of Dissent Rights in connection with the Continuance Resolution, a Pétrolia Dissenting Shareholder may also give notice of objection to the Chair during the Pétrolia Meeting.

The Dissent Procedures require that a Pieridae Shareholder who wishes to dissent must send a written notice of objection to the Pieridae Arrangement Resolution to Pieridae, c/o Burstall Winger Zammit LLP, Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Attention: Robert Verbuck, or (ii) by facsimile transmission to c/o Burstall Winger Zammit LLP, Facsimile: 403-266-6016 Attention: Robert Verbuck, not later than 5:00 p.m. (Mountain Time) on September 22, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pieridae Meeting, and must otherwise strictly comply with the Dissent Procedure. See *Schedule “L” for a copy of the provisions of Section 190 of the CBCA.*

The Dissent Procedures are technical and complex. Failure to strictly comply with the Dissent Procedures will result in loss of the right to dissent.

Non-Registered Pétrolia Shareholders or Non-Registered Pieridae Shareholders who wish to dissent should be aware that only Registered Pétrolia Shareholders and Registered Pieridae

Shareholders are entitled to dissent. A Non-Registered Pétrolia Shareholder or Non-Registered Pieridae Shareholder that wishes to exercise Dissent Rights should immediately contact the Intermediary with whom such shareholder deals in respect of its Pétrolia Shares or Pieridae Shares, as applicable, and either: (i) instruct the Intermediary to exercise the Dissent Rights on the Non-Registered Pétrolia Shareholder's or Non-Registered Pieridae Shareholder's behalf, as applicable (which, if Pétrolia Shares are registered in the name of CDS or other clearing agency, may require that such Pétrolia Shares first be re-registered in the name of the Intermediary); or (ii) instruct the Intermediary to re-register such Pétrolia Shares or Pieridae Shares in the name of the Non-Registered Pétrolia Shareholder or Non-Registered Pieridae Shareholder, in which case such shareholder would be able to exercise the Dissent Rights directly.

In addition, pursuant to the Interim Order and the CBCA, a Dissenting Pétrolia Shareholder or a Dissenting Pieridae Shareholder may not exercise Dissent Rights in respect of only a portion of the Pétrolia Shares of such Dissenting Pétrolia Shareholder, or only a portion of the Pieridae Shares of such Dissenting Pieridae Shareholder, as the case may be, but may dissent only with respect to all Pétrolia Shares or all Pieridae Shares held by such Dissenting Pétrolia Shareholder or such Dissenting Pieridae Shareholder respectively.

It is a condition to completion of the Arrangement that holders of such number of Pétrolia Shares representing in the aggregate not more than 15% of the Pétrolia Shares and holders of such number of Pieridae representing in the aggregate not more than 2% of the Pieridae Shares shall have validly exercised rights of dissent in respect of the Arrangement and not withdrawn their dissent as of the Effective Date.

See *“Part I – General Proxy Information – The Pétrolia Meeting – Continuance into the CBCA – Dissent Rights to the Continuance”* and *“Part II – The Arrangement – Approval of Shareholders – Dissent Rights to the Arrangement”*.

Timing of the Arrangement

If the Pétrolia Meeting and the Pieridae Meeting are held as scheduled and are not adjourned and the other necessary conditions at that point are satisfied or waived, Pétrolia and Pieridae expect to apply for the Final Order approving the Arrangement on October 11, 2017. If the Final Order is obtained in form and substance satisfactory to Pétrolia and Pieridae, and all other conditions set forth in the Arrangement Agreement are satisfied or waived by the applicable Party, Pétrolia and Pieridae expect the Effective Date to occur on October 25, 2017, following the receipt of all requisite regulatory approvals and consents. However, as at the date of this Information Circular it is not possible to state with certainty when the Effective Date will occur.

See *“Part II – The Arrangement – Timing”*.

Letter of Transmittal

A Letter of Transmittal is being mailed, together with this Information Circular, to each person who was a Registered Pétrolia Shareholder on the Pétrolia Record Date and to each person who was a Registered Pieridae Shareholder on the Pieridae Record Date. The Letter of Transmittal sets out the details to be followed by each Registered Pétrolia Shareholder and Registered Pieridae Shareholder for delivering the share certificate(s) held by such Registered Pétrolia Shareholder and such Registered Pieridae Shareholder to the Depository. Registered Pétrolia Shareholders and Registered Pieridae Shareholders must deposit with the Depository (at the address which will be specified on the last page of the Letter of Transmittal) the validly

completed and duly signed Letter of Transmittal together with the certificate(s) representing the Registered Pétrolia Shareholder's Pétrolia Shares and the Registered Pieridae Shareholder's Pieridae Shares, as applicable, and such other documents and instruments as the Depository may reasonably require.

See "*Part II – The Arrangement – Letter of Transmittal*".

Exchange Procedure

In order to receive the Amalco Shares which a Registered Pétrolia Shareholder and a Registered Pieridae Shareholder is entitled to receive if the Continuance Resolution, the Reduction of Stated Capital Resolution, the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution are passed and the Arrangement is completed, a registered Pétrolia Shareholder and a Registered Pieridae Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Information Circular. Further thereto, Registered Pétrolia Shareholders will receive the appropriate number of Amalco Shares and Registered Pieridae Shareholders will receive the appropriate number of Amalco Shares.

See "*Part II – The Arrangement – Exchange Procedure*".

Lost or Stolen Certificates

In the event any certificate, which immediately prior to the Effective Time represented one or more issued and outstanding Pétrolia Shares or Pieridae Shares to be converted pursuant to the Plan of Arrangement, has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will issue in exchange for such lost, stolen or destroyed certificate, the Amalco Shares deliverable in accordance with such holder's Letter of Transmittal. Unless otherwise agreed to by Amalco, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Amalco and its transfer agent, which bond is in form and substance satisfactory to Amalco and its transfer agent, or shall otherwise indemnify Amalco and its transfer agent against any claim that may be made against any of them with respect to the certificate(s) alleged to have been lost, stolen or destroyed.

See "*Part II – The Arrangement – Lost or Stolen Certificates*".

Extinction of Rights

Any certificate, which immediately prior to the Effective Time represented outstanding Pétrolia Shares or Pieridae Shares that are converted pursuant to the Plan of Arrangement and not deposited with all other instruments required by the Plan of Arrangement on or prior to the sixth anniversary of the Effective Date, will cease to represent a claim or interest of any kind or nature. On such date, the right to receive Amalco Shares shall be deemed to have been surrendered to Amalco and will be cancelled, together with all dividends, distributions, redemptions or cash payments thereon held for such holder.

See "*Part II – The Arrangement – Extinction of Rights*".

Fractional Interest

In no event shall any Pétrolia Shareholder or Pieridae Shareholder be entitled to a fractional Amalco Share. The aggregate number of Amalco Shares to be issued to any one Person shall be rounded up to the next greater whole Amalco Share if the fractional entitlement is equal to or greater than 0.5 and in all other cases rounded down to the nearest whole Amalco Share and no Pétrolia Shareholder or Pieridae Shareholder will be entitled to any compensation in respect of a fractional Amalco Share.

See “*Part II – The Arrangement – Fractional Interest*”.

Withholding Rights

Pursuant to the terms of the Plan of Arrangement, Pétrolia, Pieridae, Amalco and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Pétrolia Shares or Pieridae Shares, as the case may be, such amounts as Pétrolia, Pieridae, Amalco or the Depositary are required or permitted to deduct and withhold with respect to such payment under the Income Tax Act or any provision of provincial, state, local or foreign tax law as counsel may advise is required to be so deducted by Pétrolia, Pieridae, Amalco or the Depositary, as the case may be.

See “*Part II – The Arrangement – Withholding Rights*”.

Return of Pétrolia Shares and Pieridae Shares

If the Arrangement is not completed, any deposited Pétrolia Shares and Pieridae Shares will be returned to the depositing Pétrolia Shareholder and the depositing Pieridae Shareholder, at the expense of Pétrolia and Pieridae, respectively, upon written notice to the Depositary from Pétrolia and Pieridae by first class mail in the name of and to the address specified by the Pétrolia Shareholder and the Pieridae Shareholder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the respective registers of Pétrolia and Pieridae.

See “*Part II – The Arrangement – Return of Pétrolia Shares and Pieridae Shares*”.

Interests of Certain Persons or Companies in the Arrangement

Other than as described in this Information Circular or in the documents incorporated into this Information Circular by reference, none of the principal holders of Pétrolia Shares or of Pieridae Shares or any director or officer of Pétrolia or Pieridae, or any associate or affiliate of any of the foregoing Persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, Pétrolia, Pieridae or Amalco or any of their Affiliates.

See “*Part II – The Arrangement – Interests of Certain Persons or Companies in the Arrangement*”.

Governance Matters of Amalco Following the Arrangement

Board of Directors

Following the consummation of the Arrangement, the Amalco Board is expected to be comprised of five members, initially two being nominees of Pétrolia (Myron A. Tétreault and Charles Boulanger) and three being nominees of Pieridae (Alfred Sorensen, Andrew Judson and Matthew Rees).

See “*Part V - Information Concerning Amalco – Governance Matters of Amalco Following the Arrangement*”.

Management

Following the consummation of the Arrangement, it is anticipated that Alfred Sorensen will serve as the Chief Executive Officer of Amalco, Mario Racicot will serve as the Chief Financial Officer of Amalco, Martin Bélanger will serve as President, Production, Thomas Dawson will serve as President, LNG, and Thomas Ciz will serve as Corporate Secretary.

See “*Part V - Information Concerning Amalco – Governance Matters of Amalco Following the Arrangement*”.

Corporate Office

Following the completion of the Arrangement, the registered office of Amalco shall be changed to the registered office of Pieridae at 1600, 333^{7th} Avenue S.W., Calgary, Alberta T2P 2Z1.

See “*Part V – Information Concerning Amalco - Corporate Office*”.

Transfer Agent and Registrar

Computershare Trust Company of Canada at its principal offices in Montreal, Quebec will act as transfer agent and registrar for Amalco Shares.

See “*Part V – Information Concerning Amalco - Transfer Agent and Registrar*”.

Selected Pro Forma Consolidated Financial Information

The following information should be read in conjunction with (a) the pro forma financial statements of Amalco following completion of the Arrangement, which are attached as Schedule “J” to this Information Circular; (b) the unaudited condensed interim consolidated financial statements of Pétrolia for the three-month periods ended March 31, 2017 and 2016 and management’s discussion and analysis filed in connection therewith (both as amended and re-filed on Pétrolia’s SEDAR profile at www.sedar.com on July 6, 2017), which form part of Schedule “F” hereto; (c) the audited consolidated financial statements of Pétrolia for the years ended December 31, 2016 and December 31, 2015 and management’s discussion and analysis filed in connection therewith, which form part of Schedule “F” hereto; (d) the audited consolidated financial statements of Pieridae for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 and the management’s discussion and analysis in connection therewith which are attached hereto as Schedule “G”; and (e) the interim consolidated financial statements of Pieridae for the three month period ended March 31, 2017 and the management’s

discussion and analysis in connection therewith which are attached hereto as Schedule “G”, all of which are incorporated in and form part of this Information Circular.

The following table sets out certain financial information for Pétrolia and Pieridae as at March 31, 2017 and pro forma financial information for Amalco after giving effect to the Arrangement and is presented for illustrative purposes only and is not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred. The summary unaudited pro forma consolidated financial information below is derived from the Pro Forma Financial Statements and should be read in conjunction with the Pro Forma Financial Statements, related notes and other financial information appearing elsewhere in this Information Circular.

See the Pro Forma Financial Statements attached hereto as Schedule “J”.

Balance Sheet Data (in thousands \$)	Pétrolia March 31, 2017	Pieridae March 31, 2017	Amalco
Assets:			
Current Assets	5,773	2,025	42,127
Other Assets	63,327	7,183	46,483
Total Assets	69,100	9,208	88,610
Liabilities:			
Current Liabilities	3,397	27,789	17,818
Other Liabilities	6,684	0	10,171
Total Liabilities	10,081	27,789	27,989
Shareholder’s Equity:			
Share Capital:	67,669	44,668	127,009
Shares to be issued			
Reserves			
Deficit	(14,655)	(70,866)	(73,788)
Contributed Surplus	6,006	6,238	6,021
Other Comprehensive Income	0	1,479	1,479
Total Equity	59,019	(18,581)	68,677
Income/Loss	(16,475)	(1,949)	(13,270)
Number of Shares Issued and Outstanding	108,399,683	15,599,157	49,132,684

Available Funds and Principal Uses

Upon closing of the Pieridae Private Placement and the Arrangement, Amalco shall have funds in the amount of of \$24,632,500 pursuant to the Pieridae Private Placement, and have a net amount of approximately \$10,212,912 in unallocated working capital. In addition, approximately \$8,198,000 of debt owed by Goldboro Canada LP to CB&I UK Limited (a) will be forgiven if the Goldboro LNG Project is abandoned or cancelled, (b) will be added to the contract price of the EPC contract if the EPC contract is awarded to CB&I UK Limited or (c) will be paid within 30 days that the EPC contract is awarded to any other person. An amount of \$10,250,000 of the cash settlement received by Pétrolia pursuant to the Anticosti Settlement will be retained by Pétrolia and will be included as part of the working capital to be used by Amalco.

The following table sets forth the estimated total funds available to Amalco upon completion of the Pieridae Private Placement and the Arrangement and the principal purposes for which the estimated funds available to Amalco upon completion of the Arrangement and the twelve-month period following Closing will be used. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for Amalco to achieve its business objectives. Amalco may require additional funds in order to fulfill all of Amalco’s expenditure requirements to meet its objectives, in which case Amalco expects to either issue

additional shares or incur indebtedness. There is no assurance that additional funding required by Amalco will be available if required.

Sources of Funds	Amount
Estimated Working Capital as of July 31, 2017 ⁽¹⁾	\$4,430,412
Net Proceeds from the sale of Subscription Receipts	\$24,632,500
Other Funds Available	\$-
Total	\$29,062,912

Notes:

(1) Estimated Working Capital as per ProForma after adjustments and before proceeds from the sale of Subscription Receipts.

Use of Funds	Amount
Legal, accounting and other expenses relating to the Arrangement	\$1,250,000
Administrative expenses for the following 12 months	\$4,994,000
Operating expenses for the following 12 months	\$896,000
Goldboro Facility expense for the following 12 months	\$10,210,000
Exploration and Development ⁽¹⁾	\$1,500,000
Unallocated working capital	\$10,212,912
Total	\$29,062,912

Notes:

(1) This amount comprises of estimated expenditures for the Haldimand and the Gaspesia Project.

See “Part V – Information Concerning Amalco - Available Funds and Principal Uses”.

Closing Date of the Arrangement

The Closing Date of the Arrangement is expected to be on or about October 25, 2017.

Market Price of Pétrolia’s Securities

In accordance with the Exchange Policy, the Pétrolia Shares are currently halted from trading.

The Pétrolia Shares are listed on the Exchange under the trading symbol “PEA” and were halted from trading on May 15, 2017. The closing market price of the Pétrolia Shares on Friday, May 12, 2017, the last trading day of the Pétrolia Shares prior to the announcement of the Arrangement and the implementation of the trading halt by the Exchange on Monday, May 15, 2017, was \$0.165 (equivalent to \$1.98 post consolidation). It is anticipated that the Amalco Shares will begin trading on the Exchange upon completion of the Arrangement under the symbol “PEA”.

Stock Option Plan

Pursuant to the Arrangement, the Pétrolia Stock Option Plan will become the stock option plan of Amalco, with the necessary changes being made.

See “*Part I – General Proxy Information – Ratification and Confirmation of the Pétrolia Stock Option Plan*”

Expenses of the Arrangement

All expenses incurred in connection with the Arrangement and the transactions contemplated thereby shall be paid by the Party incurring such expense.

The estimated costs to be incurred by Pétrolia with respect to the Arrangement and related matters including, without limitation, financial advisory, proxy solicitation, legal and accounting fees, certain costs of preparation, printing and mailing this Information Circular and other related documents, and stock exchange, regulatory filing fees and other related expenses, are expected to aggregate approximately \$600,000.

The estimated costs to be incurred by Pieridae with respect to the Arrangement and related matters including, without limitation, financial advisory, legal and accounting fees, certain costs of preparation, printing and mailing this Information Circular and other related documents, and stock exchange, regulatory filing fees and other related expenses, are expected to aggregate approximately \$650,000.

See “*Part II – The Arrangement – Expenses of the Arrangement*”.

Conflicts of Interest

Certain directors or officers of Amalco are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of Amalco are required by law to act honestly and in good faith with a view to the best interests of Amalco and to disclose any interest which they may have in any project or opportunity of Amalco. If a conflict of interest arises at a meeting of the Amalco Board, any director in a conflict will disclose his or her interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the CBCA.

Interest of Experts and Consultants

To the best of Pétrolia’s and Pieridae’s knowledge, none of the experts currently hold or will receive following completion of the Arrangement any direct or indirect interest in Pétrolia and/or Pieridae.

See “*Part VI – General Matters - Experts.*”

Certain Canadian Federal Income Tax Considerations

See “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders*” and “*Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders*”.

Risk Factors

In considering approval of the Arrangement, Pétrolia Shareholders and Pieridae Shareholders should carefully consider certain risks associated with the Arrangement and the proposed business of Amalco. Following the completion of the Arrangement, Amalco will hold all of Pétrolia's assets and all of Pieridae's assets and will carry on the business and activities described in this Information Circular. Future operations would be subject to all of the risks applicable to each of Pétrolia and Pieridae's current business activities.

This includes risks normally incident to the natural gas and LNG industries, including the fact that such industries are competitive and Goldboro Canada LP competes with numerous other participants to attract and retain customers for its LNG production. There is no assurance that Goldboro Canada LP will be able to negotiate LNG sales and purchase agreements with new customers on favourable terms, that Uniper will not terminate the LNG Sale and Purchase Agreement in accordance with its terms, that potential customers (including Uniper) will be able to satisfy their obligations under such purchase and sale agreements, of which Goldboro Canada LP will be substantially dependent upon, and that Goldboro Canada LP will be able to procure a sufficient long-term supply of natural gas and long-term pipeline transportation capacity for use in the production of LNG. Substantial capital expenditures will be required for the development and construction of the Goldboro LNG Facility as well as the procurement of a sufficient long-term supply of natural gas and long-term pipeline transportation capacity, and Amalco will be required to raise substantial amounts of capital during the next four years in order to fund these activities. Goldboro Canada LP will not earn revenues from the sale of LNG until commercial production of LNG commences, anticipated to occur at the end of 2022 at the earliest. The cost of natural gas that may be acquired or produced by Amalco, the cost of its transportation and related activities from source to market, and the marketability of the natural gas and the price at which Amalco may sell the natural gas to its customers will be affected by numerous factors beyond the control of Amalco. Amalco will be subject to market fluctuations in the prices of oil and natural gas and extensive government regulations.

It also includes risks inherent to the oil and natural gas exploration industry, such as the requirement of additional financing to support its operations. Amalco will also compete with other companies that have greater financial resources in the context of business opportunities to participate in promising projects. There are natural risks that could cause damage to the environment, eruptions or other unforeseen conditions that could result in damage to the properties of Amalco or to properties owned by third parties which could lead to potential liability toward third parties. There can be no assurance that the development projects and exploration activities that may be implemented in the future will result in reserves or that Amalco will succeed in drilling productive wells at low exploration costs. Nothing allows planning with certainty the impact that controls and regulations established by the various levels of government will have on Amalco's operations, including with respect to the hydraulic fracturing process. Oil and natural gas exploration and development activities in the Province of Québec may be subject to opposition from ecologist, environmentalist, aboriginal and even political groups, and some properties may be subject to land claims by First Nations. Access restrictions may affect the Amalco's ability to procure drilling and related equipment and may delay any exploration and development activities.

The following is a summary of certain additional and supplemental risk factors related to the Arrangement, which should also be considered by Pétrolia Shareholders and Pieridae Shareholders:

- the Arrangement is subject to satisfaction or waiver of various conditions;
- Pétrolia Shareholders and Pieridae Shareholders will receive a fixed number of Amalco Shares;
- the Arrangement Agreement may be terminated in certain circumstances;
- Pétrolia and Pieridae will incur costs even if the Arrangement is not completed and may have to pay various expenses incurred in connection with the Arrangement;
- uncertainty surrounding the Arrangement could adversely affect each company's retention of customers, suppliers and personnel and could negatively impact future business and operations;
- while the Arrangement is pending, Pétrolia and Pieridae are restricted from taking certain actions;
- the pending Arrangement may divert the attention of Pétrolia's and Pieridae's management;
- payments in connection with the exercise of Dissent Rights may impair Amalco's financial resources;
- Pétrolia and Pieridae directors and officers may have interests in the Arrangement different from the interests of Pétrolia Shareholders and Pieridae Shareholders following completion of the Arrangement;
- following completion of the Arrangement, Amalco may issue additional equity securities;
- Amalco, following the Arrangement, may not realize the anticipated benefits of the Arrangement;
- there are risks related to the integration of Pétrolia's and Pieridae's existing businesses;
- Amalco's business mix following the Arrangement will be different than that of Pétrolia and Pieridae separately;
- the trading price of the Amalco Shares following the Effective Time may be volatile; and
- the unaudited pro forma condensed combined financial information of Amalco is presented for illustrative purposes only and may not be an indication of Amalco's financial condition or results of operations following the Arrangement.

For more details regarding these risks and others, Shareholders should read carefully the risk factors described under the heading “Risk Factors” in the management’s discussion and analysis filed in conjunction with the unaudited condensed interim consolidated financial statements of Pétrolia for the three-months ended March 31, 2017 and 2016 (as amended and re-filed on Pétrolia’s SEDAR profile at www.sedar.com on July 6, 2017), which form part of Schedule “F” hereto, and the risk factors described under “*Part II – The Arrangement – Risk Factors Related to the Arrangement*”, “*Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement*”, “*Part III – Information Concerning Pétrolia – Risk Factors*” and “*Part IV – Information Concerning Pieridae – Risk Factors*” in this Information Circular.

PART I – GENERAL PROXY INFORMATION

The information contained in this Information Circular, unless otherwise indicated, is as of August 29, 2017.

THE PÉTROLIA MEETING

Solicitation of Proxies

This Information Circular is being mailed by the management of Pétrolia to everyone who was a shareholder of record of Pétrolia on August 8, 2017 (the “**Pétrolia Record Date**”), which is the date that has been fixed by the Pétrolia Board as the Pétrolia Record Date to determine the Pétrolia Shareholders who are entitled to receive notice of and to vote at the Pétrolia Meeting.

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Pétrolia for use at the Pétrolia Meeting to be held on October 3, 2017, at 10:00 a.m. (Eastern Daylight Time), at La Plaza, 420 Sherbrooke Street West, Room “Les Verrières”, Montreal, Quebec H3A 1B4. The solicitation of proxies will be primarily by mail but proxies may be solicited by telephone, fax or other electronic means by employees or agents of Pétrolia. Pétrolia has retained D. F. King Canada, a division of CST Investor Services Inc. (the “**Pétrolia Proxy Solicitation Agent**”) to assist in the solicitation of proxies and may also retain other persons as it deems necessary to aid in the solicitation of proxies with respect to the Pétrolia Meeting. The Pétrolia Proxy Solicitation Agent will be paid a program management fee of \$45,000, a success fee of \$20,000 upon Pétrolia obtaining the required approval of Pétrolia Shareholders for the Continuance Resolution, the Reduction of Stated Capital Resolution and the Pétrolia Arrangement Resolution, and an additional fee per inbound and outbound call and will be reimbursed for reasonable out-of-pocket expenses for proxy solicitation services provided to Pétrolia, which fees and expenses will be borne by Pétrolia. Certain officers, employees or directors of Pétrolia may also solicit proxies by telephone, email or in person who will not be directly compensated therefor. Pétrolia has arranged for Intermediaries to forward the notice of the Pétrolia Meeting, this Information Circular, the instruments of proxy and the Letter of Transmittal to Beneficial Pétrolia Shareholders whose Pétrolia Shares are held of record by those Intermediaries and Pétrolia may reimburse the Intermediaries for their reasonable fees and disbursements in that regard.

Under Pétrolia’s by-laws two or more persons present and holding, or representing by proxy, at least 10% of the issued and outstanding Pétrolia Shares must be present at the Pétrolia Meeting before any action may validly be taken at the Pétrolia Meeting. If such a quorum is not present in person or by proxy, Pétrolia will reschedule the Pétrolia Meeting.

Pétrolia Record Date

The Pétrolia Record Date for determination of Pétrolia Shareholders entitled to receive notice of and to vote at the Pétrolia Meeting is August 8, 2017. Only Pétrolia Shareholders whose names have been entered in the applicable register of Pétrolia Shares on the close of business on the Pétrolia Record Date will be entitled to receive notice of and to vote at the Pétrolia Meeting.

Registered Pétrolia Shareholders

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for holders of Pétrolia Shares. The persons named in the enclosed form of proxy are directors and/or officers of Pétrolia. A Pétrolia Shareholder has the right to appoint a person (who need not be a Pétrolia Shareholder) other than the persons designated in the form of proxy provided by Pétrolia to represent the Pétrolia Shareholder at the Pétrolia Meeting. To exercise this right, the Pétrolia Shareholder should strike out the names of management designees in the applicable enclosed form of proxy and insert the name of the desired representative in the blank space provided in such form of proxy or submit another appropriate form of proxy permitted by law, and in either case, send or deliver the completed proxy to the offices of Computershare Trust Company of Canada, Attention Proxy Dept., by mail: 100 University Ave., 8th floor, Toronto, ON M5J 2Y1, or by toll free North American fax number 1-866-249-7775, or by international fax number 416-263-9524. The applicable form of proxy must be received by Computershare no later than 5 p.m. (Eastern Daylight Time) on September 29, 2017, or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting. Failure to deposit a form of proxy shall result in its invalidation. Notwithstanding the foregoing, the Chair of the Pétrolia Meeting has the discretion to accept or reject proxies received after such deadline and the Chair of the Pétrolia Meeting is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chair of the Pétrolia Meeting at his or her discretion, without notice.

A Pétrolia Shareholder that has given a form of proxy or voting instruction form may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Pétrolia Shareholders or by its attorney duly authorized in writing or, if the Pétrolia Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Computershare Trust Company of Canada no later than 5 p.m. (Eastern Standard Time) on September 29, 2017, or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting or with the Chair of the Pétrolia Meeting on the day of the Pétrolia Meeting or any adjournment or postponement thereof.

Signature of Proxy

The applicable accompanying form of proxy or voting instruction form must be executed by the Pétrolia Shareholder or its attorney authorized in writing, or if the Pétrolia Shareholder is a corporation, the applicable form of proxy or voting instruction form should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Pétrolia).

Voting of Proxies

The persons named in the applicable accompanying form of proxy or voting instruction form will vote or withhold from voting the Pétrolia Shares in respect of which they are appointed in accordance with the direction of the Pétrolia Shareholder appointing them and if the Pétrolia Shareholder specifies a choice with respect to any matter to be voted upon, such Pétrolia

Shareholders' Pétrolia Shares will be voted accordingly. **IN THE ABSENCE OF SUCH DIRECTION, THE PÉTROLIA SHARES WILL BE VOTED "FOR" THE APPROVAL OF THE RESOLUTIONS TO BE CONSIDERED AT THE PÉTROLIA MEETING, INCLUDING, BUT NOT LIMITED TO THE CONTINUANCE RESOLUTION, THE REDUCTION OF STATED CAPITAL RESOLUTION AND THE PÉTROLIA ARRANGEMENT RESOLUTION AS DESCRIBED IN THIS INFORMATION CIRCULAR.**

Exercise of Discretion of Proxy

The proxyholder has discretion under the applicable accompanying form of proxy or voting instruction form with respect to any amendments or variations of the matter of business to be acted on at the Pétrolia Meeting or any other matters properly brought before the Pétrolia Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the Pétrolia Meeting is routine and whether or not the amendment, variation or other matter that comes before the meeting is contested. The persons named in the enclosed proxy will vote on such matters in accordance with their best judgment. At the date of this Information Circular, management of Pétrolia knows of no amendments, variations or other matters to come before the Pétrolia Meeting other than the matter referred to in the Notice of Meeting. Pétrolia Shareholders that are planning on returning the applicable accompanying form of proxy or voting instruction form are encouraged to review the Information Circular carefully before submitting the form of proxy or voting instruction form.

Voting by Internet and Telephone

Pétrolia Shareholders that hold Pétrolia Shares in their own name may use the internet at www.investorvote.com and the telephone at 1-866-732-VOTE (8683) (a toll-free number) to transmit their voting instructions. Pétrolia Shareholders should have the form of proxy in hand when they access the website or dial the toll-free number noted above. Pétrolia Shareholders will be prompted to enter their proxy control number, which is located on the form of proxy. If Pétrolia Shareholders vote by internet or by telephone, their vote must be received no later than 5pm (Eastern Daylight Time) on September 29, 2017 or 48 hours (excluding weekends and holidays in the Province of Quebec) prior to the time of any adjournment or postponement of the Pétrolia Meeting. The website may be used to appoint a proxyholder to attend and vote on a Pétrolia Shareholder's behalf at the Pétrolia Meeting and to convey a Pétrolia Shareholder's voting instructions. Please note that if a Pétrolia Shareholder appoints a proxyholder and submits their voting instructions and subsequently wishes to change their appointment, a Pétrolia Shareholder may resubmit their proxy, prior to the deadline noted above. The toll-free telephone number can only be used to convey a Pétrolia Shareholder's voting instructions and cannot be used to appoint a proxyholder to attend at and vote at a meeting on the a Pétrolia Shareholder's behalf at the Pétrolia Meeting. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

Shareholders may be contacted by the Proxy Solicitation Agent to vote directly over the telephone using the Broadridge Quickvote™ service.

Non-Registered Pétrolia Shareholders

Only registered shareholders or holders of a duly designated proxy are eligible to attend and vote at the Meeting. Shareholders who do not hold their shares in their own name (“**Beneficial Pétrolia Shareholders**”) are advised that only the proxies of registered shareholders may be recognized and used for a vote at the Pétrolia Meeting. Beneficial Pétrolia Shareholders who fill out and return a proxy shall indicate the name of the person (usually a brokerage house) that holds their shares as the registered shareholder. Each Intermediary (broker) has its own mailing procedure and provides for its own return instructions, which should be carefully followed. The proxy provided to Beneficial Pétrolia Shareholders is identical to the one provided to Registered Pétrolia Shareholders. Nevertheless, its purpose is limited to instructing the Registered Pétrolia Shareholder on how to vote in the name of the Beneficial Pétrolia Shareholder.

If the shares appear on the account statement supplied to a Pétrolia Shareholder by an Intermediary, then, generally speaking, these Pétrolia Shares will not be registered in the name of the Pétrolia Shareholder in Pétrolia’s records. It is probable that these Pétrolia Shares will be registered in the name of the Pétrolia Shareholder’s Intermediary or an agent of the Intermediary. In Canada, most shares of non-registered holders are registered in the name of CDS & Co. (the name of registration of CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian Intermediaries). The voting rights attached to the Pétrolia Shares held by Intermediaries or their nominees may not be exercised in favour of or against resolutions except as directed by the Pétrolia Shareholder. Without specific instructions, Intermediaries or nominees are prohibited from exercising the voting rights attached to the shares of their customers. The directors and executive officers of Pétrolia do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Intermediaries are required to request voting instructions from the Beneficial Pétrolia Shareholders before shareholder meetings. Intermediaries have their own specific sending procedures and instructions for returning documents, which must be followed to the letter by the Beneficial Pétrolia Shareholders so that their voting rights can be exercised at the Pétrolia Meeting. In Canada, most Intermediaries now delegate the responsibility of obtaining instructions from their customers to Broadridge Financial Solutions Inc. (“**BFSI**”). A Beneficial Pétrolia Shareholder who receives a voting instruction form from BFSI may not use this form to vote directly at the Pétrolia Meeting. If you have any questions about exercising your voting rights attached to the Pétrolia Shares that you hold through an Intermediary, please contact such Intermediary directly.

Although a Beneficial Pétrolia Shareholder cannot be recognized at the Pétrolia Meeting for the purpose of directly exercising the voting rights attached to the Pétrolia Shares registered in the name of its Intermediary (or of an agent of such Intermediary), he/she may attend the Pétrolia Meeting as a proxy of the Registered Pétrolia Shareholder and exercise the voting rights attached to the Pétrolia Shares in connection therewith. Unless otherwise indicated, in this Information Circular as well as the attached proxy form and Notice of Meeting, “Pétrolia Shareholders” refers to Registered Pétrolia Shareholders.

Voting By Beneficial Pétrolia Shareholders

A Pétrolia Shareholder is a Beneficial Pétrolia Shareholder (as opposed to a Registered Pétrolia Shareholder) if his or her Pétrolia Shares are held on his or her behalf, or for his or her account, by an Intermediary, such as a broker, an investment dealer, a bank or a trust company. In accordance with Securities Laws, Pétrolia has distributed copies of the Notice of the Meeting and

this Information Circular to the clearing agencies and Intermediaries for onward distribution to Beneficial Pétrolia Shareholders. Intermediaries are required to forward the Notice of the Meeting and this Information Circular to Beneficial Pétrolia Shareholders unless a Beneficial Pétrolia Shareholder has waived the right to receive them. Typically, Intermediaries will use a service company, such as Broadridge Financial Solutions, Inc. (“**Broadridge**”), to forward such materials to Beneficial Pétrolia Shareholders.

In most cases, a Beneficial Pétrolia Shareholder will receive, as part of the materials for the Pétrolia Meeting, a voting instruction form. If the Beneficial Pétrolia Shareholder does not wish to attend and vote at the Pétrolia Meeting in person (or have another person attend and vote on the Beneficial Pétrolia Shareholder’s behalf), he, she or it may vote over the Internet at www.proxyvote.com, or else complete, sign and return the voting form in accordance with the directions on the form. If a Beneficial Pétrolia Shareholder wishes to attend and vote at the Pétrolia Meeting in person (or have another person attend and vote on the Beneficial Pétrolia Shareholder’s behalf), the Beneficial Pétrolia Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided.

Beneficial Pétrolia Shareholders should follow the instructions on the forms they receive from their Intermediaries and contact their Intermediaries promptly if they need assistance.

Eligible Beneficial Pétrolia Shareholders may be contacted by the Proxy Solicitation Agent to vote directly over the telephone using the Broadridge Quickvote™ service.

Pétrolia Shareholders having any questions or needing assistance with the completion and delivery of his, her or its proxy, please contact Pétrolia's proxy solicitation agent, D.F. King, by telephone at 1-866-822-1238 (toll free in North America) or 1-201-806-7301 (collect outside North America), by facsimile at 1-888-509-5907 or by email at inquiries@dfking.com.

Voting Securities and Principal Holders Thereof

As at the date of this Information Circular there are 108,399,683 Pétrolia Shares issued and outstanding. To the knowledge of the directors and executive officers of Pétrolia, as at such date, with the exception of Ressources Québec, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, Pétrolia Shares in aggregate entitled to 10% or more of the votes which may be cast at the Pétrolia Meeting.

Business of the Pétrolia Meeting and Requisite Pétrolia Shareholders Approval

Financial Statements

Pétrolia Shareholders will receive and consider the audited consolidated financial statements of Pétrolia for the year ended December 31, 2016, together with the auditor’s reports thereon. These financial statements have been mailed to the Pétrolia Shareholders together with this Information Circular.

Fixing the Number of Directors

At the Pétrolia Meeting, the Pétrolia Shareholders will be asked to consider and, if deemed advisable, pass an ordinary resolution authorizing Pétrolia to fix the number of directors within the minimum and maximum set out in the articles of Pétrolia, at five directors. The directors of Pétrolia are elected for a term of one year.

The Pétrolia Shareholders will be requested at the Pétrolia Meeting to pass the following ordinary resolution, without variation:

“BE IT RESOLVED that the number of directors within the minimum and maximum number provided in the articles of Pétrolia be fixed at five.”

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA’S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE RESOLUTION AUTHORIZING THE DIRECTORS TO FIX THE NUMBER OF DIRECTORS WITHIN THE MINIMUM AND MAXIMUM SET OUT IN THE ARTICLES OF PÉTROLIA.

Election of Directors

Action is to be taken at the Pétrolia Meeting with respect to the election of directors. The Pétrolia Board presently consists of five members. The Pétrolia Management proposes to nominate the persons named below for election as directors of Pétrolia. Each director elected will hold office until the next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the By-laws of Pétrolia or he becomes disqualified to act as a director.

The five nominees are Myron A. Tétreault, Martin Bélanger, David McCallum, Charles Boulanger and Karl McLellan. It is not expected that any of the nominees will become unable, or for any reason unwilling, to serve as a director. However, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion, unless a Pétrolia Shareholder has specified in the form of proxy that his or her shares are to be withheld from voting on the election of directors. However, if the Arrangement is completed, only two of the nominees (Myron A. Tétreault and Charles Boulanger) will become directors of Amalco.

Pétrolia’s management recommends that Pétrolia Shareholders vote in favour of the nominees for election as directors. The number of votes required to elect the five (5) nominees as directors is a majority of votes cast by Pétrolia Shareholders either in person or by proxy.

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA’S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **IN FAVOUR** OF THE FIVE NOMINEES. THE FORM OF PROXY IS FOR THE ELECTION OF INDIVIDUAL DIRECTORS AS DIRECTORS OF PÉTROLIA FOR THE ENSUING YEAR. HOWEVER, IF FOR ANY REASON ANY OF THE PROPOSED NOMINEED DOES NOT STAND FOR ELECTION OR IS UNABLE TO SERVE AS SUCH, PÉTROLIA’S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, RESERVES THE RIGHT TO VOTE FOR ANY OTHER NOMINEE IN THEIR SOLE DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER PÉTROLIA SHARES ARE TO BE WITHHELD FROM VOTING ON THE ELECTION OF DIRECTOR.

The following information regarding the nominees as directors is based on the information provided to Pétrolia by the nominees, and sets out the name and city of residence of each person proposed to be nominated for election as a director, his principal occupation at present, all other positions and offices held by him in Pétrolia, the year in which he was first elected as a director of Pétrolia and the number of Pétrolia Shares that he has advised are beneficially owned by him, directly or indirectly, or over which he exercises control or direction:

Name. City and Province of Residence	Position within Pétrolia	Principal Occupation	Director Since	Number of Pétrolia Shares Owned or Controlled⁽¹⁾
Myron A. Tétreault ⁽³⁾ Calgary, AB, Canada	Executive Chairman and Director	Businessman	March 20, 2009	870,000 ⁽⁴⁾
Martin Bélanger ⁽²⁾ Calgary, AB, Canada	Interim President and Chief Executive Officer and Director	Interim President and Chief Executive Officer of Pétrolia	March 26, 2015	38,000 ⁽⁵⁾
David McCallum ⁽²⁾⁽³⁾ Gaspé, QC, Canada	Director	Businessman	February 25, 2011	166,300 ⁽⁶⁾
Charles Boulanger ⁽²⁾⁽³⁾ Quebec, QC, Canada	Director	President and Chief Executive Officer of LeddarTech Inc.	December 11, 2012	233,500 ⁽⁷⁾
Karl Mc Lellan Québec, QC, Canada	Director	Vice-President of Finance of Endoceutics Inc.	May 26, 2016	43,767 ⁽⁸⁾

- 1) The directors have provided the information concerning the shares that they control as at the date of this Information Circular.
- 2) Members of the Pétrolia Audit Committee.
- 3) Members of the Pétrolia Compensation and Governance Committee.
- 4) Not including 1,235,000 Pétrolia Shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.
- 5) Not including 437,500 Pétrolia Shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.
- 6) Not including 380,000 Pétrolia Shares that may be issued to him through Pétrolia Options.
- 7) Not including 475,000 Pétrolia Shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.
- 8) Not including 825,000 Pétrolia Shares that may be issued to him through Pétrolia Options.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of Pétrolia, there has been no director that is, or within ten years before the date of this Information Circular has been, a director or officer of any other issuer that:

- (a) while that person was acting in that capacity was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or
- (b) while that person was acting in that capacity was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of management of Pétrolia, no director has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director with the exception of the penalty imposed on Charles Boulanger for the late filing of an insider report.

Personal Bankruptcies

To the knowledge of management of Pétrolia, there has been no director or officer, or any shareholder holding sufficient number of securities of Pétrolia to affect materially the control of Pétrolia, or a personal holding company of any such person that has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Appointment of the Auditor

Ernst & Young LLP are the current auditors of Pétrolia. In the event the Arrangement does not take place, management recommends the re-appointment of Ernst & Young LLP as the auditor of Pétrolia to hold office until the close of the next annual meeting of the Pétrolia Shareholders.

In the event that the Arrangement is approved by the Pétrolia Shareholders and Pieridae Shareholders, respectively, and completed, Ernst & Young LLP, will act as Amalco's auditor to hold office until the close of the next annual meeting of Amalco. See "*Information Concerning Amalco – Auditor, Transfer Agent and Registrar*".

The number of votes required to appoint the auditor is a majority of votes cast by Pétrolia Shareholders either in person or by proxy.

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA'S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE APPOINTMENT OF ERNST & YOUNG LLP AS THE AUDITOR OF PÉTROLIA IN THE EVENT THE ARRANGEMENT IS NOT COMPLETED AT A REMUNERATION TO BE FIXED BY THE PÉTROLIA BOARD.

Ratification and Confirmation of the Pétrolia Stock Option Plan

Pétrolia has a "rolling" stock option plan (the "**Pétrolia Stock Option Plan**") under which options may be granted for a maximum of 10% of the issued and outstanding shares of Pétrolia at the time of the grant. The number of common shares that may be reserved under the Pétrolia Stock Option Plan automatically increases or decreases as the number of issued and outstanding shares of Pétrolia increases or decreases. Pursuant to the policies of the Exchange, the Pétrolia Stock Option Plan must be approved annually by the Pétrolia Shareholders at the annual general meeting.

Pursuant to the Arrangement, the Pétrolia Stock Option Plan shall become the stock option plan of Amalco, with the necessary changes being made.

Pétrolia's management recommends that Pétrolia Shareholders vote in favour of ratifying and confirming the Pétrolia Stock Option Plan. The number of votes required to ratify and confirm the

Pétrolia Stock Option Plan is a majority of votes cast by Pétrolia Shareholders either in person or by proxy.

Consequently, the Pétrolia Shareholders will be asked to pass the following resolution:

“BE IT RESOLVED to ratify and confirm the Pétrolia Stock Option Plan currently in effect and to authorize any officer of Pétrolia to take all necessary actions to give effect to the foregoing.”

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA’S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE RATIFICATION AND CONFIRMATION OF THE PÉTROLIA STOCK OPTION PLAN.

Continuance into the CBCA

The Continuance

In order to complete the Arrangement and for Pétrolia to amalgamate with Pieridae, Pétrolia must first continue its corporate existence under the CBCA, as provided in the Arrangement Agreement. Pétrolia intends to apply to continue Pétrolia from the Province of Québec under the QBCA to the federal jurisdiction of Canada under the CBCA. A corporation subject to the QBCA may, if authorized by a special resolution of shareholders of the corporation and the Québec Enterprise Registrar under the QBCA, apply under the CBCA for a certificate of continuance (“**Certificate of Continuance**”) under the CBCA.

Pétrolia Shareholders will be asked to consider, and if deemed appropriate, to pass the Continuance Resolution authorizing the Pétrolia Board, in its sole discretion, to file a Continuance application with the Director under the CBCA as required in connection with the Continuance and a form of Articles of Continuance of Pétrolia which comply with the provisions of the CBCA. The Continuance will affect certain of the rights of Pétrolia Shareholders as they currently exist under the QBCA and Pétrolia Shareholders should consult their legal advisors regarding the implications of the Continuance which may be of a particular importance to them.

On the date shown on the Certificate of Continuance, Pétrolia becomes a corporation under the Federal Laws of Canada as if it had been incorporated under the CBCA. The Continuance will not result in any change of the business of Pétrolia or its assets, liabilities or net worth, or in the individuals who constitute the Pétrolia Board and management. The Continuance is not a reorganization, an amalgamation or merger.

If (i) the Continuance Resolution is passed by Pétrolia Shareholders in accordance with the description below, (ii) if the Stated Capital Resolution is passed by Pétrolia Shareholders in accordance with the description below, and (iii) the Pétrolia Arrangement Resolution is passed by Pétrolia Shareholders and the Pieridae Arrangement Resolution is passed by Pieridae Shareholders each in accordance with the Interim Order (see “*Part II – The Arrangement – Court Approval*”), then Pétrolia shall, as reasonably practical thereafter, proceed with the Continuance.

Approval of Pétrolia Shareholders Required for the Continuance Resolution

At the Pétrolia Meeting, Pétrolia Shareholders will be asked to consider, and if thought advisable, to pass the Continuance Resolution to approve the Continuance, which is required to become effective prior to the Arrangement proceeding.

To be effective the Continuation Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast on the resolution by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. A copy of the Continuation Resolution is set out in Schedule "A-1" of this Information Circular. Should Pétrolia Shareholders fail to pass the Continuation Resolution by the requisite margin, the Continuation will not be completed. Completion of the Continuation is a condition to completion of the Arrangement.

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA'S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE CONTINUANCE RESOLUTION.

The Pétrolia Board has unanimously approved the Continuation and recommends that Pétrolia Shareholders vote FOR the Continuation Resolution.

The Continuation Process

In order to effect the Continuation:

- (a) the Continuation Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast at the Pétrolia Meeting in person or by proxy;
- (b) Pétrolia must make a written application to the Québec Enterprise Registrar under the QBCA for authorization to continue under the CBCA, such written application shall include a declaration of an officer or director of Pétrolia attesting that the proposed Continuation will not adversely affect Pétrolia Shareholders;
- (c) once the Continuation Resolution is passed by Pétrolia Shareholders and Pétrolia has obtained the continuation authorization from the Québec Enterprise Registrar under the QBCA, in order to obtain its Certificate of Continuation pursuant to the CBCA, Pétrolia must file with the Director a continuation application, along with the Québec continuation authorization and certain documents prescribed by the CBCA, including Form 11 (Articles of Continuation);
- (d) on the date shown on the Certificate of Continuation issued by the Director, Pétrolia becomes a corporation under the Federal Laws of Canada as if it had been incorporated thereunder; and
- (e) Pétrolia must then file a copy of the Certificate of Continuation with the Québec Enterprise Register under the QBCA pursuant to which it will receive a Certificate of Discontinuation under the QBCA.

Effect of the Continuation

Upon the Continuation, the QBCA will cease to apply to Pétrolia and Pétrolia will thereupon become subject to the CBCA, as if it had been originally incorporated as a corporation under the Federal Laws of Canada. The Continuation will not create a new legal entity, affect the continuity of Pétrolia or result in a change in its business. The persons elected as directors by the Pétrolia Shareholders at the Pétrolia Meeting will continue to constitute the Pétrolia Board upon the Continuation becoming effective.

The Continuance will not affect Pétrolia's status as a listed issuer on the Exchange or as a reporting issuer under the securities legislation of any jurisdiction in Canada in which Pétrolia is a reporting issuer, and Pétrolia will remain subject to the requirements of all applicable securities legislation.

As of the effective date of the Continuance, Pétrolia's current constating documents, its articles and by-laws under the QBCA, will be replaced with Articles of Continuance and by-laws under the CBCA.

Each previously outstanding Pétrolia Share will continue to be a common share of Pétrolia as a corporation governed by the CBCA.

Certain Corporate Differences between the QBCA and CBCA

The CBCA provides shareholders with substantially the same rights available under the QBCA, including Dissent Rights and the right to bring derivative and oppression actions. There are differences between the two statutes and the regulations. The following is a summary of material differences.

This summary is not an exhaustive review of the two statutes. Reference should be made to the full text of both statutes and the regulations made or laws developed thereunder for particulars of any differences between them, and Pétrolia Shareholders should consult their legal or other professional advisors with regard to the implications of the Arrangement which may be of importance to them.

Independent Directors

Both the QBCA and the CBCA state that at least two of the directors of a public corporation cannot be officers or employees of such corporation or its affiliates.

Quorum – Directors' Meetings

Both the QBCA and the CBCA state that quorum of directors' meetings consists of a majority of directors or the minimum number of directors required by the articles.

Place of Shareholders' Meetings

Under the QBCA, a shareholders' meeting may be held any place in the Province of Quebec provided in the by-laws or, in the absence of such provision, at a place in Canada that the directors determine. Notwithstanding the foregoing, a meeting of shareholders of a QBCA corporation may be held at a place outside the Province of Quebec if such place is specified in the articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

Under the CBCA, a shareholders' meeting may be held any place in Canada provided in the by-laws or, in the absence of such provision, at a place in Canada that the directors determine. Notwithstanding the foregoing, a meeting of shareholders of a CBCA corporation may be held at a place outside Canada if such place is specified in the articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

Notice of Shareholders' Meetings

Both the QBCA and the CBCA state that a public corporation must give notice not less than 21 days and not more than 60 days before a shareholders' meeting.

Shareholder Proposals

Shareholder proposals under both the QBCA and the CBCA may be submitted by both registered and beneficial owners of shares entitled to be voted at an annual meeting of shareholders, provided that (a) the shareholder was a registered or beneficial owner, for at least six months prior to the submission of the proposal, of voting shares at least equal to 1% of the total number of outstanding voting shares of the corporation or whose fair market value is at least \$2,000; or (b) the proposal must have the support of persons who in the aggregate have owned, of record or beneficially, at least 1% of the total number of outstanding voting shares of the corporation or voting shares whose fair market value is at least \$2,000, for at least six months prior to the submission of the proposal. The QBCA also states that a person may not present more than 5 proposals per meeting.

Solicitation of Proxies

For solicitation of proxies, a corporation governed by the QBCA that qualifies as a reporting issuer is subject to the requirements of *Regulation 51-102 – Continuous Disclosure Obligations*, which provides that a person who solicits proxies, other than by or on behalf of management of the corporation, must send a proxy circular in prescribed form to each shareholder whose proxy is solicited and to certain other recipients, subject to certain exceptions, including where the total number of shareholders whose proxies are solicited is 15 or fewer or where the solicitation is conveyed by public broadcast in certain prescribed circumstances.

Under the CBCA, proxies may be solicited other than by or on behalf of management of the corporation without the sending of a dissident's proxy circular if:

- (a) proxies are solicited from 15 or fewer shareholders; or
- (b) the solicitation is conveyed by public broadcast, speech or publication containing certain of the information that would be required to be included in a dissident's proxy circular.

Furthermore, under the CBCA, the definition of "solicit" and "solicitation" specifically excludes:

- (a) certain public announcements by a shareholder of how he or she intends to vote and the reasons for that decision;
- (b) communications for the purpose of obtaining the number of shares required for a shareholder proposal; and
- (c) certain other communications made other than by or on behalf of management of the corporation, including communications by one or more shareholders concerning the business and affairs of the corporation or the organization of a dissident's proxy solicitation where no form of proxy is sent by or on behalf of such shareholders, by financial and other advisors in the ordinary course of business to shareholders who are their clients, or by any person who does not seek directly or indirectly the power to act as proxy for a shareholder.

A CBCA corporation that qualifies as a reporting issuer will also be subject to the requirements of *Regulation 51-102 – Continuous Disclosure Obligations*.

Telephonic or Electronic Meetings

Under the QBCA, unless the articles or by-laws state otherwise, meetings of shareholders may be held entirely by means of any equipment enabling participants to communicate directly with one another and shareholders may participate in and vote at the meeting by such means. Under the CBCA, unless the articles or by-laws state otherwise, meetings of shareholders may be held by telephonic, electronic or other communication means that permits all participants to communicate adequately with each other during the meeting and shareholders may participate in and vote at the meeting by such means.

Registered Office

Under the QBCA, the registered office must be in the Province of Quebec and may be relocated within the judicial district by directors' approval or to another judicial district with shareholder approval. Under the CBCA, the registered office must be in the Canadian province specified in the articles and may be relocated within that province by directors' approval.

Corporate Records

Under the QBCA, corporate and accounting records must be kept at a corporation's registered office or, with regards to the latter, such other place designated by the corporation's directors. The QBCA also permits corporate and accounting records to be kept outside of the corporation's registered office if the following conditions are met:

- (a) the information contained in the records is available for inspection, in an appropriate medium, during regular office hours at the head office of the corporation or any other place in Québec designated by the board of directors; and
- (b) the corporation provides technical assistance to facilitate the inspection of the information in the records.

The CBCA requires records to be kept at a corporation's registered office or such other place in Canada designated by its directors. The CBCA also permits corporate and accounting records to be kept outside of Canada, subject to requirements to keep them within Canada under the Income Tax Act and other statutes administered by the Minister of National Revenue (such as the *Excise Tax Act*). Corporations are also required to provide access to records kept outside Canada at a location in Canada, by computer terminal or other technology.

Notice of a Derivative Action

Both under the QBCA and CBCA, a complainant/applicant may apply to the court for leave to bring an action in the name and on behalf of the corporation or any of its subsidiaries, or intervene in an action for the purpose of prosecuting, defending or discontinuing the action on behalf of such corporation or subsidiary, upon giving at least 14 days' notice to the directors of a corporation.

Oppression Remedy

The QBCA allows a court to grant relief where a prejudicial effect to a shareholder is merely threatened. The CBCA allows a court to grant relief only where a prejudicial effect to a shareholder actually exists (that is, it must be more than merely threatened).

Dissent Rights to the Continuance

Pétrolia Shareholders may, subject to compliance with certain conditions, dissent from the Continuance Resolution and be entitled to be paid the fair value for their Pétrolia Shares in accordance with Section 372 and following of the QBCA. Registered Pétrolia Shareholders who wish to dissent should seek the advice of legal advisors and carefully read the Plan of Arrangement, the Interim Order and the provisions of Section 372 and following of the QBCA, which are attached to this Information Circular as Schedules “H”, “T” and “K”, respectively.

The following description of the rights of Pétrolia Dissenting Shareholders in connection with the Continuance is not a comprehensive statement of the procedures to be followed by a Pétrolia Dissenting Shareholder who seeks payment of the fair value of his, her or its Pétrolia Shares and is qualified in its entirety by the full texts of Section 372 and following of the QBCA.

A Pétrolia Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of Section 372 and following of the QBCA. Failure to comply with the provisions of those sections and to adhere to the procedures established therein may result in the loss of all rights thereunder.

Persons who are Beneficial Pétrolia Shareholders who wish to dissent should be aware that only the registered owner of Pétrolia Shares is entitled to dissent. Accordingly, a Beneficial Pétrolia Shareholder desiring to exercise his, her or its Dissent Rights must make arrangements for the Pétrolia Shares beneficially owned by him, her or it to be registered in his, her or its name prior to the time the written objection to the Continuance Resolution is required to be received by Pétrolia or, alternatively, make arrangements for the Registered Pétrolia Shareholder of his, her or its Pétrolia Shares to dissent on his, her or its behalf. Beneficial Pétrolia Shareholders who wish to dissent should contact their broker or other Intermediary for assistance with exercising their Dissent Rights under the QBCA.

A Registered Pétrolia Shareholder who wishes to dissent shall send a written notice of objection to the Continuance Resolution in compliance with Section 372 and following of the QBCA: by mail to c/o DS Lawyers Canada LLP, 891, boul. Charest Ouest, Quebec, Quebec, G1N 2C9, Attention: Kimberley Okell, or by facsimile transmission to c/o DS Lawyers Canada LLP, Facsimile: 1 (418) 353-1791 Attention: Kimberley Okell, not later than 5:00 p.m. (Eastern Daylight Time) on September 29, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pétrolia Meeting, or shall inform the Chair of the Pétrolia Meeting of such dissent prior to the closing of the Pétrolia Meeting.

The delivery of such notice of objection does not deprive such Pétrolia Dissenting Shareholder of its right to vote at the Pétrolia Meeting; however, in order to retain the right to the repurchase of the Pétrolia Shares, a Pétrolia Dissenting Shareholder must vote against the Continuance Resolution. A vote against the Continuance Resolution, whether in person or by proxy, does not constitute a notice of objection. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Continuance Resolution does not constitute a notice of

objection in respect of the Continuance Resolution, but any such proxy granted by a Pétrolia Shareholder who intends to dissent should be validly revoked in order to prevent the proxy holder from voting such Pétrolia Shares in favour of the Continuance Resolution. A vote in favour of the Continuance Resolution, whether in person or by proxy, will constitute a loss of a Pétrolia Shareholder's right to the repurchase of Pétrolia Shares. However, a Pétrolia Shareholder may vote as a proxy holder for another Pétrolia Shareholder whose proxy requires an affirmative vote, without affecting the right of the proxy holder to exercise Dissent Rights in respect of the proxy holder's Pétrolia Shares.

If the Continuance Resolution is passed at the Pétrolia Meeting, Pétrolia must then give notice to all Pétrolia Dissenting Shareholders stating that the Continuance Resolution has been passed and, subject to receipt of the Final Order and satisfaction of the other conditions set out in the Arrangement Agreement, Pétrolia intends to complete the Continuance and indicating the repurchase price offered by Pétrolia for the Pétrolia Shares with an explanation how the price was determined. The repurchase price for the Pétrolia Shares shall be the fair value of the Pétrolia Shares as of the close of business on the day preceding the adoption of the Continuance Resolution.

Within thirty days after receiving such repurchase notice, the Pétrolia Dissenting Shareholders must, pursuant to Section 380 of the QBCA, confirm their intention to exercise their right to request a repurchase. Otherwise, they are deemed to have waived their right. Such confirmation by Pétrolia Dissenting Shareholders may not be limited to only a portion of the repurchasable Pétrolia Shares and does not affect the rights of Pétrolia Dissenting Shareholders to demand an increase in the repurchase price offered.

In the absence of any dispute, the repurchase price must be paid to the Pétrolia Dissenting Shareholders within ten days after the confirmation received pursuant to Section 380 of the QBCA. If a Pétrolia Dissenting Shareholders wishes to contest Pétrolia's appraisal of the fair value of the Pétrolia Shares, it must notify Pétrolia within thirty days after receiving the repurchase notice. Such contestation is a confirmation of the decision by a Pétrolia Dissenting Shareholder to exercise the right to demand a repurchase.

A Pétrolia Dissenting Shareholder will be deemed to have ceased to be a holder of all of its Pétrolia Shares if, after reception of the repurchase notice from Pétrolia, it confirms its intention to exercise the right to request a repurchase of its Pétrolia Shares.

If a Pétrolia Dissenting Shareholder fails to strictly comply with the requirements of the Dissent Rights set out in Section 372 and following of the QBCA, it will lose its Dissent Rights, Pétrolia will return to the Pétrolia Dissenting Shareholder the certificates representing the Dissenting Pétrolia Shares that were delivered to Pétrolia, if any, and if the Continuance is effected and the Arrangement completed, that Pétrolia Dissenting Shareholder will be deemed to have participated in the Arrangement on the same terms as a non-dissenting Pétrolia Shareholder. If a Pétrolia Dissenting Shareholder strictly complies with the foregoing requirements of the Dissent Rights, but the Continuance is not effected and the Arrangement not completed, Pétrolia will return to the Pétrolia Dissenting Shareholder the certificates delivered to Pétrolia by the Pétrolia Dissenting Shareholder, if any.

It is suggested that any Pétrolia Shareholder wishing to avail himself or herself of Dissent Rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the QBCA and the Interim Order may prejudice the availability of Dissent Rights. Pétrolia Dissenting

Shareholders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive process.

Reduction of Stated Capital

The Reduction of the Stated Capital of the Pétrolia Shares

Pursuant to the CBCA, in order to proceed with the Arrangement Pétrolia must satisfy the solvency requirements of subsection 192(2) of the CBCA, which provides that (a) Pétrolia must not be unable to pay its liabilities as they become due, and (b) the realizable value of the assets of Pétrolia must not be less than the aggregate of its liabilities and stated capital of all classes of shares of Pétrolia. As of the date hereof, Pétrolia does not meet part (b) of the test set forth above, and accordingly the approval of the Pétrolia Shareholders is required to reduce the stated capital of the Pétrolia Shares. The Reduction of Stated Capital Resolution is a special resolution to approve the reduction of the stated capital of the Pétrolia Shares by the amount necessary to meet the solvency test in subsection 192(2) of the CBCA (the “**Reduction of Stated Capital**”). Pétrolia expects that the amount of stated capital of the Pétrolia Shares will be reduced to \$1.00. No amount shall be paid or distributed to the Pétrolia Shareholders in respect of such Reduction of Stated Capital.

Pétrolia Shareholders will be asked to consider, and if deemed appropriate, to pass the Reduction of Stated Capital Resolution authorizing the Pétrolia Board, in its sole discretion, to proceed to the Reduction of Stated Capital.

Approval of Pétrolia Shareholders Required for the Reduction of Stated Capital Resolution

At the Pétrolia Meeting, Pétrolia Shareholders will be asked to consider, and if thought advisable, to pass the Reduction of Stated Capital Resolution to approve Reduction of Stated Capital, which is required to become effective prior to the Arrangement proceeding.

To be effective, the Reduction of Stated Capital Resolution must be approved by at least 66 ²/₃% of the votes cast on the resolution by Pétrolia Shareholders present in person or by proxy at the Pétrolia Meeting. A copy of the Reduction of Stated Capital Resolution is set out in Schedule “A-2” of this Information Circular. Should Pétrolia Shareholders fail to pass the Reduction of Stated Capital Resolution by the requisite margin, the Reduction of Stated Capital will not be completed. Completion of the Reduction of Stated Capital is required for Pétrolia to satisfy, as of the date of the Final Order, the solvency requirements set forth in subsection 192(2) of the CBCA, which is a statutory condition to completion of the Arrangement. **Accordingly, if the Reduction of Stated Capital Resolution is not passed, Pétrolia will be unable to complete the Arrangement.**

The Reduction of Stated Capital has been approved by a resolution of the Pétrolia Board and is believed by the Pétrolia Board to be in the best interest of Pétrolia.

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA’S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE REDUCTION OF STATED CAPITAL RESOLUTION.

The Pétrolia Board has unanimously approved the Reduction of Stated Capital and recommends that Pétrolia Shareholders vote FOR the Reduction of Stated Capital Resolution.

The Arrangement

Pétrolia and Pieridae have entered into the Arrangement Agreement providing for the Amalgamation of Pétrolia and Pieridae. The Arrangement is subject to certain conditions as set forth in the Arrangement Agreement, a copy of which is available for review under Pétrolia's profile on SEDAR at www.sedar.com.

For complete details regarding the Arrangement and the recommendation of the Petrolia Board in connection with the Arrangement, see "*Part II - The Arrangement*".

Pétrolia Shareholders have Dissent Rights in connection with the approval of the Pétrolia Arrangement Resolution and are referred to "*Part II – The Arrangement – Dissent Rights*" of this Information Circular for full details in such regard.

The Interim Order provides that each Registered Pétrolia Shareholder at the close of business on the Pétrolia Record Date will be entitled to receive notice of, to attend and to vote at the Pétrolia Meeting.

Approval of Pétrolia Shareholders required for the Pétrolia Arrangement Resolution

At the Pétrolia Meeting, the Pétrolia Shareholders will be asked to consider and, if deemed advisable, pass the Pétrolia Arrangement Resolution set forth in Schedule "B" hereto to approve the Arrangement. Pursuant to the Interim Order, to be effective, the Arrangement Resolution must be approved by at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders, present in person or represented by proxy at the Pétrolia Meeting.

UNLESS OTHERWISE INDICATED, IT IS THE INTENTION OF PÉTROLIA'S MANAGEMENT DESIGNEE, IF NAMED AS PROXY, TO VOTE **FOR** THE ARRANGEMENT RESOLUTION.

The Pétrolia Board has unanimously approved the Arrangement and recommends that Pétrolia Shareholders vote FOR the Arrangement.

Interest of Certain Person in Matters to be acted on at the Pétrolia Meeting

Pétrolia is not aware of any material interest, direct or indirect, by way of beneficial ownership of Pétrolia Shares, Pétrolia Options or Pétrolia Warrants or otherwise, of any of the following persons in any of the matters to be acted on at the Pétrolia Meeting:

- (a) each person who has been a director or executive officer of Pétrolia at any time since the beginning of Pétrolia's last financial year;
- (b) each individual proposed for election as a director of Pétrolia; and
- (c) any Associate or Affiliate of any of the foregoing.

THE PIERIDAE MEETING

Purpose of Solicitation

This Information Circular is furnished in connection with the solicitation of proxies by the management of Pieridae Energy Limited for use at the Pieridae Meeting. Solicitations may be made by email and regular mail and be supplemented by telephone or other personal contact by the officers, directors, employees or agents of Pieridae without any special compensation being made to such persons. Persons who hold their Pieridae Shares indirectly should read the instructions under the heading "*Advice to Beneficial Shareholders on Voting Their Pieridae Shares*" below.

Appointment and Revocation of Proxies

The persons named in the accompanying instrument of proxy are directors and/or officers of Pieridae. **A Pieridae Shareholder has the right to appoint a person (who need not be a shareholder of Pieridae) to attend and represent him or her at the Pieridae Meeting other than those persons named in the enclosed instrument of proxy. Such right may be exercised by striking out the printed names and inserting such other person's name in the blank space provided in the instrument of proxy or by completing another proper instrument of proxy.** An instrument of proxy will not be valid unless it is completed, dated, signed and delivered to the office of the registrar and transfer agent of Pieridae, Burstall Winger Zammit LLP, 1600 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1, attention: Adrienne Ruissen, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Pieridae Meeting or an adjournment of the Pieridae Meeting.

A Pieridae Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A proxy may be revoked by depositing an instrument in writing, executed by the Pieridae Shareholder or his or her attorney authorized in writing, or, if the Pieridae Shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

1. At the office of Burstall Winger Zammit LLP, 1600 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1, at any time, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
2. At the head office of Pieridae, 1718 Argyle Street, Suite 730, Halifax, Nova Scotia B3J 3N6, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or
3. With the Chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

In addition, a proxy may be revoked by the Pieridae Shareholder executing another instrument of proxy bearing a later date and depositing same at the office of Burstall Winger Zammit LLP within the time period set out under the heading "*Voting of Proxies*", or by the Pieridae Shareholder personally attending the Pieridae Meeting or any adjournment thereof and voting his or her Pieridae Shares. Any revocation made or delivered at the Pieridae Meeting or any

adjournment thereof shall be valid only with respect to matters not yet dealt with at the time such revocation is received by the Chairman or the Scrutineer of the Pieridae Meeting.

Voting of Proxies

All Pieridae Shares represented at the Pieridae Meeting by properly executed proxies will be voted or withheld from voting in accordance with the instructions specified in the instrument of proxy on any ballot that may be called for and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Pieridae Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications and where applicable, the management designees, if named as proxy, will vote IN FAVOUR of all the matters set out herein.**

The enclosed instrument of proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Pieridae Notice of Meeting and any other matters that may properly come before the Pieridae Meeting. At the date of this Information Circular, Pieridae is not aware of any amendments to, or variations of, or other matters that may come before the Pieridae Meeting. In the event that other matters come before the Pieridae Meeting, the management designees intend to vote in accordance with the judgment of the management of Pieridae.

Proxies, to be valid, must be deposited at the office of Burstall Winger Zammit LLP, 1600, 333 7th Avenue S.W., Calgary, Alberta T2P 2Z1, attention: Adrienne Ruissen, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Pieridae Meeting or an adjournment of the Pieridae Meeting.

Advice to Beneficial Shareholders on Voting their Pieridae Shares

The information set forth in this section is of significant importance to Pieridae Shareholders who do not hold their Pieridae Shares in their own name. Pieridae Shareholders who do not hold their Pieridae Shares in their own name (referred to as "**Beneficial Pieridae Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of Pieridae as the registered holders of Pieridae Shares can be recognized and acted upon at the Pieridae Meeting. If Pieridae Shares are listed in an account statement provided to a Pieridae Shareholder by an Intermediary, then, in almost all cases, those Pieridae Shares will not be registered in the Pieridae Shareholder's name on the records of Pieridae. Such Pieridae Shares will more likely be registered under the name of the Pieridae Shareholder's Intermediary or an agent of that Intermediary. Pieridae Shares held by Intermediaries or their agents or nominees typically can only be voted (for or against resolutions) upon the instructions of the Beneficial Pieridae Shareholder. Without specific instructions, an Intermediary and its agents and nominees are typically prohibited from voting Pieridae Shares for the Intermediary's clients.

Therefore, Beneficial Pieridae Shareholders should ensure that instructions respecting the voting of their Pieridae Shares are communicated to their Intermediary or other appropriate person, as Beneficial Pieridae Shareholders CANNOT vote their Pieridae Shares directly.

Beneficial Pieridae Shareholders who have not objected to their Intermediary disclosing certain ownership information about themselves to Pieridae are referred to as non-objecting beneficial owners or "**NOBOs**". Those Beneficial Pieridae Shareholders who have objected to their

intermediary disclosing ownership information about themselves to Pieridae are referred to as objecting beneficial owners or "**OBOs**".

Pieridae has distributed copies of proxy-related materials in connection with the Pieridae Meeting (including this Information Circular) indirectly to all Beneficial Pieridae Shareholders.

Pieridae will not be paying for Intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of the proxy-related materials and related documents. Accordingly, an OBO will not receive copies of the proxy-related materials and related documents unless the OBO's Intermediary assumes the costs of delivery.

Although a Beneficial Pieridae Shareholder may not be recognized directly at the Pieridae Meeting for the purposes of voting Pieridae Shares registered in the name of his or her Intermediary (or an agent of the Intermediary), a Beneficial Pieridae Shareholder may attend at the Pieridae Meeting as proxyholder for the Registered Pieridae Shareholder and vote the Pieridae Shares in that capacity. Beneficial Pieridae Shareholders who wish to attend the Pieridae Meeting and indirectly vote their Pieridae Shares as proxyholder for the Registered Pieridae Shareholder, should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their Intermediary (or the Intermediary's agent) in accordance with the instructions provided by such Intermediary (or agent), well in advance of the Pieridae Meeting.

Voting Shares and Principal Holders Thereof

Pieridae is authorized to issue an unlimited number of Pieridae Shares of which 15,599,157 Pieridae Shares are issued and outstanding as at the date hereof. The holder of each Pieridae Share is entitled to vote at the Pieridae Meeting on the basis of one (1) vote for each Pieridae Share held.

The holders of Pieridae Shares of record at the close of business on the Record Date, set by the directors of Pieridae to be August 25, 2017 (the "**Pieridae Record Date**"), are entitled to vote such shares at the Pieridae Meeting on the basis of one vote for each Pieridae Share held, except to the extent that:

1. such person transfers his or her Pieridae Shares after the Pieridae Record Date; and
2. the transferee of those Pieridae Shares produces properly endorsed Pieridae Share certificates or otherwise establishes his or her ownership to the Pieridae Shares, and makes a demand to Burstall Winger Zammit LLP, the registrar and transfer agent of Pieridae, not later than ten (10) days before the Pieridae Meeting, that his or her name be included on the shareholders' list of Pieridae.

The by-laws of Pieridae provide that two (2) persons present and representing in person, or by proxy, not less than fifty percent (50%) of the outstanding Pieridae Shares entitled to vote at the Pieridae Meeting constitutes a quorum for the Pieridae Meeting.

See "*Part IV - Information Concerning Pieridae - Voting Securities and Principal Holders Thereof*" for information regarding persons who beneficially own, directly or indirectly, Pieridae Shares carrying more than ten percent (10%) of the voting rights of the outstanding Pieridae Shares.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of Pieridae's directors, the only matters to be placed before the Pieridae Meeting are those matters set forth in the accompanying Pieridae Notice of Meeting relating to: (i) the receipt of the annual audited financial statements for the year ended December 31, 2016, together with the auditor's report thereon; (ii) fixing the number of directors at five (5) and to electing the directors; (iii) the appointment of Ernst & Young LLP, as Pieridae's auditors and the authorization of the Pieridae Board to fix the remuneration to be paid to the auditors; and (iv) the consideration, and if deemed advisable, the passing of the Pieridae Arrangement Resolution, the full text of which is set out in Schedule "C" to this Information Circular.

Receipt of Financial Statements

The directors will place before the Pieridae Meeting the annual audited financial statements for the financial year ended December 31, 2016, together with the auditor's report thereon. The financial statements have been mailed to the shareholders of Pieridae concurrently with the mailing of this Information Circular. No formal action is, or will be taken in respect of the financial statements at the Pieridae Meeting.

Election of Directors

The Pieridae Board presently consists of five (5) directors, all of whom were elected at the last annual general meeting of Pieridae Shareholders. It is proposed that the number of directors of Pieridae for the ensuing year be fixed at five (5) and that the persons named below be nominated for election as directors at the Pieridae Meeting. Each director elected will hold office until the next annual meeting of Pieridae Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of Pieridae, unless his office is earlier vacated in accordance with the provisions of the CBCA or Pieridae's by-laws. **It is the intention of the management designees, if named as proxy, to vote FOR the election of said persons to the Pieridae Board. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the Pieridae Shareholder has specified in his or her proxy that his or her Pieridae Shares are to be withheld from voting in the election of directors.**

The following table sets out the names of persons proposed to be nominated by management for election as a director; all positions and offices in Pieridae held by them; their principal occupation; the periods during which they have served as a director; and the number of Pieridae Shares beneficially owned or controlled, directly or indirectly, by them or over which control or direction is exercised, as of the date hereof.

Name, City and Province of Residence	Position within Pieridae	Principal Occupation	Director Since	Number of Pieridae Shares Owned or Controlled
Alfred Sorensen Calgary, Alberta	President, Chief Executive Officer and Director	President and CEO of Pieridae since its founding in 2012. Prior thereto, a principal founder of Galveston LNG, Inc.	May 29, 2012	3,591,781 ⁽¹⁾
Thomas Dawson Calgary, Alberta	Director	Chief Operating Officer of Pieridae since May 2012. Prior thereto, a principle founder of Galveston LNG, Inc.	May 29, 2012	1,180,000
Andrew Judson Calgary, Alberta	Director	Managing Director of Camcor Partners Inc. since 2013, a general partner and investment manager for a series of limited partnerships mandated to invest in the Canadian upstream energy industry. Prior thereto, a Managing Director with FirstEnergy Capital Corp. since September 2007.	July 16, 2013	0
Steve Harding Calgary, Alberta	Director	Chief Executive Officer of Kicking Horse Oil and Gas Ltd. since August 2016. Prior thereto, President and CEO of Contact Exploration Inc. (became Kicking Horse Energy Inc.) from April 2010 to December 2015.	June 12, 2015	0
Matthew Rees Calgary, Alberta	Director	President and Chief Executive Officer of ORLEN Upstream Canada Ltd. since June, 2015. Prior thereto, held positions with Talisman Energy Inc. and Petro-Canada Oil & Gas in the U.K., Colombia, and Canada.	December 17, 2015	0

- 1) These Pieridae Shares are held by Alfred Sorensen Holdings Ltd., a private corporation controlled by Mr. Sorensen. In addition the Pieridae Debenture held by Alfred Sorensen Holdings Ltd. is to be converted prior to the completion of the Arrangement. The number of Pieridae Shares issuable upon conversion will depend on the daily exchange rate published by the Bank of Canada on the day preceding the conversion.

Cease Trade Orders

No proposed director of the Corporation is, as of the date hereof or has been, within the past ten (10) years, a director, chief executive officer or chief financial officer of any company, including the Corporation, that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than thirty (30) consecutive days (collectively, an “**Order**”); or
- (b) was subject to an Order that was issued, after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer.

Bankruptcies

No proposed director of the Corporation is, as of the date hereof, or has been within the past ten (10) years, a director or executive officer of a company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that

capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Corporation has, within the past ten (10) years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

To the knowledge of management, no proposed director of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

The Pieridae Board recommends that Ernst & Young LLP, be appointed as the auditors of Pieridae, to hold office until the next annual meeting of Pieridae at such remuneration as may be fixed by the Pieridae Board. Ernst & Young LLP have been the auditors for Pieridae since 2012.

The management designees, if named as proxy, intend to vote the Pieridae Shares represented by any such proxy FOR the appointment of Ernst & Young LLP, as the auditors of Pieridae in the event the Arrangement is not completed, at a remuneration to be fixed by the Pieridae Board unless the shareholder has specified in his or her proxy that his or her Pieridae Shares are withheld from voting.

Approval of the Arrangement

Pétrolia and Pieridae have entered into the Arrangement Agreement providing for the Amalgamation of Pétrolia and Pieridae. The Arrangement is subject to certain conditions as set forth in the Arrangement Agreement, a copy of which is available for review under Pétrolia's profile on SEDAR at www.sedar.com.

For complete details regarding the Arrangement, see "*Part II - The Arrangement*".

Pieridae Shareholders have Dissent Rights in connection with the approval of the Pieridae Arrangement Resolution and are referred to "*Part II – The Arrangement – Dissent Rights*" of this Information Circular for full details in such regard.

The Interim Order provides that each Pieridae Shareholder at the close of business on the Pieridae Record Date will be entitled to receive notice of, to attend and to vote at the Pieridae Meeting.

At the Pieridae Meeting, Pieridae Shareholders will be asked to consider, and if deemed advisable, pass the Pieridae Arrangement Resolution. Approval of the Pieridae Arrangement Resolution requires the affirmative vote of not less than 66 ⅔% of the votes validly cast by Pieridae Shareholders, either in person or by proxy at the Pieridae Meeting.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the Pieridae Arrangement Resolution set forth in Schedule "C" to this Information Circular.

Notwithstanding the foregoing, the Pieridae Arrangement Resolution proposed for consideration by the Pieridae Shareholders authorizes the Pieridae Board, without further notice to or approval of such Pieridae Shareholders, subject to the terms of the Arrangement Agreement, to amend the Arrangement Agreement to the extent permitted by the Arrangement Agreement and the Interim Order and, subject to the terms of the Arrangement Agreement, to not proceed with the Arrangement. See Schedule "C" to this Information Circular for the full text of the Pieridae Arrangement Resolution.

**INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS
TO BE ACTED UPON**

Other than as set forth in this Information Circular, the management of Pieridae is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of Pieridae's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Pieridae Meeting other than the election of directors or the appointment of auditors. All of the directors and officers may receive incentive stock options pursuant to the incentive stock option plan of Pieridae.

PART II – THE ARRANGEMENT

BACKGROUND TO THE ARRANGEMENT

The Arrangement Agreement is the result of arm's length negotiations among representatives and legal and financial advisors of Pétrolia and Pieridae. The following is a summary of the background to the execution by Pétrolia and Pieridae of the Arrangement Agreement.

Commencing in late 2015 and throughout 2016 Pieridae sought to attract additional investment from the private equity market. Success was limited due in large measure to the fact that the Goldboro LNG Project is still in the development stage and a positive final investment decision cannot be made yet. By late 2016 Pieridae began exploring a possible merger with a public corporation with high-quality natural gas resource properties. As a result, Pieridae held discussions with several corporations and in early 2017, Pétrolia was introduced to Pieridae by LBS which resulted in preliminary discussions between the senior management of each corporation.

In the fall of 2016, Pétrolia began considering various options for diversifying its business and accessing additional capital to develop its existing assets. As a result, Pétrolia held discussions with several companies about potential business combinations and also held discussions with several investment banking firms about a potential financing. In connection with these discussions, Pétrolia met with representatives of LBS and was thereafter introduced to the principals of Pieridae in January, 2017. As a result of these preliminary meetings held between Pétrolia and Pieridae, it was determined to hold more detailed discussions about a potential business combination.

On January 20, 2017, Pétrolia and Pieridae entered into a confidentiality agreement for the purposes of exchanging information and data in regards to investigating potential mutually beneficial business arrangements relating to the development of an integrated LNG business that would allow the combined company to access additional capital and continue to develop its properties.

On March 10, 2017, Pieridae submitted an initial draft non-binding term sheet to Pétrolia which provided for a merger of the Parties, and included a commitment by Pieridae to raise \$50 million in connection with the transaction by way of private placement of Pieridae Subscription Receipts at a price of \$12.50 per Subscription Receipt. The Parties have subsequently agreed to a reduction in such commitment to a minimum of net proceeds of \$24,632,500. The non-binding proposal remained subject to due diligence of the Parties. Following various discussions between the Parties and their legal advisors, the final non-binding term sheet was agreed to by Pétrolia and Pieridae on March 29, 2017, and provided for exclusive negotiation between the Parties until April 18, 2017.

Following the agreement on the non-binding term sheet and until the execution of the Arrangement Agreement, Pétrolia and Pieridae carried out reciprocal financial, legal and technical due diligence. Pétrolia, with the assistance of its financial, legal and technical advisors, and Pieridae, with the assistance of its financial and legal advisors, established the final structure of the Arrangement and began the preparation of a draft Arrangement Agreement. On April 24, 2017, an initial draft of the proposed Arrangement Agreement was provided to Pétrolia by Pieridae which included customary provisions, reciprocal non-solicitation, termination

provisions, break fees and other covenants and conditions regarding the conduct of business and ongoing activities.

The Parties and their respective legal counsel continued negotiations on the terms of definitive transaction documents and continued conducting their respective due diligence. Pieridae's due diligence was conducted primarily by its internal management team who were aided in certain respects by external legal counsel. Mr. Myron A. Tétreault, on behalf of Pétrolia, and Mr. Alfred Sorensen, on behalf of Pieridae engaged in numerous conversations confirming the details of the definitive agreement as well as the ongoing due diligence matters. On April 18, 2017, the exclusivity period expired. The Parties continued negotiations towards the proposed transaction.

On April 26, 2017, legal counsel to Pétrolia presented Pétrolia with summaries of the due diligence work that had been completed to date. On April 26, 2017, technical advisors to Pétrolia presented Pétrolia with summaries of the due diligence work completed on the Goldboro LNG Project. On April 28, 2017, the Pétrolia Board met to receive MNP LLP's draft report on the fairness of the proposed transaction and to review and consider the specific transaction terms that had been negotiated, the merits to Pétrolia of entering into such a transaction and the proposed terms of the Arrangement Agreement. At this meeting, MNP LLP provided its oral opinion that based upon and subject to the various assumptions, explanations, qualifications and limitations set forth in its opinion, the consideration being received by the Pétrolia Shareholders is fair, from a financial point of view, to the Pétrolia Shareholders. MNP LLP subsequently delivered a written copy of the Fairness Opinion dated August 21, 2017. At this meeting the Pétrolia Board considered, among other things, the reports from its financial, legal and technical advisors setting out the results of the due diligence carried out by each of them pertaining to Pieridae, its assets and activities, the terms of the Arrangement Agreement, the oral opinion summarizing the Fairness Opinion it later received, the impact of the proposed transaction on the various stakeholders of Pétrolia, and the factors set out under "*Part II – The Arrangement – Reasons for Recommendation by the Pétrolia Board*", the Pétrolia Board determined that the Arrangement is fair to Pétrolia Shareholders, is in the best interests of Pétrolia, recommended that Pétrolia Shareholders vote FOR the Arrangement and authorized and approved the execution and delivery of the Arrangement Agreement by Pétrolia. The Pétrolia Board later approved amendments to the Arrangement Agreement dated June 28, 2017, July 21, 2017 and August 24, 2017, and the content of such amendments was also considered for the issuance of the Fairness Opinion.

On May 1, 2017, the Pieridae Board met to consider the proposed terms of the Arrangement Agreement, the Pieridae Private Placement and the merits to Pieridae of entering into such transactions. Mr. Alfred Sorensen and Mr. Thomas Dawson made a presentation to the Pieridae Board regarding the proposed Arrangement and Pieridae Private Placement. The Pieridae Board considered, among other things, the advice from its financial and legal advisors, the terms of the Arrangement Agreement, the impact of the proposed transaction on the various stakeholders of Pieridae, and the factors set out under "*Part II – The Arrangement – Reasons for Recommendation by the Pieridae Board*" and determined that the Arrangement is in the best interests of Pieridae and is fair, from a financial point of view to the Pieridae Shareholders, resolved to recommend that the Pieridae Shareholders vote to approve the Arrangement, approved the terms of the Pieridae Private Placement, and approved the execution and delivery of the Arrangement Agreement by Pieridae.

From April 26, 2017 to the evening of May 14, 2017, with the assistance of their respective legal advisors, Pétrolia and Pieridae settled the terms and conditions of the Arrangement Agreement. During the course of the negotiations, the directors and officers of Pétrolia and Pieridae, as well as certain shareholders of Pieridae agreed to enter into support agreements with Pétrolia and

Pieridae. During this period, Pétrolia completed its legal, financial and business due diligence on Pieridae and Pieridae completed its legal, financial and business due diligence on Pétrolia.

On May 15, 2017, Pieridae and Pétrolia executed the Arrangement Agreement and the Support Agreements, and Pieridae entered into an engagement agreement with the Co-lead Agents in respect of the Pieridae Private Placement. A press release regarding the Arrangement and Pieridae Private Placement was immediately disseminated by the Parties.

Pétrolia and Pieridae executed a First Amendment to the Arrangement Agreement on June 28, 2017, a Second Amendment to the Arrangement Agreement on July 21, 2017 and a Third Amendment to the Arrangement Agreement on August 24, 2017, all of which are available on Pétrolia's SEDAR profile on www.sedar.com. A press release regarding each of the above-mentioned amendments was disseminated as soon as possible by Pétrolia after their signature.

THE ARRANGEMENT

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is available for review under Pétrolia's profile on SEDAR, and the Plan of Arrangement, a copy of which is attached as Schedule "H" hereto. Each of these documents should be read carefully in its entirety.

The Arrangement provides for the amalgamation of Pétrolia and Pieridae. In order to complete the Arrangement, Pétrolia must first (a) continue its corporate existence under the CBCA, as provided in the Arrangement Agreement, and (b) proceed with the Reduction of Stated Capital, both of which will require the approval of the Pétrolia Shareholders. See "*Part I - General Proxy Information - The Pétrolia Meeting - Continuance into the CBCA*", "*Part I - General Proxy Information - The Pétrolia Meeting - Reduction of Stated Capital*", "*Part II - The Arrangement - Pétrolia Continuance into the CBCA*" and "*Part II - The Arrangement - Reduction of Stated Capital*".

The Arrangement Steps

Commencing at the Effective Time of the Arrangement, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise expressly provided in the Arrangement Agreement:

- (a) the Pétrolia Dividend shall be declared and paid out; Pétrolia Shareholders exercising their Dissent Rights in connection with the Arrangement will consequently not participate in the Pétrolia Dividend;
- (b) each Pétrolia Share held by a Pétrolia Dissenting Shareholder who has validly exercised such Pétrolia Dissenting Shareholder's Pétrolia Dissent Rights and which rights remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Amalco free and clear of all liens and cancelled as of the Effective Time, and such Pétrolia Dissenting Shareholder shall cease to have any rights as a Pétrolia Shareholder other than the right to be paid by Pétrolia the fair value of such Pétrolia Share in accordance with the Pétrolia Dissent Rights;
- (c) each Pieridae Share held by a Pieridae Dissenting Shareholder who has validly exercised such Pieridae Dissenting Shareholder's Pieridae Dissent Rights and which rights remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed

- to have been transferred to Amalco free and clear of all liens and cancelled as of the Effective Time, and such Pieridae Dissenting Shareholder shall cease to have any rights as a Pieridae Shareholder other than the right to be paid by Pieridae the fair value of such Pieridae Share in accordance with the Pieridae Dissent Rights;
- (d) the issued and outstanding Pétrolia Shares shall be consolidated on the basis of one (1) Post-consolidation Pétrolia Share for every twelve (12) pre-consolidation Pétrolia Shares; provided that, if the foregoing would result in the issuance of a fractional Pétrolia Share, the number of Pétrolia Shares issued to such holder shall be rounded up to the next greater whole number of Pétrolia Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Pétrolia Shares, if the fractional entitlement is less than 0.5;
 - (e) for each Option Group, each Pétrolia Option of that particular Option Group (whether vested or unvested) shall without further action on the part of any Pétrolia Optionholder, be exchanged for options (“**Replacement Pétrolia Options**”) entitling the Pétrolia Optionholder to receive from Pétrolia, upon the due exercise of Replacement Pétrolia Options (including without limitation, payment of the exercise price thereof), the number of Pétrolia Shares equal to the number of Pétrolia Shares subject to the Pétrolia Options immediately before the Effective Time divided by 12, provided that if the foregoing would result in the issuance of a fraction of a Pétrolia Share on the exercise of the Replacement Pétrolia Options, then the number of Pétrolia Shares otherwise issued shall be rounded down, without any additional compensation, to the nearest whole number of Pétrolia Shares. For each Pétrolia Optionholder, the exercise price per Pétrolia Share subject to the Replacement Pétrolia Options shall be, with any modifications that the circumstances require to preserve the In-the-Money Amount, an amount equal to the product of: (A) the exercise price per Pétrolia Share subject to each Pétrolia Option included in that particular Option Group and (B) 12, provided that the exercise price payable on any particular exercise of a Replacement Pétrolia Option shall be rounded up to the nearest whole cent. All terms and conditions of a Replacement Pétrolia Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Pétrolia Option for which it was exchanged, and shall be governed by the terms of Pétrolia Stock Option Plan and any document evidencing a Pétrolia Option shall thereafter evidence and be deemed to evidence such Replacement Pétrolia Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of a Replacement Pétrolia Option will be increased such that the In-the-Money Amount of the Replacement Pétrolia Option immediately after the exchange does not exceed the In-the-Money Amount of the Pétrolia Option immediately before the exchange;
 - (f) the issued and outstanding Pétrolia Warrants shall be consolidated on the basis of one (1) Post-consolidation Pétrolia Warrant for every twelve (12) pre-consolidation Pétrolia Warrants; provided that, if the foregoing would result in the issuance of a fractional Pétrolia Warrant, then the number of Pétrolia Warrants otherwise issued shall, without any additional compensation, be rounded down to the nearest whole number of Pétrolia Warrants;
 - (g) Pétrolia and Pieridae shall be amalgamated and continued as one corporation under the CBCA to form Amalco and on, and because of, the amalgamation:

- i) each issued and outstanding Pétrolia Share shall be cancelled and in consideration therefor the holders of Pétrolia Shares shall receive one (1) fully paid and non-assessable Amalco Share in respect of each one (1) Pétrolia Shares so cancelled;
- ii) each Replacement Pétrolia Option (whether vested or unvested) shall, without further action on the part of any holder of a Replacement Pétrolia Option, be exchanged for an option (each, an "**Amalco Pétrolia Option**") entitling the holder to receive from Amalco, upon the due exercise of such Amalco Pétrolia Option (including without limitation, payment of the exercise price thereof), the number of Amalco Shares equal to the number of Pétrolia Shares subject to the Replacement Pétrolia Option immediately before the Effective Time. The exercise price per Amalco Share subject to the Amalco Pétrolia Option shall be an amount equal the exercise price per Pétrolia Share subject to such Replacement Pétrolia Option immediately prior to the Effective Time. All terms and conditions of an Amalco Pétrolia Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Replacement Pétrolia Option for which it was exchanged, and shall be governed by the terms of the Pétrolia Stock Option Plan that shall become the stock option plan of Amalco and any document evidencing a Replacement Pétrolia Option shall thereafter evidence and be deemed to evidence such Amalco Pétrolia Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of an Amalco Pétrolia Option will be increased such that the In-The-Money Amount of the Amalco Pétrolia Option immediately after the exchange does not exceed the In-The-Money Amount of the Replacement Pétrolia Option immediately before the exchange;
- iii) each issued and outstanding Pétrolia Warrant shall be cancelled and in consideration therefor the holders of Pétrolia Warrants shall receive one (1) Amalco Pétrolia Warrant in respect of each one (1) Pétrolia Warrant so cancelled;
- iv) each issued and outstanding Pieridae Share shall be cancelled and in consideration therefor the holders of Pieridae Shares shall receive 2.2057526 fully paid and non-assessable Amalco Shares in respect of each Pieridae Share so cancelled, such exchange ratio being based on the following calculation:

$$\frac{X}{Y}$$

where:

X = \$12.50, being the value attributed to each issued and outstanding Pieridae Share (on a fully diluted basis) in connection with the Arrangement; and

Y = \$5.667, being the value attributed to each issued and outstanding Pétrolia Share (on a fully diluted basis) in connection with the Arrangement, after giving effect to the consolidations as contemplated above,

and for the purposes of the above definitions of “X” and “Y”, the expression “on a fully diluted basis” refers to the total number of Pieridae Shares and Pétrolia Shares, as applicable, that would be outstanding if all possible sources of conversion, such as options, warrants, debentures, bonds, obligations and any other conversion rights to receive common shares, are exercised;

- v) for each Option Group, each Pieridae Option of that particular Option Group (whether vested or unvested) shall without further action on the part of any Pieridae Optionholder, be exchanged for options (“**Amalco Pieridae Options**”) entitling the Pieridae Optionholder to receive from Amalco, upon the due exercise of Amalco Pieridae Options (including without limitation, payment of the exercise price thereof), the number of Amalco Shares equal to the number of Pieridae Shares subject to the Pieridae Options immediately before the Effective Time multiplied by the amount resulting from the calculation set forth in the preceding paragraph E, provided that if the foregoing would result in the issuance of a fraction of an Amalco Share on the exercise of the Amalco Pieridae Options, then the number of Amalco Shares otherwise issued shall be rounded down, without any additional compensation, to the nearest whole number of Amalco Shares. For each holder of Amalco Pieridae Options, the exercise price per Amalco Share subject to the Amalco Pieridae Options shall be, with any modifications that the circumstances require to preserve the In-the-Money Amount, an amount equal to the quotient of: (A) the exercise price per Pieridae Share subject to each Pieridae Option included in that particular Option Group divided by (B) the amount resulting from the calculation set forth in the preceding paragraph E, provided that the aggregate exercise price payable on any particular exercise of Amalco Pieridae Options shall be rounded up to the nearest whole cent. All terms and conditions of an Amalco Pieridae Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Pieridae Option for which it was exchanged, and shall be governed by the terms of Pétrolia Stock Option Plan and any document evidencing a Pieridae Option shall thereafter evidence and be deemed to evidence such Amalco Pieridae Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of an Amalco Pieridae Option will be increased such that the In-the-Money Amount of the Amalco Pieridae Option immediately after the exchange does not exceed the In-the-Money Amount of the Pieridae Option immediately before the exchange.

Result of the Arrangement

Assuming there are 9,033,307 Pétrolia Shares (post Pétrolia Consolidation) and 18,179,454 Pieridae Shares (post-Arrangement: 40,099,377 Amalco Shares) (assuming that 504,000 Pieridae Shares (post-Arrangement: 1,111,699 Amalco Shares) are issued in connection with the conversion of the Pieridae Debenture, and including the issuance of 24,167 Pieridae Shares (post-Arrangement: 53,306 Amalco Shares) to current and former employees of Pieridae as partial payment for bonuses earned by such employees) outstanding immediately prior to the Effective Time and no Dissenting Shareholders, Amalco will have approximately 49,132,684 Amalco Shares issued and outstanding upon the completion of the Arrangement. Based upon the foregoing assumptions, upon the completion of the Arrangement, as of the Effective Time:

- (a) Pétrolia Shareholders will become the holders of Amalco Shares, in aggregate, approximately 18.39%;
- (b) Pieridae Shareholders will become the holders of Amalco Shares, in aggregate, approximately 81.61%;
- (c) all of the property of each of the Amalgamating Corporations shall be the property of Amalco;
- (d) Amalco shall be liable for all of the obligations of each of the Amalgamating Corporations (other than an amount owing by an Amalgamating Corporation to another Amalgamating Corporation);
- (e) any existing cause of action, claim or liability to prosecution of an Amalgamating Corporation shall be unaffected;
- (f) any civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against Amalco; and
- (g) a conviction against, or ruling, order or judgment in favour of or against, an Amalgamating Corporation may be enforced by or against Amalco.

For more information, see “*Part V - Information Concerning Amalco – Fully Diluted Share Capital*”.

In addition, upon the Amalgamation, the following shall apply with respect to Amalco:

- (a) the name shall be "Pieridae Energy Limited";
- (b) the registered office of Amalco shall be located at the offices of Pétrolia in Québec City, Québec;
- (c) Amalco shall be authorized to issue an unlimited number of Amalco Shares;
- (d) the initial directors of Amalco shall be Myron A. Tetreault, Charles Boulanger, Alfred Sorensen, Andrew Judson and Matthew Rees;
- (e) The initial officers of Amalco shall be Alfred Sorensen (Chief Executive Officer), Mario Racicot (Chief Financial Officer), Martin Bélanger (President – Production), Thomas Dawson (President – LNG) and Thomas Ciz (Corporate Secretary);
- (f) There shall be no restrictions on the business Amalco may carry on or on the powers it may exercise;
- (g) For the purposes of the CBCA, the aggregate stated capital attributable to the Amalco Shares issued pursuant to the Arrangement shall be the aggregate of the paid-up capital for the purposes of the Income Tax Act of the Pétrolia Shares and the Pieridae Shares outstanding immediately before the Amalgamation;
- (h) The by-laws of Amalco shall be the by-laws of Pétrolia, with the necessary changes being made;

- (i) The Pétrolia Stock Option Plan shall become the stock option plan of Amalco, with the necessary changes being made; and
- (j) Subsequent to the exchange of Pétrolia Shares and Pieridae Shares for Amalco Shares, the registered office of Amalco shall be changed to the registered office of Pieridae in Calgary, Alberta.

Anticipated Benefits of the Arrangement

The directors and senior management of Pétrolia and Pieridae believe that the Arrangement is in the best interests of their respective shareholders and that the Arrangement provides a number of benefits for their securityholders including the following:

- (a) The valuation attributed to Pétrolia Shares is 286.24% of the closing price of the Pétrolia Shares on the Exchange on Friday, May 12, 2017;
- (b) Holders of Pétrolia Shares shall receive the Pétrolia Dividend;
- (c) The Arrangement will provide financial and corporate stability to Pétrolia and should allow for the accelerated development of its existing oil and gas properties, as well as the opportunity to pursue further consolidation in the upstream oil and gas industry;
- (d) The Arrangement will provide diversification of Pétrolia's economic activities;
- (e) The Arrangement will enable Amalco to strategically position itself in the North American equity markets as a developing fully integrated LNG company, from upstream production of natural gas to the sale of LNG;
- (f) The consideration to be received by Pieridae Shareholders (other than Dissenting Pieridae Shareholders) provides Pieridae Shareholders with liquidity as the Pieridae Shareholders will receive freely trading Amalco Shares in exchange for their Pieridae Shares;
- (g) The Arrangement and the concomitant public listing will allow the Goldboro LNG Project to obtain additional equity investment through the public capital markets, enhance its public profile and broaden its opportunity to acquire additional natural gas resource properties through future possible amalgamations and similar transactions;
- (h) The Goldboro LNG Project, combined with the resource potential held by Pétrolia, constitutes an opportunity for investors to participate in the evolution and growth of Canada's only integrated LNG facility holding key permits and approvals for its current stage of development;
- (i) It is expected that the combined expertise and diversification of Pétrolia and Pieridae will provide Amalco with the potential of an effective and sustainable long-term growth plan, and could substantially enhance shareholder value;
- (j) It will allow Pétrolia Shareholders an opportunity to participate in the LNG industry through the development of an integrated energy company and provide the means for an accelerated exploration of Pétrolia's properties while offering a long-term market for any gas production.

PIERIDAE PRIVATE PLACEMENT

Pursuant to the Arrangement Agreement, Pieridae completed the Pieridae Private Placement on August 25, 2017, for an aggregate of 1,970,600 Pieridae Subscription Receipts at a price of \$12.50 per Pieridae Subscription Receipt for net proceeds of \$24,632,500. Each Pieridae Subscription Receipt will be automatically converted into one Pieridae Share immediately prior to the completion of the Arrangement. Such Pieridae Shares will be exchanged for an aggregate of 4,346,655 Amalco Shares at a deemed price of \$5.667 per Amalco Share, in accordance with the Exchange Ratio concurrently with the completion of the Arrangement at no additional cost and with no further action by the holder.

Pieridae engaged the syndicate of Agents to act on a "commercially reasonable efforts" basis for the Pieridae Private Placement pursuant to the terms of an agency agreement dated August 25, 2017 entered into between Pieridae, Desjardins Securities Inc. and the Co-Lead Agents. The net proceeds of the Pieridae Private Placement will be held in escrow by the Subscription Receipt Agent and released concurrent with the completion of the Arrangement pursuant to the terms of the Subscription Receipt Agreement entered into at the closing of the Pieridae Private Placement between Pieridae, the Co-Agents on behalf of the Agents and the Subscription Receipt Agent. In the event the Arrangement is not completed or upon certain other events set forth in the Subscription Receipt Agreement, an amount equal to the full purchase price of each holder's Pieridae Subscription Receipts plus any interest accrued thereon during the term of the escrow will be paid to the holders of the Pieridae Subscription Receipts and the Pieridae Subscription Receipts will be cancelled.

Pieridae intends to pay the Agents a commission equal to 5% of the net proceeds of the Pieridae Private Placement from subscribers, other than Alfred Sorensen Holdings Ltd., payable by way of the issuance of 81,530 Agents' Pieridae Shares at a price of \$12.50 per Pieridae Share. Such Pieridae Shares will be converted into an aggregate of 179,835 Amalco Shares at a deemed price of \$5.667 per Amalco Share, in accordance with the Exchange Ratio concurrently with the completion of the Arrangement.

The net proceeds of the Pieridae Private Placement will be used to fund certain activities to allow Amalco to reach the final investment decision with respect to the Goldboro LNG Project, Amalco's operations and general working capital purposes.

PÉTROLIA CONTINUANCE INTO THE CBCA

In order to complete the Arrangement and for Pétrolia to amalgamate with Pieridae, Pétrolia must first continue its corporate existence under the CBCA, as provided in the Arrangement Agreement. Pétrolia intends to apply to continue Pétrolia from the Province of Québec under the QBCA to the Federal jurisdiction of Canada under the CBCA. A corporation subject to the QBCA may, if authorized by a special resolution of shareholders of the corporation and the Québec Enterprise Registrar under the QBCA, apply under the CBCA for a certificate of continuance ("**Certificate of Continuance**") under the CBCA.

Upon the completion of the Continuance, the QBCA will cease to apply to Pétrolia and Pétrolia shall become a corporation under the Federal Laws of Canada as if it had been incorporated under the CBCA. The Continuance will not result in any change of the business of Pétrolia or its assets, liabilities or net worth, or in the individuals who constitute the Pétrolia Board and management. The Continuance is not a reorganization, amalgamation or merger.

The Continuance will not affect Pétrolia's status as a listed company on the Exchange or as a reporting issuer under the securities legislation of any jurisdiction in Canada in which Pétrolia is a reporting issuer, and Pétrolia will remain subject to the requirements of all applicable securities legislation.

As of the effective date of the Continuance, Pétrolia's current articles and by-laws under the QBCA will be replaced with Articles of Continuance and by-laws under the CBCA.

Each previously outstanding Pétrolia Share will continue to be a common share of Pétrolia as a corporation governed by the CBCA.

REDUCTION OF STATED CAPITAL

In order to proceed with the Arrangement, Pétrolia must satisfy the particular solvency requirements of subsection 192(2) of the CBCA, pursuant to which (a) Pétrolia must not be unable to pay its liabilities as they become due, and (b) the realizable value of the assets of Pétrolia must not be less than the aggregate of its liabilities and stated capital of all classes of shares of Pétrolia. As of the date hereof, Pétrolia does not meet part (b) of the test set forth above, and accordingly must obtain the approval of the Pétrolia Shareholders to reduce the stated capital of the Pétrolia Shares by the amount necessary to meet such solvency test. Pétrolia expects that the amount of stated capital of the Pétrolia Shares will be reduced to \$1.00.

THE ARRANGEMENT AGREEMENT

The Arrangement will be effected in accordance with the Arrangement Agreement. Copies of the Arrangement Agreement, the First Amendment of the Arrangement Agreement, dated June 28, 2017, the Second Amendment of the Arrangement Agreement, dated July 21, 2017, and the Third Amendment of the Arrangement Agreement, dated August 24, 2017 have been filed under Pétrolia's profile on SEDAR at www.sedar.com as material documents.

The Arrangement Agreement contains certain representations and warranties made by each of Pétrolia and Pieridae in respect of their assets, liabilities, capital, financial position and operations. In addition, each of Pétrolia and Pieridae provide covenants which govern the conduct of their operations and affairs prior to the completion of the Arrangement. The Arrangement Agreement also contains a number of conditions precedent to the obligations of Pétrolia and Pieridae thereunder and unless all of such conditions are satisfied or, to the extent capable, waived by the party or parties for whose benefit such conditions exist, the Arrangement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. Upon the conditions being fulfilled or waived, the Parties will seek to complete the Arrangement within one Business Day following the granting of the Final Order.

The following is a summary of certain material provisions of the Arrangement Agreement, which is qualified by the full text of the Arrangement Agreement, a copy of which has been filed under Pétrolia's profile on SEDAR at www.sedar.com as a material document and reference is made thereto for the full text thereof. Shareholders are urged to read the Arrangement Agreement, including the Plan of Arrangement, in its entirety.

Covenants

Pétrolia and Pieridae have each given to the other usual and customary covenants in respect of the Arrangement, including to use all reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to the obligations of the other Party.

Each of Pétrolia and Pieridae covenanted and agreed with the other that, except as otherwise contemplated in the Arrangement Agreement, until the Effective Date or the day upon which the Arrangement Agreement is terminated, whichever is earlier, it shall, among other things: (i) conduct its business only in the usual and ordinary course of business and consistent with past practice; (ii) provide the other Party and its representatives with full access to conduct investigations; (iii) notify the other of any event that may cause its representations or warranties to be untrue or inaccurate; and (iv) use its reasonable commercial efforts to obtain all required third party approvals and consents as may be required to complete the Arrangement.

In addition, each Party has agreed to indemnify and save harmless the other Party and its directors, officers, employees, advisors and agents from and against all liabilities and claims caused by or arising from (i) any misrepresentation or alleged misrepresentation, including in the Information Circular, (ii) an inquiry, investigation or proceeding by any Security Authority based on any untrue statement or omission of a material fact or any misrepresentation in this Information Circular, (iii) non-compliance with any requirement of Applicable Laws in connection with the transactions contemplated by the Arrangement or (iv) any breach of confidentiality obligations set forth in the Arrangement Agreement .

Mutual Covenants regarding Non-Solicitation

Under the Arrangement Agreement, each of Pétrolia and Pieridae has agreed to certain non-solicitation covenants as follows:

- (a) Each Party shall immediately cease and cause to be terminated all existing discussions and negotiations (including through any advisors or other parties on its behalf), if any, with any parties conducted before the date of the Arrangement Agreement with respect to any Acquisition Proposal in respect of such Party, shall immediately discontinue access to any virtual or physical data room and shall immediately request the return or destruction of all information respecting such Party provided to any third parties who have entered into a confidentiality agreement with such Party relating to an Acquisition Proposal in respect of such Party and shall use all commercial efforts to ensure that such requests are honoured.
- (b) Neither Party shall, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:
 - i. solicit, knowingly facilitate, initiate, encourage or take any action to solicit, knowingly facilitate, initiate or encourage any Acquisition Proposal, including, without limitation, by way of furnishing information;
 - ii. withdraw or modify, or propose to withdraw or modify, in any manner adverse to the other Party, the approvals of its board of directors to the Arrangement or any transaction contemplated thereby;

- iii. enter into or participate in any negotiations or any discussions regarding an Acquisition Proposal, or furnish or provide access to any information with respect to its securities, business, properties, operations or conditions (financial or otherwise) in connection with, or furtherance of, an Acquisition Proposal, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing;
- iv. release, waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to release, waive or otherwise forbear in respect of, any rights or other benefits under any confidentiality agreements, including, without limitation, any "standstill provisions" thereunder except to the extent such provisions are waived in accordance with their terms without any action by the Party; or
- v. accept, recommend, approve agree to, endorse, or propose publically to accept, recommend, approve agree to or endorse any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal;

provided, however, that notwithstanding any other provision of the Arrangement Agreement, (i) Pétrolia and its Representatives may prior to the approval of the Pétrolia Arrangement Resolution by Pétrolia Shareholders, and (ii) Pieridae and its Representatives may prior to the approval of the Pieridae Arrangement Resolution by the Pieridae Shareholders:

- i. enter into, or participate in, any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, by such Party or any of its Representatives) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement in a form agreed to by the Parties, acting reasonably (provided that such confidentiality agreement shall provide for the disclosure thereof, along with the information provided thereunder, to the other Party)), may furnish to such third party information concerning the Party and its business, properties and assets, in each case if, and only to the extent that:
 - a. the third party has first made a written *bona fide* Acquisition Proposal which the board of directors of the Party subject to the Acquisition Proposal determines in good faith: (1) that the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably likely to be available to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (2) after consultation with its financial advisor(s), would or would be reasonably likely to, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction financially superior for shareholders of such Party to the transaction contemplated by the Arrangement Agreement; (3) after consultation with its financial advisor(s) and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel, as reflected in minutes of the board of directors of such Party, that the taking of such action

is necessary for the board of directors of the Party subject to the Acquisition Proposal to act in a manner consistent with its fiduciary duties under Applicable Laws (a "**Superior Proposal**"); and

- b. prior to furnishing such information to or entering into or participating in any such negotiations or initiating any discussions with such third party, the Party provides prompt notice to the other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such person or entity and provides to the other Party the information required to be provided pursuant to the Arrangement Agreement;
 - ii. comply with Division 3 of MI 62-104 and similar provisions under applicable Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
 - iii. accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, (i) the board of directors of the Party subject to the Superior Proposal concludes in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement as contemplated by paragraph (d) below and after receiving the advice of outside counsel that the taking of such action is necessary for such board of directors to act in a manner consistent with its fiduciary duties, (ii) such Party complies with its obligations set forth in the Arrangement Agreement, (iii) such Party terminates the Arrangement Agreement in accordance with the Arrangement Agreement and concurrently therewith pays the amount required therewith to the other Party (See "*Agreement As to Damages*" below) ; and (iv) such Party has not held its shareholder meeting in respect of the Arrangement at which meeting the Pétrolia Continuance Resolution, Reduction of Stated Capital Resolution and Pétrolia Arrangement Resolution, or Pieridae Arrangement Resolution, as applicable, have passed.
- (c) Each Party shall promptly notify the other Party of any Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to the Party, its assets, or any amendments to the foregoing. The Party shall also provide such further and other details of the Acquisition Proposal or any amendment thereto as the other Party may reasonably request.
- (d) Following receipt of a Superior Proposal, the Party subject to such Superior Proposal shall give the other Party, orally and in writing, at least 72 hours advance notice of any decision by the board of directors of the Party subject to such Superior Proposal to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that such board of directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof, including all financing documents, and any amendments thereto. During such 72-hour period, the Party subject to such Superior Proposal agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such 72 hour period the Party subject to such Superior

- Proposal shall, and shall cause its financial and legal advisors to, negotiate in good faith with the other Party and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would enable the Party subject to such Superior Proposal to proceed with the Arrangement as amended rather than the Superior Proposal. In the event the other Party proposes to amend the Arrangement Agreement and the Arrangement on a basis such that the board of directors of the Party subject to the Superior Proposal determines that the proposed transaction is no longer a Superior Proposal and so advises the board of directors of the other Party prior to the expiry of such period, the board of directors of the Party subject to such Superior Proposal shall not accept, recommend, approve or enter into any agreement to implement such Acquisition Proposal and shall not release the party making the Acquisition Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.
- (e) In the event that a Party provides the notice contemplated by paragraph (d) above on a date which is less than five Business Days prior to the Pétrolia Meeting or the Pieridae Meeting, (a) the other Party shall be entitled to (i) adjourn or postpone its shareholders' meeting, and (ii) require the Party subject to the Superior Proposal to adjourn or postpone its shareholders' meeting, and (b) the Party that is subject to the Superior Proposal shall be entitled to adjourn or postpone its shareholders' meeting, in each case to a date that is not more than ten Business Days after the date of such notice.
 - (f) Each Party's respective board of directors shall reaffirm its recommendation of the Arrangement by press release promptly and in any event within three (3) Business Days of any written request to do so by the other Party in the event that (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to Paragraph (d) above which results in any Acquisition Proposal not being a Superior Proposal.
 - (g) Each Party agrees that all information that may be provided to it by the other Party with respect to any Superior Proposal shall be treated as if it were "Confidential Information" as that term is defined in the Arrangement Agreement and shall not be disclosed or used except in accordance with the confidentiality provisions set forth in the Arrangement Agreement or in order to enforce its rights under the Arrangement Agreement in legal proceedings.
 - (h) Each Party shall ensure that its Representatives are aware of the provisions of mutual covenants regarding non-solicitation and agrees that it shall be responsible for any breach of such covenants by any of its respective Representatives.

Representations and Warranties

The Arrangement Agreement contains representations and warranties made by each of Pétrolia and Pieridae relating to, among other things, (i) incorporation and qualification; (ii) ownership of subsidiaries; (iii) corporate authority; (iv) capitalization; (v) reporting issuer status (for Pétrolia only); (vi) absence of adverse litigation; (vii) taxation matters; (viii) authority to execute and deliver the Arrangement Agreement and perform its obligations under the Arrangement Agreement; (ix) absence of conflict with or violation of constating documents, agreements or applicable laws; (x) absence of Adverse Material Change; (xi) financial statements, (xii) records and accounts; (xiii) conduct of business; (xiv) employment matters; (xv) material agreements; (xvi) environmental laws; (xvii) ownership of assets and conduct of operations; (xviii) intellectual

property matters; (xix) due authorization and enforceability of the Arrangement Agreement; (xx) indebtedness; (xxi) receipt of all required consents; and (xxii) matters related to the Arrangement.

Conditions to the Arrangement

Mutual Conditions Precedent

The respective obligations of Pétrolia and Pieridae to complete the transactions contemplated by the Arrangement Agreement are subject to a number of conditions which must be satisfied or waived in order for the Arrangement to become effective. There is no assurance that these conditions will be satisfied or waived on a timely basis. Notwithstanding the foregoing, the Pétrolia Arrangement Resolution authorizes the Pétrolia Board and the Pieridae Arrangement Resolution authorizes the Pieridae Board, without further notice to or approval of the Pétrolia Shareholders or the Pieridae Shareholders, respectively, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective. Unless all of the conditions are satisfied or waived, the Arrangement will not proceed. Significant conditions, in addition to other conditions, contained in the Arrangement Agreement include the following:

- (a) all required Court approvals for the Plan of Arrangement, including the Interim Order and the Final Order shall have been obtained;
- (b) the securities of Amalco to be issued upon the completion of the Arrangement shall have been conditionally accepted for listing by the Exchange, subject to Amalco fulfilling the Exchange's usual and ordinary listing requirements;
- (c) with the exception of certain consents, waivers, permits, exemptions, orders, agreements, amendments or confirmations to be obtained by Pieridae following Closing, Pieridae and Pétrolia shall have obtained all approvals, consents, waivers, permits, exemptions, orders, agreements, amendments or confirmations necessary in connection with the Arrangement Agreement and to complete the Arrangement by or from relevant third parties and Governmental Authorities, on terms and conditions satisfactory to the Parties, acting reasonably;
- (d) the Arrangement Agreement shall not have been terminated in accordance with the provisions thereof; and
- (e) there shall have been no action taken under any existing applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that would make illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated therein or results in a judgment or assessment of material damages directly or indirectly against a Party relating to the transactions contemplated therein.

Pieridae Conditions

The obligation of Pieridae to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date, or such other time specified, of certain conditions, including but not limited to:

- (a) the Pétrolia Shareholders shall have passed the Continuance Resolution in accordance with applicable Laws;
- (b) the Pétrolia Shareholders shall have passed the Reduction of Stated Capital Resolution in accordance with applicable Laws;
- (c) the Pétrolia Shareholders shall have passed the Pétrolia Arrangement Resolution in accordance with applicable Laws;
- (d) the representations and warranties of Pétrolia set forth in the Arrangement Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) and Pétrolia shall have provided to Pieridae a certificate executed by any two senior officers or directors certifying such accuracy at the Effective Time;
- (e) Pétrolia shall have complied in all material respects with its covenants in the Arrangement Agreement, and Pétrolia shall have provided to Pieridae a certificate executed by any two senior officers or directors certifying compliance with such covenants;
- (f) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Pieridae, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Pétrolia or would materially impede the ability of the Parties to complete the Arrangement;
- (g) between the date of the Arrangement Agreement and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Pétrolia;
- (h) holders of Pétrolia Shares representing not more than 15% of the Pétrolia Shares in the aggregate then outstanding shall have validly exercised Pétrolia Dissent Rights, and not withdrawn their dissent;
- (i) on or before the Effective Date, the TSXV Tier 1 Value Escrow Agreements and TSXV Tier 2 Value Escrow Agreements shall have been entered into by the applicable Pétrolia Shareholders pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*; and
- (j) Pétrolia shall have received the full amount of the funds payable to Pétrolia pursuant to the Anticosti Settlement.

Pétrolia Conditions

The obligation of Pétrolia to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, is subject to the satisfaction, on or before the Effective Date, or such other time specified, of certain conditions, including but not limited to:

- (a) the Pieridae Shareholders shall have passed the Arrangement Resolution in accordance with applicable laws;
- (b) the representations and warranties of Pieridae set forth in the Arrangement Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) and Pieridae shall have provided to Pétrolia a certificate executed by any two senior officers or directors certifying such accuracy at the Effective Time;
- (c) Pieridae shall have complied in all material respects with its covenants in the Arrangement Agreement, and Pieridae shall have provided to Pétrolia a certificate executed by any two senior officers or directors certifying compliance with such covenants;
- (d) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Pétrolia, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Pieridae or would materially impede the ability of the Parties to complete the Arrangement;
- (e) between the date of the Arrangement Agreement and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Pieridae;
- (f) on or before the Effective Date, the TSXV Surplus Escrow Agreements shall have been entered into by the applicable Pieridae Shareholders pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, and the Exchange hold periods applicable to Pieridae Shares issued to non-principals of Pieridae shall apply to certain of the Amalco Shares to be issued to the Pieridae Shareholders;
- (g) holders of Pieridae Shares representing not more than 2% of the Pieridae Shares in the aggregate then outstanding shall have validly exercised Pieridae Dissent Rights, and not withdrawn their dissent;
- (h) Pieridae shall have completed the Pieridae Private Placement; and
- (i) Pieridae shall have executed an amendment to the FOB LNG Sale and Purchase Agreement entered into on May 31, 2013 by Pieridae's subsidiary Goldboro LNG Limited Partnership, as amended on February 3, 2016, providing for the extension of

milestone deadlines to appropriate future dates that Pieridae, acting reasonably, considers necessary in order to ensure future compliance with such obligations. Such amendment was executed on June 2, 2017.

Termination

The Arrangement Agreement may, prior to the Effective Date, be terminated by:

- (a) mutual written consent of Pétrolia and Pieridae;
- (b) upon any other circumstances under the Arrangement Agreement that give rise to a termination of the Arrangement Agreement by such Party, including the non-satisfaction or non-waiver of a condition precedent in favour of such Party;
- (c) either Pétrolia or Pieridae following the occurrence of a Damages Event in respect of Pétrolia or a Damages Event in respect of Pieridae, respectively as provided in the Arrangement Agreement; and
- (d) either Pétrolia or Pieridae if the other Party intends to accept, recommend, approve or enter into an agreement, understanding or letter of intent to implement a Superior Proposal and the non-solicitation provisions described above have been complied with and the Termination Fee has been paid.

Agreement as to Damages

Pursuant to the Arrangement Agreement, each of Pétrolia and Pieridae has agreed that if at any time after the execution of the Arrangement Agreement and prior to its termination:

- (a) the board of directors of one Party has failed to make, withdrew, amended, changed or qualified any of its recommendations or determinations with respect to the Arrangement as set out in the Arrangement Agreement (and, in the case of Pétrolia, also with respect to the Continuance Resolution and the Reduction of Stated Capital Resolution), in any manner adverse to the other Party;
- (b) the board of directors of one Party has failed to publicly reaffirm any of its recommendations, approvals or determinations with respect to the Arrangement as set out in the Arrangement Agreement (and, in the case of Pétrolia, also with respect to the Continuance Resolution and the Reduction of Stated Capital Resolution);
- (c) a *bona fide* Acquisition Proposal (or *bona fide* intention to make an Acquisition Proposal) is publicly announced, proposed, offered or made to a Party or its Shareholders prior to the date of such Party's shareholders' meeting and (i) remains outstanding at the time of such Party's shareholders' meeting, and (ii) such Party's shareholders do not approve the Arrangement (or, in the case of Pétrolia, also the Continuance Resolution and the Reduction of Stated Capital Resolution), or such resolutions are not submitted for their approval at the shareholders' meeting;
- (d) a Party's board of directors or any committee of such board accepts, recommends, approves or enters into an agreement, understanding or letter of intent to implement a Superior Proposal;

- (e) a Party is in breach of any of its non-solicitation covenants or obligations described above;
- (f) a Party is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, or will materially impede or would reasonably be expected to materially impede the completion of the Arrangement, and such Party fails to cure such breach within ten Business Days after receipt of written notice thereof from the other Party; or
- (g) a Party is in breach of any of its representations or warranties made in the Arrangement Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, or will materially impede or would reasonably be expected to materially impede the completion of the Arrangement, and such Party fails to cure such breach within ten Business Days after receipt of written notice thereof from the other Party;

each of the above being a “**Damages Event**”, then in the event of the termination of the Arrangement Agreement pursuant to the provisions set forth under the heading “Termination” above, the breaching Party shall pay the other Party (or to whom such Party may direct in writing) the Termination Fee as liquidated damages in immediately available funds within three Business Days after the effective date of termination; provided, however, that with respect to termination pursuant to the Damages Event specified in Paragraph (h) immediately above (Pieridae Private Placement), such Termination Fee will only be payable by Pieridae to Pétrolia.

Costs

In the event that the transactions contemplated by the Arrangement Agreement are not completed, all fees, costs and expenses incurred in connection therewith and the transactions contemplated thereby shall be paid by the Party incurring such cost or expense. In the event that the transactions contemplated by the Arrangement Agreement are completed, all fees, costs and expenses incurred in connection therewith and the transactions contemplated thereby shall be paid by Amalco.

SUPPORT AGREEMENTS

On May 15, 2017 Pétrolia entered into the Pieridae Support Agreements with the Pieridae Support Shareholders and Pieridae entered into the Pétrolia Support Agreements with the Pétrolia Support Shareholders. The following is a summary of certain material terms of the Support Agreements.

The Pétrolia Support Shareholders and the Pieridae Support Shareholders have agreed, among other things, (i) to vote (or cause to be voted) their Pétrolia Shares and their Pieridae Shares, respectively, **FOR** the Arrangement, including, as concerns the Pétrolia Support Shareholders, the Continuance Resolution and the Pétrolia Arrangement Resolution, and, as concerns the Pieridae Support Shareholders, the Pieridae Arrangement Resolution, as applicable, (ii) to cause their Pétrolia Shares and their Pieridae Shares respectively to be counted as present for purposes of establishing quorum at any meeting of Pétrolia Shareholders or Pieridae Shareholders, as applicable, or at any adjournment or postponement thereof or in any other circumstances upon which a vote, consent or other approval with respect to the Arrangement is sought, (iii) to vote (or cause to be voted) their Pétrolia Shares or their Pieridae Shares respectively against any

Acquisition Proposal and/or any matter that could reasonably be expected to delay, prevent, impede or frustrate the successful completion of the Arrangement. Pétrolia Support Shareholders and Pieridae Support Shareholders further agreed not to exercise (or permit any other person to exercise) any rights to dissent in respect of the Arrangement at any time prior to the Effective Time and to support the completion of any alternative transaction in accordance with the Arrangement Agreement in the same manner as the Pétrolia Support Shareholders and the Pieridae Support Shareholders, as applicable, are obligated to support the Arrangement under the Support Agreements if either Pétrolia or Pieridae concludes it is necessary or desirable.

The Pétrolia Support Shareholders and the Pieridae Support Shareholders have also agreed, among other things, (i) not to option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of their Pétrolia Shares or Pieridae Shares respectively, other than pursuant to the Arrangement, (ii) to cooperate with Pétrolia and Pieridae to successfully complete the Arrangement and not take any action, directly or indirectly, which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Arrangement, (iii) not to directly or indirectly, withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify support for the Arrangement, and (iv) not to, directly or indirectly, solicit, assist, initiate, entertain, encourage or facilitate, any inquiry, proposal or offer regarding, or that may reasonably be expected to lead to, an Acquisition Proposal, or engage in or participate in any discussions or negotiations with any person (other than the shareholder's advisors and directors, officers and advisors of Pieridae or Pétrolia) regarding any Acquisition Proposal.

The Support Agreements shall terminate automatically without any further act of the Parties on the earlier of one of the following events: (a) the Effective Time, (b) if the Arrangement Agreement is terminated in accordance with its terms; or (c) at 11:59 p.m. (Calgary time) on the Outside Date (as such term is defined in the Arrangement Agreement) if the Arrangement has not been completed at such time.

As at the date of this Information Circular, Pétrolia Support Shareholders held 1,351,567 Pétrolia Shares, representing approximately 1.25% of the issued and outstanding Pétrolia Shares on such date, and Pieridae Support Shareholders held 8,374,192 Pieridae Shares, representing approximately 54% of the issued and outstanding Pieridae Shares on such date.

FAIRNESS OPINIONS

In connection with the Arrangement, MNP LLP was formally retained by Pétrolia to provide the Pétrolia Board with the Pétrolia Fairness Opinion. Pétrolia retained MNP LLP pursuant to an engagement letter accepted by Pétrolia on March 30, 2017. The terms of the engagement letter provide that MNP LLP will receive a fee from Pétrolia for rendering the Pétrolia Fairness Opinion. The fee is based on the professional time required to render the Pétrolia Fairness Opinion. The compensation paid to MNP LLP by Pétrolia for rendering the Pétrolia Fairness Opinion is not contingent on the result of, or on any action or event resulting from the use of, the Pétrolia Fairness Opinion.

At a meeting held on April 28, 2017, MNP LLP provided the Pétrolia Board with an oral opinion, subsequently confirmed in writing to the Pétrolia Board effective August 21, 2017, to the effect that, based on and subject to the various assumptions, limitations and qualifications set forth therein, the consideration to be received by Pétrolia Shareholders pursuant to the Arrangement Agreement was fair, from a financial point of view, to the Pétrolia Shareholders.

Founded in 1945, MNP LLP has more than 70 locations across Canada. MNP's valuation practitioners have professional designations including Chartered Professional Accountant, Chartered Business Valuator, Chartered Financial Analyst and Accredited Senior Appraiser. MNP LLP's valuation practice has been engaged exclusively in the valuation of businesses, business interests, securities and intangible assets, in connection with mergers and acquisitions transactions similar to this one and corporate financing transactions.

The Pétrolia Fairness Opinion states that it has been prepared to provide MNP LLP's opinion as to whether the Arrangement Agreement is fair, from a financial point of view, to Pétrolia shareholders and is to be used in contemplation of this stated purpose only and may not be used or relied upon by any other person or for any other purpose without the prior written consent of MNP LLP. The Pétrolia Fairness Opinion does not address the relative merits of the Arrangement or any related transaction as compared to other business strategies or transactions that might be available to Pétrolia or the underlying business decision of Pétrolia to effect the Arrangement or any related transactions. The Pétrolia Fairness Opinion does not constitute a recommendation by MNP LLP to any Pétrolia Shareholder as to how such Pétrolia Shareholder should vote or act with respect to any matters relating to the Arrangement.

The Pétrolia Fairness Opinion was rendered on the basis of assumptions made by MNP LLP with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of MNP LLP and the Parties to the Arrangement Agreement. MNP LLP states that it rendered the Pétrolia Fairness Opinion on the basis of prevailing market and industry conditions and expectations, and on the condition that prospects, financial and otherwise, have been represented to MNP LLP in discussions with Pétrolia management and its Representatives and factored into information and analysis provided.

Similarly, LBS was formally retained by Pieridae to provide the Pieridae Board with the Pieridae Fairness Opinion. The Pieridae Fairness Opinion, dated August 21, 2017 states that, as of the date of the Pieridae Fairness Opinion, and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pieridae Shareholders is fair, from a financial point of view, to Pieridae Shareholders.

The full texts of the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion, which set forth, among other things, the assumptions made, matters considered and limitations on the review undertaken in connection with the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion, are attached as Schedule "D" and Schedule "E", respectively to this Information Circular. Pétrolia Shareholders and Pieridae Shareholders are urged to, and should, read the Pétrolia Fairness Opinion and Pieridae Fairness Opinion, respectively, in their entirety. This summary is qualified by in its entirety by reference to the full texts of the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion.

RECOMMENDATION OF THE BOARDS

Pétrolia Board

The Pétrolia Board has considered the proposed business combination with Pieridae on the terms and conditions as provided in the Arrangement Agreement. **The Pétrolia Board has unanimously determined that the Arrangement is in the best interests of Pétrolia and is fair from a financial point of view to the Pétrolia Shareholders. The members of the Pétrolia**

Board unanimously recommend that the Pétrolia Shareholders vote in favour of the Arrangement.

The Interim President and Chief Executive Officer and director of Pétrolia, Martin Bélanger, will be appointed as Production President of Amalco on completion of the Arrangement. In addition, Mario Racicot, the Chief Financial Officer and Secretary of Pétrolia will be appointed as the Chief Financial Officer of Amalco upon completion of the Arrangement. Myron A. Tétréault, the Executive Chairman of the Pétrolia Board and director, and Charles Boulanger, a director of Pétrolia, will be appointed as directors of Amalco.

Reasons for the Recommendation by Pétrolia

In reaching its determinations described above, the Pétrolia Board reviewed the Arrangement Agreement and the Plan of Arrangement and consulted with senior management, legal counsel and financial, tax and technical advisors and reviewed a significant amount of information and considered a number of factors, including among other things, the following:

- (a) the Arrangement offers a significant premium on Pétrolia Shares, the value attributed being 286.24% of the closing price of the Pétrolia Shares on the Exchange on Friday, May 12, 2017;
- (b) Pétrolia Shareholders that do not exercise their Dissent Rights in connection with the Arrangement will receive the Pétrolia Dividend;
- (c) the Arrangement will provide financial and corporate stability to Pétrolia and should allow for the accelerated development of its existing oil and gas properties, as well as the opportunity to pursue further consolidation in the upstream oil and gas industry;
- (d) the Arrangement will provide diversification of Pétrolia's economic activities;
- (e) the Arrangement will enable Amalco to strategically position itself in the North American equity markets as a developing fully integrated energy company, from upstream production to the sale of LNG;
- (f) the Goldboro LNG Project, combined with the resource potential held by Pétrolia, constitutes an opportunity for investors to participate in the evolution and growth of Canada's only integrated LNG facility holding key permits and approvals for its current stage of development;
- (g) it is expected that the combined expertise and diversification of Pétrolia and Pieridae will provide Amalco with the potential of an effective and sustainable long-term growth plan, and could substantially enhance shareholder value;
- (h) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both Pétrolia and Pieridae including information in respect of Pétrolia and Pieridae on a pro forma consolidated basis;
- (i) the cumulative and combined expertise and experience of the management and technical teams of Pétrolia and Pieridae that will be part of Amalco;

- (j) the Pétrolia Fairness Opinion provided by MNP LLP that, as of the date thereof and subject to and based on the assumptions, limitations and qualifications set out therein, the consideration to be received by the Pétrolia Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Pétrolia Shareholders;
- (k) pursuant to the Pétrolia Support Agreements, the directors and officers of Pétrolia have agreed to vote all of their Pétrolia Shares in favour of the Arrangement at the Pétrolia Meeting;
- (l) the Arrangement Agreement is the result of an arm's length negotiation process and includes terms and conditions that are reasonable in the judgment of the Pétrolia Board;
- (m) the Arrangement must be approved by at least 66 ⅔% of the votes cast by Pétrolia Shareholders, present in person or by proxy at the Pétrolia Meeting;
- (n) the Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement to Pétrolia Shareholders. The Arrangement Agreement also contains a condition precedent that all regulatory approvals shall be obtained prior to Closing;
- (o) the terms of the Plan of Arrangement provide that any Registered Pétrolia Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissenting Shares in accordance with the Plan of Arrangement; and
- (p) the likelihood that the conditions to complete the Arrangement will be satisfied, including the nature of the approvals and consents required by both Pieridae and Pétrolia to be obtained as a condition to completing the Arrangement.

Pieridae Board

The Pieridae Board has considered the proposed business combination with Pétrolia on the terms and conditions as provided in the Arrangement Agreement, and consulted with its advisors. **The Pieridae Board has: (i) unanimously determined that the Arrangement and the entering into of the Arrangement Agreement is in the best interests of Pieridae; (ii) based upon factors considered by the Pieridae Board to be relevant, including the Pieridae Fairness Opinion, determined that the consideration to be received by the Pieridae Shareholders is fair from a financial point of view to the Pieridae Shareholders; and (iii) approved the entering into of the Arrangement Agreement and the Arrangement. The members of the Pieridae Board unanimously recommend that the Pieridae Shareholders vote in favour of the Pieridae Arrangement Resolution.**

The President and Chief Executive Officer and a director of Pieridae, Alfred Sorensen, will be appointed as Chief Executive Officer of Amalco on completion of the Arrangement. In addition, Thomas Dawson, the Chief Operating Officer of Pieridae will be appointed as the LNG President of Amalco upon completion of the Arrangement. Alfred Sorensen, Andrew Judson, a director of Pieridae and Matthew Rees, a director of Pieridae, will be appointed as directors of Amalco.

Reasons for the Recommendation by Pieridae

In arriving at its conclusion, the Pieridae Board considered, among other matters, the following:

- (a) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both Pétrolia and Pieridae including information in respect of Pétrolia and Pieridae on a pro forma consolidated basis;
- (b) the Pieridae Fairness Opinion;
- (c) the management and technical team of Amalco;
- (d) the consideration to be received by Pieridae Shareholders (other than Dissenting Pieridae Shareholders) provides Pieridae Shareholders with liquidity as the Pieridae Shareholders will receive freely trading Amalco Shares in exchange for their Pieridae Shares;
- (e) the Arrangement Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Arrangement and was undertaken with the oversight and participation of the Pieridae Board and Pierida's legal and financial advisors, and those negotiations resulted in terms and conditions that are reasonable in the judgment of the Pieridae Board;
- (f) the Arrangement is believed to be the most favourable strategic alternative available to Pieridae and the Pieridae Shareholders;
- (g) all of the directors and executive officers of Pieridae and certain other Pieridae Shareholders, representing approximately 54% of the outstanding Pieridae Shares, have entered into the Support Agreements pursuant to which they have agreed, among other things, to vote their Pieridae Shares in favour of the Pieridae Arrangement Resolution and to otherwise support the Arrangement;
- (h) the likelihood that the conditions to complete the Arrangement will be satisfied, including the closing of the Pieridae Private Placement and the nature of the approvals and consents required by both Pieridae and Pétrolia to be obtained as a condition to completing the Arrangement;
- (i) the Pieridae Board concluded that the value offered to Pieridae Shareholders under the Arrangement is equal to or greater than the value that might have been realized from executing Pieridae's current business plan given the challenges, risks and capital that would be required to implement such plan; and
- (j) the benefits of the Arrangement set forth under “*Benefits of the Arrangement*” herein.

There is a risk that Amalco may not realize the anticipated benefits of the Arrangement. See “*Part II – The Arrangement – Risk Factors Related to the Arrangement*” and “*Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement*” below. The foregoing outline of the information considered by the Pétrolia Board and the Pieridae Board is not, and is not intended to be, exhaustive. In view of the wide variety of factors and information considered in connection with their evaluation of the Arrangement, the Pétrolia Board and the Pieridae Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to assign any relative weight to each specific factor or item of information considered in reaching their conclusions and recommendations. In addition, individual members of the Pétrolia Board and of the Pieridae Board may have given different weights to different factors or items of information.

PROCEDURES FOR THE ARRANGEMENT BECOMING EFFECTIVE

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Continuance Resolution, the Reduction of Stated Capital Resolution and the Pétrolia Arrangement Resolution must be passed by the Pétrolia Shareholders at the Pétrolia Meeting either in person or by proxy in the manner required by the Interim Order;
- (b) the Pieridae Arrangement Resolution must be passed by the Pieridae Shareholders at the Pieridae Meeting either in person or by proxy in the manner required by the Interim Order;
- (c) the Arrangement must be approved by the Court pursuant to the Final Order;
- (d) all conditions precedent to the Arrangement set forth in the Arrangement Agreement must be satisfied or waived by the appropriate party; and
- (e) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the CBCA, must be filed with the Director.

APPROVAL OF SHAREHOLDERS

Approval of Pétrolia Shareholders Required for the Arrangement

Pursuant to the Interim Order, the number of votes required to pass the Pétrolia Arrangement Resolution is at least 66 $\frac{2}{3}$ % of the votes cast by Pétrolia Shareholders either in person or by proxy, at the Pétrolia Meeting. Notwithstanding the foregoing, the Pétrolia Arrangement Resolution authorizes the Pétrolia Board, without further notice to or approval of the Pétrolia Shareholders, to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement. If the Pétrolia Arrangement Resolution is not passed by the Pétrolia Shareholders, the Arrangement cannot be completed. See Schedule “B” to this Information Circular for the full text of the Pétrolia Arrangement Resolution. *See also “Part I – General Proxy Matters – Business of the Pétrolia Meeting and Requisite Pétrolia Shareholders Approval – Approval of the Arrangement”.*

Approval of Pieridae Shareholders Required for the Arrangement

Pursuant to the Interim Order and the CBCA, approval of the Pieridae Arrangement Resolution requires the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes validly cast by Pieridae Shareholders, either in person or by proxy at the Pieridae Meeting. Notwithstanding the foregoing, the Pieridae Arrangement Resolution authorizes the Pieridae Board, without further notice to or approval of such Pieridae Shareholders and subject to the terms of the Arrangement Agreement, to amend the Arrangement Agreement to the extent permitted by the Arrangement Agreement and, subject to the terms of the Arrangement Agreement, to not proceed with the Arrangement. See Schedule “C” to this Information Circular for the full text of the Pieridae Arrangement Resolution. *See also “Part I – General Proxy Matters – Particulars of Matters to be Acted On – Approval of the Arrangement”.*

Dissent Rights to the Arrangement

Section 190 of the CBCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Holders with Dissent Rights in respect of the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution, as applicable, pursuant to Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order. Any Registered Holder who dissents from the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution in compliance with Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, will be entitled, in the event the Arrangement becomes effective, to be paid by Pétrolia or Pieridae, as applicable, the fair value of the Pétrolia Shares or Pieridae Shares, as applicable, held by such Dissenting Shareholder determined as of the close of business on the day before the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, is passed. Shareholders are cautioned that fair value could be determined to be less than the value of the consideration payable pursuant to the terms of the Arrangement and that the proceeds of disposition received by a Dissenting Shareholder may be treated in a different, and potentially more adverse, manner under Canadian and U.S. federal income tax laws than had such shareholder exchanged his or her Pétrolia Shares or Pieridae Shares, as applicable, for Amalco Shares pursuant to the Arrangement. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder's Dissenting Shares.

The following is only a summary of the Dissent Rights and provisions of the CBCA (as modified by the Plan of Arrangement and the Interim Order as described below or any other interim order of the Court), which are technical and complex. A copy of Section 190 of the CBCA is attached as Schedule "L" to this Information Circular. It is recommended that any Registered Holder wishing to avail himself or herself of the Dissent Rights seek legal advice, as failure to strictly comply with the provisions of the CBCA (as modified by the Plan of Arrangement and the Interim Order) may prejudice his or her Dissent Rights.

Section 190 of the CBCA provides that a Dissenting Shareholder may only make a claim under that section with respect to all of the shares of a class held by the Dissenting Shareholder on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. One consequence of this provision is that only a Registered Holder may exercise the Dissent Rights in respect of Pétrolia Shares or Pieridae Shares that are registered in that Registered Holder's name.

In many cases, Shares beneficially owned by a Non-Registered Shareholder are registered either: (a) in the name of an Intermediary that the Non-Registered Shareholder deals with in respect of the Shares; or (b) in the name of a depository (such as CDS) of which the Intermediary is a participant. Accordingly, a Non-Registered Shareholder will not be entitled to exercise its Dissent Rights directly (unless the Shares are re-registered in the Non-Registered Shareholder's name). A Non-Registered Shareholder that wishes to exercise Dissent Rights should immediately contact the Intermediary with whom the Non-Registered Shareholder deals in respect of its Shares and either (i) instruct the Intermediary to exercise the Dissent Rights on the Non-Registered Shareholder's behalf (which, if the Shares are registered in the name of CDS or other clearing agency, may require that such Shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register such Shares in the name of the Non-Registered Shareholder, in which case the Non-Registered Shareholder would be able to exercise the Dissent Rights directly. In addition, pursuant to Section 190 of the CBCA, a Dissenting Shareholder may not exercise Dissent Rights in respect of only a portion of such Dissenting Shareholder's Shares but may dissent only with respect to all Shares held by such Dissenting Shareholder.

The Dissent Procedures require that a Registered Pétrolia Shareholder who wishes to dissent send a written notice of objection to the Pétrolia Arrangement Resolution, to Pétrolia, (i) c/o DS Lawyers Canada LLP, 891, boul. Charest Ouest, Québec, Québec, G1N 2C9, Attention: Kimberley Okell, or (ii) by facsimile transmission to c/o DS Lawyers Canada LLP, Facsimile: (418) 353-1791 Attention: Kimberley Okell, not later than 5:00 p.m. (Eastern Daylight Time) on September 29, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pétrolia Meeting, and must otherwise strictly comply with the Dissent Procedures described in this Information Circular. These Dissent Procedures are different than the statutory dissent procedures of the CBCA which would permit a notice of objection to be provided at or prior to the Pétrolia Meeting. **Failure to strictly comply with the Dissent Procedures will result in loss of the Dissent Right.**

The Dissent Procedures require that a Pieridae Shareholder who wishes to dissent must send a written notice of objection to the Pieridae Arrangement Resolution to c/o Burstall Winger Zammit LLP, Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Attention: Robert Verbuck, or (ii) by facsimile transmission to c/o Burstall Winger Zammit LLP, Facsimile: 403-266-6016 Attention: Robert Verbuck, not later than 5:00 p.m. (MountainTime) on September 22, 2017 or in the case of any adjournment or postponement, the day that is two Business Days immediately preceding the adjourned or postponed Pieridae Meeting, and must otherwise strictly comply with the Dissent Procedure described in this Information Circular. These Dissent Procedures are different than the statutory dissent procedures of the CBCA which would permit a notice of objection to be provided at or prior to the Pieridae Meeting. **Failure to strictly comply with the Dissent Procedures will result in loss of the Dissent Right.**

The filing of a Dissent Notice does not deprive a Registered Holder of the right to vote at the Pétrolia Meeting or the Pieridae Meeting, as the case may be. However, the CBCA provides, in effect, that a Registered Holder who has submitted a Dissent Notice and who votes in favour of the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, will no longer be considered a Dissenting Shareholder with respect to that class of shares voted in favour of the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, being either the Pétrolia Shares or the Pieridae Shares. The CBCA does not provide, and Pétrolia and Pieridae will not assume, that a proxy submitted instructing the proxyholder to vote against the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, or an abstention from voting, constitutes a Dissent Notice, but a Registered Holder is not required to vote its Shares against the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote in favour of the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution does not constitute a Dissent Notice. However, any proxy granted by a Registered Holder who intends to dissent, other than a proxy that instructs the proxyholder to vote against the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, should be validly revoked in order to prevent the proxyholder from voting such Shares in favour of the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as the case may be, and thereby causing the Registered Holder to forfeit its Dissent Rights.

Each of Pétrolia and Pieridae is required within ten days after the Shareholders pass the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution, respectively, to notify each Dissenting Shareholder that the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, has been passed. Such notice is not required to be sent to any Shareholder that voted in favour of the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, or who has withdrawn his or her Dissent Notice.

A Dissenting Shareholder that has not withdrawn its Dissent Notice prior to the applicable Meeting must, within 20 days after receipt of notice that the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, has been passed, or if the Dissenting Shareholder does not receive such notice, within 20 days after learning that the Pétrolia Arrangement Resolution or the Pieridae Arrangement Resolution, as applicable, has been passed, send to Pétrolia or Pieridae, as applicable, a Demand for Payment. Within 30 days after sending the Demand for Payment, the Dissenting Shareholder must send to Pétrolia or Pieridae, as applicable, certificates representing the Dissenting Shares. Pétrolia, Pieridae or the Depositary will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder. A Dissenting Shareholder that fails to make a Demand for Payment in the time required, or to send certificates representing Dissenting Shares in the time required, has no right to make a claim under Section 190 of the CBCA.

Under Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, after sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a Shareholder in respect of its Dissenting Shares other than the right to be paid the fair value of the Dissenting Shares by Pétrolia or Pieridae, as applicable, as determined pursuant to the Interim Order, unless: (i) the Dissenting Shareholder withdraws its Dissent Notice before Pétrolia or Pieridae, as applicable, makes an Offer to Pay; (ii) Pétrolia or Pieridae, as applicable, fails to make an Offer to Pay in accordance with subsection 190(12) of the CBCA and the Dissenting Shareholder withdraws the Demand for Payment; or (iii) the Pétrolia Board revokes the Pétrolia Arrangement Resolution or the Pieridae Board revokes the Pieridae Arrangement Resolution. In the event of (i) or (ii), the Dissenting Shareholder shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholder as at and from the Effective Time.

Pursuant to the Plan of Arrangement, in no case shall Pétrolia, Pieridae, Amalco or any other person be required to recognize any Dissenting Shareholder as a Shareholder after the Effective Time, and the names of such Dissenting Shareholders shall be deleted from the list of Registered Holders at the Effective Time.

Pursuant to the Plan of Arrangement, Dissenting Shareholders that are ultimately determined to be entitled to be paid the fair value for their Dissenting Shares shall be deemed to have transferred such Dissenting Shares to Pétrolia or Pieridae, as applicable, at the Effective Time.

Pursuant to the Plan of Arrangement, Dissenting Shareholders that are ultimately determined not to be entitled, for any reason, to be paid the fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholder as at and from the Effective Time and such Dissenting Shares shall be exchanged for Amalco Shares in accordance with the Plan of Arrangement, but in no case shall Amalco be required to recognize such holders as Pétrolia Shareholders or Pieridae Shareholders, as applicable, after the Effective Time.

Pétrolia or Pieridae, as applicable, is required, not later than seven days after the later of the Effective Date and the date on which a Demand for Payment is received from a Dissenting Shareholder, to send to each Dissenting Shareholder that has sent a Demand for Payment an Offer to Pay for its Dissenting Shares in an amount considered by Pétrolia or Pieridae, as applicable, to be the fair value of the Shares, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay for Shares of the same class must be on the same

terms. Pétrolia or Pieridae, as applicable, must pay for the Dissenting Shares of a Dissenting Shareholder within ten days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such offer lapses if Pétrolia or Pieridae, as applicable, does not receive an acceptance within 30 days after the Offer to Pay has been made.

If Pétrolia or Pieridae, as applicable, fails to make an Offer to Pay for a Dissenting Shareholder's Shares, or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, Pétrolia or Pieridae, as applicable, may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Dissenting Shares. If Pétrolia or Pieridae, as applicable, fails to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application. Any such application by Pétrolia or Pieridae, as applicable, or a Dissenting Shareholder must be made to a court in Quebec (in the case of Pétrolia) and in Alberta (in the case of Pieridae) or a court having jurisdiction in the place where the Dissenting Shareholder resides if Pétrolia or Pieridae, as applicable, carries on business in that province.

Before making any such application to a court itself after receiving a notice that a Dissenting Shareholder has made an application to a court, Pétrolia or Pieridae, as applicable, will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of a Dissenting Shareholder's right to appear and be heard in person or by counsel. Upon an application to a court, all Dissenting Shareholders that have not accepted an Offer to Pay will be joined as parties and be bound by the decision of the court. Upon any such application to a court, the court may determine whether any other person is a Dissenting Shareholder that should be joined as a party, and the court will then fix a fair value for the Dissenting Shares of all Dissenting Shareholders. The final order of a court will be rendered against Pétrolia or Pieridae, as applicable, in favour of each Dissenting Shareholder for the amount of the fair value of its Dissenting Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment.

Shareholders that are considering exercising Dissent Rights should consult their own legal and financial advisors.

The Arrangement Agreement provides that it is a Pieridae condition to completion of the Arrangement that Holders of Pétrolia Shares representing not more than 15% of the Pétrolia Shares in the aggregate then outstanding shall have validly exercised Pétrolia Dissent Rights, and not withdrawn their dissent as of the Effective Date. See "*Part II– The Arrangement Agreement – Pieridae Conditions*" above.

The Arrangement Agreement provides that it is a Pétrolia condition to completion of the Arrangement that Holders of Pieridae Shares representing not more than 2% of the Pieridae Shares in the aggregate then outstanding shall have validly exercised Pieridae Dissent Rights, and not withdrawn their dissent as of the Effective Date. See "*Part II– The Arrangement Agreement – Pétrolia Conditions*" above.

COURT APPROVAL

Interim Order

On June 27, 2017, the Court granted the Interim Order facilitating the calling of the Pétrolia Meeting and the Pieridae Meeting, prescribing the conduct of the Pétrolia Meeting and the Pieridae Meeting, respectively, and other matters. The Interim Order is attached as Schedule “I” to this Information Circular.

Pétrolia Meeting Deadline Extension

On July 21, 2017, the Court granted an order, and the Exchange granted permission, allowing Pétrolia to hold its annual general shareholders’ meeting at any time prior to October 26, 2017. Pursuant to the QBCA and the policies of the Exchange, Pétrolia is required to hold its annual general shareholders’ meeting no later than fifteen months after its previous annual general shareholders’ meeting, which results in a deadline of August 26, 2017. Since Pétrolia is required to hold a special shareholders’ meeting in connection with the Arrangement, for reasons of efficiency and convenience to shareholders, it wishes to hold both shareholders’ meetings concurrently at the Pétrolia Meeting. As the Pétrolia Meeting will occur after August 26, 2017, Pétrolia sought the permission of the Court and the Exchange to extend the deadline to hold its annual general meeting.

Pieridae Meeting Deadline Extension

The Interim Order provides that Pieridae may hold its annual general shareholders’ meeting at any time prior to August 18, 2017. On August 11, 2017, the Court granted a further order allowing Pieridae to hold its annual general shareholders’ meeting at any time prior to October 26, 2017. Pursuant to the CBCA, Pieridae is required to hold its annual general shareholders’ meeting no later than fifteen months after its previous annual general shareholders’ meeting, which results in a deadline of June 30, 2017. Since Pieridae is required to hold a special shareholders’ meeting in connection with the Arrangement, for reasons of efficiency and convenience to shareholders, it wishes to hold both shareholders’ meetings concurrently at the Pieridae Meeting. As the Pieridae Meeting will occur after June 30, 2017 and August 18, 2017, Pieridae sought the permission of the Court to extend the deadline to hold its annual general meeting.

Final Order

The CBCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, if the Pétrolia Arrangement Resolution is passed by Pétrolia Shareholders at the Pétrolia Meeting in the manner required by the Interim Order, and the Pieridae Arrangement Resolution is passed by the Pieridae Shareholders at the Pieridae Meeting in the manner required by the Interim Order, Pétrolia and Pieridae will apply to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for October 11, 2017 at 2:00 p.m. (Eastern Daylight Time), or as soon thereafter as counsel may be heard, at Québec Superior Court (Commercial List), 300 Jean Lesage Boulevard, Quebec City, Quebec, room 3.14 (or such other room or location that the Court may determine), G1K 8K6. At the hearing, any Pétrolia Shareholder, Pieridae Shareholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing

with the Court and serving upon Pétrolia and Pieridae on or before 4:30 p.m. (Eastern Daylight Time) on September 27, 2017, a notice of appearance setting out their address for service and indicating whether such shareholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such shareholder or other interested party intends to advocate before the Court and any evidence or materials which such party intends to present to the Court. Service of such notice shall be effected by service upon:

- a) the solicitors of Pétrolia:

DS Lawyers Canada LLP
c/o Mtre Patrick Goudreau
1080 Beaver Hall Hill, Suite 2100
Montreal (Quebec) H2Z 1S8
Fax: (514) 397-8515

and

- b) the solicitors of Pieridae:

Burstall Winger Zammit LLP
c/o Mtre Robert Verbuck
333 – 7th Avenue, Suite 1600
Calgary (Alberta) T2P 2Z1
Fax : (403) 266-6016

BCF LLP
c/o Mtre Gary Rivard
1100 René-Lévesque Boulevard West, 25th Floor
Montreal (Quebec) H3B 5C9
Fax: (514) 397-8515

If the notice of appearance indicates the intent to oppose the application, any such opposing Pétrolia Shareholder or Pieridae Shareholder must serve on each of the above mentioned counsel and file with the Court's registry on or before 4:30 p.m. (Eastern Daylight Time) on Monday October 2, 2017, a written contestation supported as to the facts by affidavit(s), and exhibit(s) if any, without which such contestation the appearing person shall not be permitted to contest the motion for Final Order.

The Section 3(a)(10) Exemption provides an exemption from the registration requirements of the U.S. Securities Act for securities issued in exchange for one or more outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court authorized to grant such approval after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and have received timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on June 27, 2017 and, subject to the approval of the Arrangement by the Pétrolia Shareholders and the Pieridae Shareholders, a hearing on the Arrangement will be held on October 11, 2017 at 2:00 p.m. (Eastern Daylight Time) at Québec Superior Court (Commercial List), 300 Jean Lesage Boulevard, Québec City, Québec, room 3.14 (or such other room or location that the Court may

determine), G1K 8K6. As set forth above, all Pétrolia securityholders and Pieridae securityholders are entitled to appear and be heard at this hearing, provided that those who wish to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the Interim Order and satisfy any other requirements of the Court, and provided that those who wish to oppose must serve and file a written contestation, as set out in the Interim Order and satisfy any other requirements of the Court. The Final Order will constitute a basis for the Section 3(a)(10) Exemption with respect to the Arrangement Securities to be issued to Pétrolia securityholders and Pieridae securityholders in exchange for their securities pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court has been or will be informed of this effect of the Final Order.

EXCHANGE APPROVAL

It is a condition precedent to the Arrangement becoming effective that all necessary regulatory approvals be obtained, including, without limitation, the acceptance of the Exchange of the Arrangement and the listing of the Amalco Shares to be issued in exchange for the Pétrolia Shares. As of the date of this Information Circular, the Exchange has granted its conditional acceptance of the Arrangement. Final acceptance by the Exchange is subject to the filing of various documents and information, including evidence of requisite shareholder approvals, fairness opinions and court approval.

CANADIAN SECURITIES LAWS MATTERS

The Amalco Shares to be issued under the Arrangement to Pétrolia Shareholders and Pieridae Shareholders will be issued in reliance on exemptions from prospectus and registration requirements of applicable Securities Laws and, following completion of the Arrangement, the Amalco Shares issued pursuant to the Arrangement may be resold in each province and territory of Canada, provided that: (i) Amalco (or its predecessors) is a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade; (ii) the trade is not a “control distribution” as defined in NI 45-102; (iii) no unusual effort is made to prepare the market or create a demand for those securities; (iv) no extraordinary commission or consideration is paid in respect of that trade; and (v) if the selling security holder is an “insider” or “officer” of Amalco (as such terms are defined by applicable Securities Laws), the insider or officer has no reasonable grounds to believe that Amalco is in default of applicable Securities Laws.

Pétrolia is currently a reporting issuer in Québec, British Columbia and Alberta and the Pétrolia Shares currently trade on the Exchange. In connection with the Arrangement, Pétrolia has applied for and received conditional approval to list the Amalco Shares on the Exchange under the symbol “PEA”.

UNITED STATES SECURITIES LAWS MATTERS

The following discussion is a general overview of certain requirements of United States federal securities laws applicable to the Arrangement Securities issuable pursuant to the Arrangement. All holders of Arrangement Securities are urged to consult their own legal advisors to ensure that the resale of any such securities issued and exchanged with them under the Arrangement complies with applicable federal and state securities laws. Further information is disclosed under "Notice to Securityholders in the United States".

The Arrangement Securities to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state securities laws. Such securities will be

issued and exchanged in reliance upon the Section 3(a)(10) Exemption and in reliance upon similar exemptions from registration under applicable state securities laws. The Section 3(a)(10) Exemption exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on June 27, 2017 and, subject to the approval of the Arrangement by the Pétrolia Shareholders and the Pieridae Shareholders, a hearing on the Arrangement will be held on October 11, 2017 by the Court. See "*The Arrangement – Court Approval*" above. All Pétrolia securityholders and Pieridae securityholders are entitled to appear and be heard at this hearing. Accordingly, pursuant to the Section 3(a)(10) Exemption, the Final Order, if granted, will constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the Arrangement Securities issued and exchanged in connection with the Arrangement.

Arrangement Securities received by Pétrolia securityholders and Pieridae securityholders pursuant to the Arrangement may generally be resold without restriction under the U.S. Securities Act, except by persons who are "affiliates" (i) of Pétrolia as of the Effective Date, (ii) of Pieridae as of the Effective Date or (iii) of Amalco after the Effective Date, as applicable, or within 90 days prior to the Effective Date, as applicable. Persons who may be deemed to be "affiliates" of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Arrangement Securities by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an exemption or exclusion therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Amalco Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S.

Pieridae Private Placement securityholders may not offer or sell their Arrangement Securities in the United States absent registration under the U.S. Securities Act and all applicable state securities laws or compliance with the requirements of an exemption therefrom. Pieridae Private Placement securityholders in the United States will receive Arrangement Securities that are "restricted securities" (as such term is defined in Rule 144 under the U.S. Securities Act), will be subject to restrictions on resale imposed by the U.S. Securities Act and applicable state securities laws, and will receive certificates representing their Arrangement Securities bearing a U.S. legend or other evidence of ownership restricting transfers without registration under the U.S. Securities Act and applicable state securities laws or compliance with the requirements of an exemption therefrom. Such persons should consult their own legal counsel in connection with any such resales.

The Section 3(a)(10) Exemption does not exempt the issuance of securities issued upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Amalco Shares issuable upon the exercise of the Amalco Pétrolia Options, the Amalco Pieridae Options and the Amalco Pétrolia Warrants following the Effective Date may not be issued in reliance upon the Section 3(a)(10) Exemption and may be exercised only pursuant to

an available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Prior to the issuance of Arrangement Securities pursuant to any such exercise, Amalco may require evidence (which may include an opinion of counsel) reasonably satisfactory to Amalco to the effect that the issuance of such Amalco Shares upon exercise of the Arrangement Securities does not require registration under the U.S. Securities Act or applicable state securities laws.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale of Amalco Shares received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

EXPENSES OF THE ARRANGEMENT

In the event that the Arrangement is not completed, all expenses incurred in connection with the Arrangement and the transactions contemplated thereby shall be paid by the Party incurring such expense. In the event the Arrangement is completed all such expenses shall be paid by Amalco.

The estimated costs to be incurred by Pétrolia with respect to the Arrangement and related matters include, without limitation, financial advisory, proxy solicitation, legal and accounting fees, certain costs of preparation, printing and mailing this Information Circular and other related documents, and stock exchange, regulatory filing fees and other related expenses, are expected to aggregate approximately \$600,000.

The estimated costs to be incurred by Pieridae with respect to the Arrangement and related matters include, without limitation, financial advisory, legal and accounting fees, certain costs of preparation, printing and mailing this Information Circular and other related documents, and stock exchange, regulatory filing fees and other related expenses, are expected to aggregate approximately \$650,000.

OTHER REGULATORY APPROVAL

Pursuant to the terms of the Arrangement Agreement, Pieridae is required to use commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the Arrangement and other transactions contemplated by the Arrangement Agreement.

Pieridae has applied for approval of the Amalgamation by the Assistant Secretary for Fossil Energy of the Department of Energy of the United States pursuant to section 590.405 (Transferability) of the Code of Federal Regulations (10 C.F.R. 590.405) and the procedures for changes in control affecting applications and authorizations to import or export natural gas as described in the Federal Register, vol. 79, p.65441 (79 Fed. Reg. 65541, November 5, 2014). Pieridae was informed that the Assistant Secretary will not consider the application prior to the completion of the Amalgamation. Accordingly, this application remains outstanding at the date of this Information Circular.

TIMING

If the Pétrolia Meeting and the Pieridae Meeting are held as scheduled and are not adjourned and the other necessary conditions to the Arrangement are satisfied or waived, Pétrolia and Pieridae

expect to apply for the Final Order approving the Arrangement on October 11, 2017. If the Final Order is obtained in form and substance satisfactory to Pétrolia and Pieridae, and all other conditions set forth in the Arrangement Agreement are satisfied or waived by the applicable Party, Pétrolia and Pieridae expect the Effective Date to occur on October 25, 2017, following the receipt of all requisite regulatory approvals and consents. However, as of the date of the Information Circular it is not possible to state with certainty when the Effective Date will occur.

LETTER OF TRANSMITTAL

A Letter of Transmittal is being mailed, together with this Information Circular, to each person who was a Registered Pétrolia Shareholder on the Pétrolia Record Date and to each person who was a Registered Pieridae Shareholder on the Pieridae Record Date. The Letter of Transmittal sets out the details to be followed by each Registered Pétrolia Shareholder and Registered Pieridae Shareholder for delivering the share certificate(s) held by such Registered Pétrolia Shareholder and such Registered Pieridae Shareholder to the Depository. Registered Pétrolia Shareholders and Registered Pieridae Shareholders must deposit with the Depository (at the address which will be specified on the last page of the Letter of Transmittal) the validly completed and duly signed Letter of Transmittal together with the certificate(s) representing the Registered Pétrolia Shareholder's Pétrolia Shares and the Registered Pieridae Shareholder's Pieridae Shares, as applicable, and such other documents and instruments as the Depository may reasonably require.

EXCHANGE PROCEDURE

In order to receive the Amalco Shares which a Registered Pétrolia Shareholder and a Registered Pieridae Shareholder is entitled to receive if the Continuance Resolution, the Reduction of Stated Capital Resolution, the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution are passed and the Arrangement is completed, a registered Pétrolia Shareholder and a Registered Pieridae Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Information Circular.

Amalco, as soon as practicable following the later of: (i) the Effective Date and; (ii) the date of deposit by a former holder of Pétrolia Shares or Pieridae Shares of a duly completed Letter of Transmittal and the certificates representing such Pétrolia Shares or Pieridae Shares, will either:

- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such Registered Pétrolia Shareholder or Registered Pieridae Shareholder, as applicable, at the address specified in the Letter of Transmittal; or
- (b) if requested by such Registered Pétrolia Shareholder or Registered Pieridae Shareholder, as applicable, in the Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such holder,

the number of Amalco Shares to be issued to such holder under the Arrangement and the Depository shall either issue an advice under the direct registration system or a share certificate to such holder evidencing the number of Amalco Shares issued to the holder.

LOST OR STOLEN CERTIFICATES

In the event any certificate, which immediately prior to the Effective Time represented one or more issued and outstanding Pétrolia Shares or Pieridae Shares to be converted pursuant to the Plan of Arrangement, has been lost, stolen or destroyed, upon the making of an affidavit of that

fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the Amalco Shares deliverable in accordance with such holder's Letter of Transmittal. Unless otherwise agreed to by Amalco, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Amalco and its transfer agent, which bond is in form and substance satisfactory to Amalco and its transfer agent, or shall otherwise indemnify Amalco and its transfer agent against any claim that may be made against any of them with respect to the certificate(s) alleged to have been lost, stolen or destroyed.

EXTINCTION OF RIGHTS

Any certificate, which immediately prior to the Effective Time represented outstanding Pétrolia Shares or Pieridae Shares that are converted pursuant to the Plan of Arrangement and not deposited with all other instruments required by the Plan of Arrangement on or prior to the sixth anniversary of the Effective Date, will cease to represent a claim or interest of any kind or nature. On such date, the right to receive Amalco Shares shall be deemed to have been surrendered to Amalco and will be cancelled, together with all dividends, distributions, redemptions or cash payments thereon held for such holder.

FRACTIONAL INTEREST

In no event shall any Pétrolia Shareholder or Pieridae Shareholder be entitled to a fractional Amalco Share. The aggregate number of Amalco Shares to be issued to any one Person shall be rounded up to the next greater whole Amalco Share if the fractional entitlement is equal to or greater than 0.5 and in all other cases rounded down to the nearest whole Amalco Share and no Pétrolia Shareholder or Pieridae Shareholder will be entitled to any compensation in respect of a fractional Amalco Share.

In calculating the above fractional interests, all Amalco Shares registered in the name of or beneficially held by such holder of Amalco Shares, or their nominee, shall be aggregated.

WITHHOLDING RIGHTS

Pursuant to the terms of the Plan of Arrangement, Pétrolia, Pieridae, Amalco and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Pétrolia Shares or Pieridae Shares, as the case may be, such amounts as Pétrolia, Pieridae, Amalco or the Depositary are required or permitted to deduct and withhold with respect to such payment under the Income Tax Act or any provision of provincial, state, local or foreign tax law as counsel may advise is required to be so deducted by Pétrolia, Pieridae, Amalco or the Depositary, as the case may be.

RETURN OF PÉTROLIA SHARES AND PIERIDAE SHARES

If the Arrangement is not completed, any deposited Pétrolia Shares and Pieridae Shares will be returned to the depositing Pétrolia Shareholder and the depositing Pieridae Shareholder, at the expense of Pétrolia and Pieridae, respectively, upon written notice to the Depositary from Pétrolia and Pieridae by first class mail in the name of and to the address specified by the Pétrolia Shareholder and the Pieridae Shareholder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the respective registers of Pétrolia and Pieridae.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN THE ARRANGEMENT

Other than as described in this Information Circular or in the documents incorporated into this Information Circular by reference, none of the principal holders of Pétrolia Shares or of Pieridae Shares or any director or officer of Pétrolia or Pieridae, or any associate or affiliate of any of the foregoing Persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, Pétrolia, Pieridae or Amalco or any of their Affiliates.

RISK FACTORS RELATED TO THE ARRANGEMENT

Pétrolia Shareholders voting in favour of the Pétrolia Arrangement Resolution and Pieridae Shareholders voting in favour of the Pieridae Arrangement Resolution will be choosing to combine the businesses of Pétrolia and Pieridae through Amalco. The completion of the Arrangement involves risks. In addition to the risk factors described under the heading “Risk Factors” in Pétrolia’s Management’s Discussion and Analysis for the three-month period ended March 31, 2017 (as amended and re-filed on July 6, 2017), which is available on SEDAR at www.sedar.com, and included in Schedule F hereto, and the risk factors described under “Part III – Information Concerning Pétrolia – Risk Factors” and “Part IV – Information Concerning Pieridae – Risk Factors” in this Information Circular, the following are additional and supplemental risk factors which Pétrolia Shareholders should carefully consider before making a decision regarding approving the Pétrolia Arrangement Resolution and which Pieridae Shareholders should carefully consider before making a decision regarding approving the Pieridae Arrangement Resolution. Readers are cautioned that such risk factors are not exhaustive and additional risks and uncertainties, including those currently unknown or considered immaterial to Pétrolia and Pieridae, may also adversely affect the Pétrolia Shares and the Pieridae Shares before the Arrangement, and Amalco Shares following the Arrangement, and/or the business of Pétrolia and Pieridae before the Arrangement and of Amalco following the Arrangement.

The Arrangement is Subject to Satisfaction or Waiver of Various Conditions

Completion of the Arrangement is subject to, among other things, the approval of the Court, Pétrolia Shareholder approval, Pieridae Shareholder approval and the receipt of all necessary regulatory approvals, all of which may be outside the control of both Pétrolia and Pieridae. There can be no assurance that these conditions will be satisfied or that the Arrangement will be completed as currently contemplated or at all.

Delays in the completion of the Arrangement could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the Arrangement. In addition, if the Arrangement is not completed, Pétrolia or Pieridae could be subject to litigation related to any failure to complete the Arrangement or related to any enforcement proceeding commenced against Pétrolia or Pieridae to perform their respective obligations under the Arrangement Agreement.

The Arrangement Agreement May be Terminated in Certain Circumstances

Each of Pétrolia and Pieridae has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can either of Pétrolia or Pieridae provide any assurance, that the Arrangement will not be terminated by either Pétrolia or Pieridae before the completion of the Arrangement. For instance, Pétrolia has the right, in certain circumstances,

to terminate the Arrangement Agreement if there is a Material Adverse Effect in respect of Pieridae. Conversely, Pieridae has the right, in certain circumstances, to terminate the Arrangement Agreement if there is a Material Adverse Effect in respect of Pétrolia. There is no assurance that a Material Adverse Effect will not occur before the Effective Date, in which case Pétrolia and Pieridae could elect to terminate the Arrangement Agreement and the Arrangement would not proceed. Failure to complete the Arrangement could negatively impact the trading price of the Pétrolia Shares or otherwise adversely affect the business of each company.

The trading price of the Pétrolia Shares prior to the Effective Time and the trading price of the Amalco Shares following the Effective Time may be volatile

The trading price of the Pétrolia Shares have been and may continue to be subject to and, following completion of the Arrangement, the Amalco Shares may be subject to, material fluctuations and may increase or decrease in response to a number of events and factors, including:

- changes in the market price of the commodities that Pétrolia and Pieridae and, following completion of the Arrangement, Amalco, sell and purchase;
- current events affecting the economic situation in Canada, the United States and internationally;
- trends in the global oil and gas industries;
- regulatory and/or government actions, rulings or policies;
- changes in financial estimates and recommendations by securities analysts or rating agencies;
- acquisitions and financings;
- the economics of current and future projects of Pétrolia, Pieridae or, following completion of the Arrangement, Amalco;
- quarterly variations in operating results;
- the operating and share price performance of other companies, including those that investors may deem comparable;
- the issuance of additional equity securities by Pétrolia, Pieridae or, following completion of the Arrangement, Amalco, as applicable, or the perception that such issuance may occur; and
- purchases or sales of blocks of Pétrolia Shares, Pieridae Shares or, following completion of the Arrangement, Amalco Shares, as applicable.

If the Arrangement is Not Approved, the Market Price for the Pétrolia Shares may Decline

If the Arrangement is not approved by Pétrolia Shareholders or Pieridae Shareholders, the market price of the Pétrolia Shares may decline to the extent that the current market price of the Pétrolia Shares reflects a market assumption that the Arrangement will be completed. If the Pétrolia

Arrangement Resolution or the Pieridae Arrangement Resolution is not passed and the Pétrolia Board decides to seek another transaction, there can be no assurance that it will be able to find a party willing to enter into an equivalent or more attractive transaction in terms of the total consideration to be paid pursuant to the Arrangement.

The Arrangement Agreement contains provisions that restrict Pétrolia's and Pieridae's ability to pursue alternatives to the Arrangement and, in specified circumstances, Pétrolia or Pieridae could be required to pay the other Party the Termination Fee of \$600,000.

Under the Arrangement Agreement, Pétrolia and Pieridae are restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging or facilitating, discussing or negotiating, or furnishing information with regard to, any Acquisition Proposal or any inquiry, proposal or offer relating to any Acquisition Proposal from any person. If the board of directors of a Party (after consultation with its financial advisors and legal counsel) determines that such proposal is more favourable to its shareholders, from a financial point of view, than the Arrangement, and such Party's board of directors recommends such proposal to its shareholders or if such Party enters into a Permitted Acquisition Agreement the other Party would be entitled to terminate the Arrangement Agreement and receive the Termination Fee of \$600,000 (or could require such Party to proceed with its Meeting and still remain entitled to the Termination Fee if such Party's shareholders, as applicable, do not approve the Arrangement). This Termination Fee may discourage other parties from attempting to enter into a business transaction with either Pétrolia or Pieridae, even if those parties would otherwise be willing to enter into an agreement with Pétrolia or Pieridae for a business combination and would be prepared to pay consideration with a higher price per share or cash market value than the per share market value proposed to be received or realized in the Arrangement. In addition, payment of such amount may have a material adverse effect on the business and affairs of Pétrolia or Pieridae, as applicable.

Pétrolia and Pieridae will incur costs even if the Arrangement is not completed and Pétrolia or Pieridae may have to pay various expenses incurred in connection with the Arrangement

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by Pétrolia and Pieridae even if the Arrangement is not completed. Pétrolia and Pieridae are each liable for their own costs incurred in connection with the Arrangement.

Uncertainty surrounding the Arrangement could adversely affect each company's retention of customers, suppliers and personnel and could negatively impact future business and operations

The Arrangement is dependent upon satisfaction of various conditions, and as a result its completion is subject to uncertainty. In response to this uncertainty, each of Pétrolia's and Pieridae's customers and suppliers may delay or defer decisions concerning each company. Any change, delay or deferral of those decisions by customers and suppliers could negatively impact the business, operations and prospects of Pétrolia or Pieridae, regardless of whether the Arrangement is ultimately completed, or of Amalco if the Arrangement is completed. Similarly, current and prospective employees of Pétrolia and Pieridae may experience uncertainty about their future roles with Amalco until Amalco's strategies with respect to such employees are determined and announced. This may adversely affect each of Pétrolia's and Pieridae's ability to attract or retain key employees in the period until the Arrangement is completed or thereafter.

While the Arrangement is pending, Pétrolia and Pieridae are restricted from taking certain actions

The Arrangement Agreement restricts Pétrolia and Pieridae from taking specified actions until the Arrangement is completed without the consent of the other Party which may adversely affect the ability of each to execute certain business strategies, including, but not limited to, the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. These restrictions may prevent Pétrolia and Pieridae from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement.

The pending Arrangement may divert the attention of Pétrolia's and Pieridae's management

The pendency of the Arrangement could cause the attention of Pétrolia's and Pieridae's management to be diverted from the day-to-day operations and customers or suppliers may seek to modify or terminate their business relationships with either party. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of Pétrolia or Pieridae regardless of whether the Arrangement is ultimately completed, or of Amalco if the Arrangement is completed.

RISK FACTORS RELATED TO THE OPERATIONS OF AMALCO FOLLOWING THE ARRANGEMENT

Amalco, following the Arrangement, may not realize the anticipated benefits of the Arrangement

Pétrolia and Pieridae are proposing to complete the Arrangement to strengthen the position of each entity in the oil and gas industry and to create the opportunity to realize certain benefits including, among other things, those set forth in this Information Circular under “*Part II – The Arrangement - Anticipated Benefits of the Arrangement*” above. Achieving the benefits of the Arrangement depends in part on the ability of Amalco to effectively capitalize on its scale, scope and leadership position in the global oil and gas industry, to realize the anticipated operating synergies, and to maximize the potential of its growth opportunities and flexibility to return excess capital to shareholders, while also maintaining a strong investment grade credit rating profile as a result of combining the businesses and operations of Pétrolia and Pieridae. A variety of factors, including those risk factors set forth in this Information Circular and in the documents attached as schedules hereto, may adversely affect the ability to achieve the anticipated benefits of the Arrangement.

Payments in connection with the exercise of Dissent Rights may impair Amalco's financial resources

Registered Holders of Shares have the right to exercise certain Dissent Rights and demand payment of the fair value of their Pétrolia Shares and Pieridae Shares, as the case may be, in cash in connection with the Arrangement in accordance with the QBCA and the CBCA, respectively. If there is a significant number of Pétrolia Dissenting Shareholders and/or Pieridae Dissenting Shareholders, a substantial cash payment may be required to be made to such Pétrolia Dissenting Shareholders and/or Pieridae Dissenting Shareholders that could have an adverse effect on Amalco's financial condition and cash resources if the Arrangement is completed. It is a condition to completion of the Arrangement that holders of such number of Pétrolia Shares representing in the aggregate not more than 15% of the Pétrolia Shares and holders of such number of Pieridae representing in the aggregate not more than 2% of the

Pieridae Shares shall have validly exercised rights of dissent in respect of the Arrangement that have not been withdrawn as of the Effective Date.

There are risks related to the integration of Pétrolia's and Pieridae's existing businesses

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Information Circular under “*Part II – The Arrangement - Anticipated Benefits of the Arrangement*” above, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Amalco's ability to realize the anticipated growth opportunities, capital funding opportunities and operating synergies from integrating Pétrolia's and Pieridae's businesses following completion of the Arrangement. Many operational and strategic decisions and certain staffing decisions with respect to Amalco following completion of the Arrangement have not yet been made. These decisions and the integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities of Amalco following completion of the Arrangement, and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the ability of Amalco, following completion of the Arrangement, to achieve the anticipated benefits of the Arrangement.

Amalco's business mix following the Arrangement will be different than that of Pétrolia and Pieridae separately

Completion of the Arrangement will result in a combination of the current business activities currently carried on by each of Pétrolia and Pieridae as separate entities. The combination of these activities through Amalco may expose Pétrolia Shareholders and Pieridae Shareholders and creditors to different business risks than those to which they were exposed in respect of Pétrolia and Pieridae separately prior to the Arrangement. In particular, Pétrolia Shareholders will gain greater exposure to the risks inherent in Pieridae's Midstream Activities, and Pieridae Shareholders will be exposed to risks inherent in Pétrolia's oil and gas exploration business.

The unaudited pro forma condensed combined financial information of Amalco is presented for illustrative purposes only and may not be an indication of Amalco's financial condition or results of operations following the Arrangement

The unaudited pro forma condensed combined financial information contained in this Information Circular is presented for illustrative purposes only as of its respective dates and may not be an indication of the financial condition or results of operations of Amalco following the Arrangement for several reasons. The unaudited pro forma condensed combined financial information has been derived from the respective historical financial statements of Pétrolia and Pieridae, and certain adjustments and assumptions made as of the dates indicated therein have been made to give effect to the Arrangement. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. See “*Joint Information Circular – Notice Regarding Forward-Looking Statements and Information*”. Moreover, the unaudited pro forma condensed combined financial information does not include, among other things, estimated cost or synergies, adjustments related to restructuring or integration activities, future acquisitions or disposals not yet known or probable, or impacts of Arrangement-related change in control provisions that are currently not factually supportable and/or probable of occurring. Therefore, the pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of what the Amalco's actual financial condition or results of operations

would have been had the Arrangement been completed on the date indicated. Accordingly, the combined business, assets, results of operations and financial condition may differ significantly from those indicated in the unaudited pro forma financial information. See the “Amalco Unaudited Pro Forma Financial Information” attached as Schedule “J” to this Information Circular.

Pétrolia and Pieridae directors and officers may have interests in the Arrangement different from the interests of Pétrolia Shareholders and Pieridae Shareholders following completion of the Arrangement

Certain of the directors and executive officers of Pétrolia and Pieridae negotiated the terms of the Arrangement Agreement, and the Pétrolia Board has unanimously recommended that Pétrolia Shareholders vote in favour of the Arrangement and the Pieridae Board has unanimously recommended that Pieridae Shareholders vote in favour of the Arrangement. These directors and executive officers may have interests in the Arrangement that are different from, or in addition to, those of Pétrolia Shareholders and Pieridae Shareholders generally. These interests include, but are not limited to, the continued employment of certain executive officers of Pétrolia and Pieridae by Amalco, and the continued service of certain directors of Pétrolia and Pieridae as directors of Amalco. Pétrolia Shareholders and Pieridae Shareholders should be aware of these interests when they consider their respective board of directors’ unanimous recommendations. The Pétrolia Board and the Pieridae Board were each aware of, and considered, these interests when they declared the advisability of the Arrangement Agreement and unanimously recommended that Pétrolia Shareholders and Pieridae Shareholders pass the Pétrolia Arrangement Resolution and the Pieridae Arrangement Resolution, respectively.

There is a risk that Amalco will not qualify as a Principal Business Corporation as such term is defined in subsection 66(15) of the Income Tax Act

Due to the fact that the Goldboro LNG Project is not producing, there is a risk that Amalco will not qualify as a "principal business corporation" as defined in subsection 66(15) of the Income Tax Act until such time as its LNG production and marketing operations are actively carried on. Accordingly, the conditions under the Income Tax Act with respect to the designation of flow-through shares may not be met. This would prevent Amalco from renouncing “Canadian Exploration Expenses” as defined in subsection 66.1(6) of the Income Tax Act that are renounceable under subsections 66(12.6) and (12.66) of the Income Tax Act to its subscribers in accordance with the terms of the subscription agreements of previously issued flow-through shares by Pétrolia.

There is a risk that Amalco may not be entitled to apply Pétrolia’s deferred losses against any future income tax payable

Pétrolia has accumulated deferred losses that can be applied against any future income tax that may be payable by Pétrolia. As a result of the Arrangement and the amalgamation of Pétrolia and Pieridae, there can be no guarantee that Amalco will be in a position to, or be entitled to, apply Pétrolia’s deferred losses against any future income tax that may be payable by Amalco.

Tax consequences of the Arrangement

Pétrolia Holders and Pieridae Holders may be subject to undesirable tax consequences resulting from the completion of the Arrangement. See “Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pétrolia Shareholders” and “Part II – The Arrangement – Certain Canadian Federal Income Tax Considerations for Pieridae Shareholders”. Pétrolia Holders and Pieridae Holders should consult their own tax advisors with respect to the income tax

consequences to them of the Arrangement and the exercise of Dissent Rights under federal, provincial, territorial and other applicable tax legislation.

Following completion of the Arrangement, Amalco may issue additional equity securities

Following completion of the Arrangement, Amalco may issue equity securities to finance its activities, including in order to finance acquisitions. If Amalco were to issue Amalco Shares, a holder of Amalco Shares may experience dilution in Amalco's cash flow or earnings per share. Moreover, as Amalco's intention to issue additional equity securities becomes publicly known, the Amalco Share price may be materially adversely affected.

The amount of any dividends to be paid by Amalco following the Arrangement will not be guaranteed

Following the Arrangement the trading price of the Amalco Shares may be volatile

The trading price of the Pétrolia Shares have been and may continue to be subject to, and, following completion of the Arrangement, the Amalco Shares may be subject to, material fluctuations and may increase or decrease in response to a number of events and factors.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR PÉTROLIA SHAREHOLDERS

The following is a summary of the principal Canadian federal income tax considerations generally applicable in respect of the Continuance and the Arrangement to Pétrolia Shareholders who, for purposes of the Income Tax Act at all relevant times; (i) hold their Pétrolia Shares and will hold any Amalco Shares to be received under the Arrangement, as capital property; (iii) deal at arm's length with Pétrolia and Amalco; and (iv) are not affiliated with Pétrolia or Amalco (a "**Pétrolia Holder**"). Pétrolia Shares and Amalco Shares will generally be considered to be capital property to a Pétrolia Holder unless they are held in the course of carrying on a business of buying and selling securities or are acquired in a transaction or transactions which may be considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Pétrolia Holder: (a) that is a "financial institution" (as such term is defined in the Income Tax Act) for purposes of the mark-to-market rules; (b) an interest in which is a "tax shelter investment" (as such term is defined in the Income Tax Act); (c) that reports its "Canadian tax results" in a currency other than Canadian currency; (d) that is a "specified financial institution" (as such term is defined in the Income Tax Act); (e) that enters into a "derivative forward agreement" (as such term is defined in the Income Tax Act) with respect to their Pétrolia Shares or Amalco Shares; (f) that is a corporation resident in Canada and is, or becomes, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Income Tax Act; or (g) who has acquired Pétrolia Shares on the exercise of an employee stock option. Such Pétrolia Holders should consult their own tax advisors.

This summary does not address the tax treatment of Pétrolia Options or Pétrolia Warrants under the Arrangement. Pétrolia Holders of Pétrolia Options or Pétrolia Warrants should consult with their own tax advisors. This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder in force on the date hereof, all proposed amendments (the "**Proposed Amendments**") to the Income Tax Act and regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof and on the current published administrative policies and assessing practices of the CRA. This summary assumes that the Proposed Amendments will be enacted in their current form but there can be no assurance that

any of the Proposed Amendments will be implemented in their current form or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in Law, whether by legislative, governmental or judicial decision or action, or changes in the administrative policies or assessing practices of the CRA. In addition, this summary does not take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is not exhaustive of all Canadian federal income tax considerations and is of a general nature only. It is not intended to be, and should not be construed to be, legal or tax advice to any particular Pétrolia Holder. Accordingly, Pétrolia Holders should consult their own tax advisors with respect to the income tax consequences to them of the Continuance, the Arrangement and the exercise of dissent rights under federal, provincial, territorial and other applicable tax legislation. The discussion below is qualified accordingly.

Continuance

No disposition or acquisition of Pétrolia Shares will occur and Pétrolia Holders (other than Pétrolia Holders who dissent from the Continuance) will not realize any gain or loss upon the Continuance from the OBCA to the CBCA.

Reduction of Stated Capital

Generally, there are no current adverse Canadian income tax consequences under the Income Tax Act to any of Pétrolia's existing holders of Pétrolia Shares at the time of the Reduction of Stated Capital. Since no amount will be paid by Pétrolia on the reduction, none of the Pétrolia Shareholders will be deemed to have received a dividend by virtue of the Reduction of Stated Capital. In addition, there will not be any resulting adjustments by virtue of the Reduction of Stated Capital to the adjusted cost base of Pétrolia Shares held by Pétrolia Shareholders. However, the reduction of the stated value of a corporation's share capital for legal purposes typically results in the reduction of paid up capital (the "PUC") of the shares for income tax purposes. Generally speaking, under the Income Tax Act any payment made by a public corporation (which Pétrolia is) on a reduction of stated capital will be treated as a dividend, subject to certain limited exceptions, such as the redemption of shares, certain reorganization provisions of the Income Tax Act and the distribution of certain transaction proceeds. The Reduction of Stated Capital may result in a payment made on future reductions of capital being less tax effective to Pétrolia Shareholders in the event such exceptions would otherwise be available. In addition, the Reduction of Stated Capital may have an effect, in certain circumstances, if Pétrolia is wound up or if Pétrolia redeems, acquires or cancels the Pétrolia Shares. In those cases, the amount of any deemed dividend (generally being the excess of the amount paid over the paid up capital of such shares) may be increased to the extent of any reductions in stated capital. Pétrolia encourages Pétrolia Shareholders to consult with their tax advisors for additional information regarding any tax consequences, which might affect them as a result of a reduction of PUC or from the Reduction of Stated Capital.

Pétrolia Holders Resident in Canada

This portion of the summary is applicable to a Pétrolia Holder who is resident, or deemed to be resident, in Canada for the purposes of the Income Tax Act and any applicable income tax treaty or convention (a "**Resident Pétrolia Holder**"). Certain Resident Pétrolia Holders whose Pétrolia Shares or Amalco Shares, as applicable, might not otherwise qualify as capital property may be entitled to have such securities, and all other "Canadian securities" (as defined in the Income Tax Act) owned by them, deemed to be capital property by making an irrevocable election in

accordance with subsection 39(4) of the Income Tax Act. Resident Pétrolia Holders considering making such an election should consult their own tax advisors.

Dividend on Pétrolia Shares

See the section entitled “*Dividends on Amalco Shares*” below for a summary of the principal Canadian federal income tax considerations applicable to the Pétrolia Dividend for Resident Pétrolia Holders.

Amalgamation

Resident Pétrolia Holders (other than Resident Pétrolia Holders who dissent from the Arrangement) will realize neither a capital gain nor a capital loss on the Amalgamation as a result of which their Pétrolia Shares will be disposed of in exchange for Amalco Shares. The aggregate cost of the Amalco Shares received by a Resident Pétrolia Holder under the Arrangement will be equal to the aggregate adjusted cost base to the Resident Pétrolia Holder of the Pétrolia Shares disposed of in exchange for such Amalco Shares by virtue of the Amalgamation, prorated among the Amalco Shares on a fair market value basis.

Dividends on Amalco Shares

A Resident Pétrolia Holder will be required to include in computing the Resident Pétrolia Holder’s income for a taxation year any dividends received, or deemed to be received, by the Resident Pétrolia Holder in the year on the Amalco Shares. In the case of a Resident Pétrolia Holder who is an individual or a trust, the amount of any such dividend will be subject to the normal dividend gross-up and tax credit rules generally applicable to dividends received from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if such dividends are properly designated as “eligible dividends” by Amalco. Taxable dividends received by a Resident Pétrolia Holder that is an individual or a trust may increase such Resident Pétrolia Holder’s liability for alternative minimum tax.

In the case of a Resident Pétrolia Holder that is a corporation, the amount of any taxable dividend included in the Resident Pétrolia Holder’s income for the taxation year generally will be deductible in computing the Resident Pétrolia Holder’s taxable income. A Resident Pétrolia Holder that is a “private corporation” (as defined in the Income Tax Act) or any other corporation resident in Canada controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax of 38 1/3% on any taxable dividend to the extent such dividend is deductible in computing the Resident Pétrolia Holder’s taxable income for the year.

Under subsection 55(2) of the Income Tax Act, a Resident Pétrolia Holder that is a corporation may be required to treat all or a portion of any dividend or deemed dividend as a capital gain or proceeds of disposition to the extent the dividend or deemed dividend is deductible in computing taxable income.

Disposition of Amalco Shares

On the disposition or deemed disposition of an Amalco Share by a Resident Pétrolia Holder, the Resident Pétrolia Holder will realize a capital gain (or capital loss) equal to the amount by which the Resident Pétrolia Holder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Pétrolia Holder of the Amalco Shares disposed of immediately before the disposition and any reasonable costs of disposition. Any such capital gain

or capital loss will generally be treated in the same manner as described below under the heading “*Pétrolia Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**Taxable Capital Gain**”) realized by a Resident Pétrolia Holder in a taxation year must be included in the Resident Pétrolia Holder’s income for the year and one-half of any capital loss (an “**Allowable Capital Loss**”) realized by a Resident Pétrolia Holder in a taxation year must be deducted from Taxable Capital Gains realized by the Resident Pétrolia Holder in that year. Allowable Capital Losses for a taxation year in excess of Taxable Capital Gains for that year may generally be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent taxation year, against net Taxable Capital Gains realized in such years, to the extent and under the circumstances described in the Income Tax Act.

The amount of any capital loss realized by a Resident Pétrolia Holder that is a corporation on the disposition of shares may be reduced by the amount of dividends received by it on such shares, to the extent and under the circumstances described in the Income Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that receives and disposes of shares, directly or indirectly, through a partnership or a trust. Such Resident Pétrolia Holders should consult their own tax advisors.

Resident Pétrolia Holders that, throughout the taxation year, are “Canadian-controlled private corporations” (as defined in the Income Tax Act) may be liable for an additional refundable tax of 10 2/3% in respect of Taxable Capital Gains realized on the disposition of shares. Capital gains realized by a Resident Pétrolia Holder that is an individual (including certain trusts) may increase the Resident Pétrolia Holder’s liability for alternative minimum tax.

Dissenting Resident Pétrolia Holders

Generally, a Resident Pétrolia Holder that is a Dissenting Pétrolia Shareholder (a “**Dissenting Resident Pétrolia Holder**”) with respect to the Continuance and who disposes of its Pétrolia Shares to Pétrolia will be deemed to have received a dividend equal to the amount by which the cash received (excluding any portion thereof in respect of interest) exceeds the paid-up capital for purposes of the Income Tax Act of the Pétrolia Shares disposed of. The amount of this deemed dividend generally will be excluded from the proceeds of disposition realized by the Dissenting Resident Pétrolia Holder for purposes of calculating the amount of any capital gain or capital loss. See “*Pétrolia Holders Resident in Canada - Dividends on Amalco Shares*” above for a general discussion of the treatment of dividends and deemed dividends under the Income Tax Act and possible recharacterization of any deemed dividend as proceeds of disposition if the Dissenting Resident Pétrolia Holder is a corporation. Dissenting Resident Shareholders who realize a capital gain or capital loss are referred to the discussion above under the headings “*Pétrolia Holders Resident in Canada – Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*”.

Based on the current administrative practice of the CRA, a Dissenting Resident Pétrolia Holder who dissents with respect to the Arrangement and who disposes of its Pétrolia Shares to Amalco will be considered to have disposed of its Pétrolia Shares for proceeds of disposition equal to the amount of the payment (exclusive of interest) received by the Dissenting Resident Pétrolia Holder. Dissenting Resident Pétrolia Holders may realize a capital gain or sustain a capital loss in respect of such disposition. See “*Pétrolia Holders Resident in Canada – Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*” above for a general discussion of the treatment of capital gains and capital losses under the Income Tax Act.

A Dissenting Resident Pétrolia Holder who receives an amount in respect of interest on a payment for Pétrolia Shares will be required to include the full amount thereof in the dissenting shareholder's income.

Dissenting Resident Pétrolia Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Qualified Investments

Provided the Amalco Shares are listed on a "designated stock exchange" (which includes Tiers 1 and 2 of the Exchange), the Amalco Shares will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), deferred profit sharing plans, registered retirement income funds ("RRIFs"), registered disability savings plans, registered education savings plans and tax-free savings accounts ("TFSAs").

The Amalco Shares will not be a "prohibited investment" for a trust governed by an RRSP, RRIF or TFSA unless the annuitant of the RRSP or RRIF, or holder of the TFSA, as the case may be, does not deal at arm's length with Amalco for purposes of the Income Tax Act or has a "significant interest" (within the meaning of the Income Tax Act for purposes of the prohibited investment rules) in Amalco. In addition, the Amalco Shares will not be a prohibited investment if the Amalco Shares are "excluded property" (as defined in the Income Tax Act) for the particular RRSP, RRIF or TFSA. Pétrolia Holders who hold Pétrolia Shares in a trust governed by an RRSP, RRIF, or TFSA should consult their own tax advisors regarding the tax rules applicable to that RRSP, RRIF, or TFSA, respectively, and whether the Amalco Shares would be a "prohibited investment" in their particular circumstances.

Pétrolia Holders Not Resident in Canada

The following portion of this summary is generally applicable to a Pétrolia Holder who at all relevant times, for purposes of the Income Tax Act, (i) is not resident in Canada or is deemed not to be resident in Canada, (ii) does not use or hold and is not deemed to use or hold their Pétrolia Shares or Amalco Shares, in, or in the course of carrying on, a business in Canada, (iii) does not carry on an insurance business in Canada and elsewhere, and (iv) is not an "authorized foreign bank" (as defined in the Income Tax Act) (a "**Non-Resident Pétrolia Holder**").

Dividends on Pétrolia Shares

See the section entitled "*Dividends on Amalco Shares*" below for a summary of the principal Canadian federal income tax considerations applicable to the Pétrolia Dividend for Non-Resident Pétrolia Holders.

Amalgamation

A Non-Resident Pétrolia Holder (other than a Dissenting Pétrolia Shareholder) will realize neither a capital gain nor a capital loss on the Amalgamation as a result of which their Pétrolia Shares will be disposed of in exchange for Amalco Shares. The aggregate cost of the Amalco Shares received by a Non-Resident Pétrolia Holder under the Arrangement will be equal to the aggregate adjusted cost base to the Non-Resident Pétrolia Holder of the Pétrolia Shares disposed of in exchange for such Amalco Shares by virtue of the Amalgamation, prorated among the Amalco Shares on a fair market value basis.

Dividends on Amalco Shares

A Non-Resident Pétrolia Holder will be subject to Canadian withholding tax on the amount of any dividends received, or deemed to be received, by the Non-Resident Pétrolia Holder on the

Amalco Shares. Under the Income Tax Act, the rate of withholding would be 25% of the gross amount of the dividend. The withholding rate may be reduced pursuant to the provisions of an applicable income tax treaty or convention. Under the Canada-United States Tax Convention (1980), as amended (the “**Canada-US Tax Treaty**”), the withholding rate on any such dividend beneficially owned by a Non-Resident Pétrolia Holder that is a resident of the United States for purposes of the Canada-US Tax Treaty and fully entitled to the benefits of such treaty generally would be reduced to 15%, or 5% if such Non-Resident Pétrolia Holder is a company that beneficially owns at least 10% of the voting stock of Amalco.

Non-Resident Pétrolia Holders who wish to claim a reduced withholding tax rate under an applicable income tax treaty or convention on any dividends paid on Amalco Shares will be required to submit a duly completed and signed copy of CRA form NR301 – “*Declaration of Eligibility for Benefits Under a Tax Treaty for a Non-Resident Taxpayer*” (or form NR302 or NR303, as applicable) to the Depository. Non-Resident Pétrolia Holders should consult their own tax advisors to determine their entitlement to relief under any applicable income tax treaty or convention and for assistance in completing their required form, if any.

Disposition of Amalco Shares

A Non-Resident Pétrolia Holder will not be subject to Canadian tax in respect of any capital gain realized on the disposition of Amalco Shares unless such Amalco Shares constitute “taxable Canadian property” (as defined in the Income Tax Act) of the Non-Resident Pétrolia Holder at the time of disposition and the Non-Resident Pétrolia Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Amalco Shares are listed on a “designated stock exchange”, as defined in the Income Tax Act (which includes Tiers 1 and 2 of the Exchange) at the time of disposition, the Amalco Shares generally will not constitute taxable Canadian property of a Non-Resident Pétrolia Holder at that time unless, at any time during the 60-month period immediately preceding the disposition, the following two conditions have been met concurrently: (i) the Non-Resident Pétrolia Holder, persons with whom the Non-Resident Pétrolia Holder did not deal at arm’s length, partnerships in which the Non-Resident Pétrolia Holder or a person with whom the Non-Resident Pétrolia Holder does not deal at arm’s length hold a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Pétrolia Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of Amalco; and (ii) more than 50% of the fair market value of the shares of Amalco was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Income Tax Act), “timber resource properties” (as defined in the Income Tax Act) or an option, an interest or right in such property, whether or not such property exists. In certain circumstances, Amalco Shares also may be deemed to be taxable Canadian property to a Non-Resident Pétrolia Holder for purposes of the Income Tax Act.

A Non-Resident Pétrolia Holder’s capital gain (or capital loss) in respect of Amalco Shares that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Income Tax Act) will generally be computed in the manner as described above under the headings “*Pétrolia Holders Resident in Canada - Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*”.

Non-Resident Pétrolia Holders whose Amalco Shares may be taxable Canadian property should consult their own tax advisors.

Dissenting Non-Resident Pétrolia Holders

A Non-Resident Pétrolia Holder that is a Dissenting Pétrolia Shareholder (a “**Dissenting Non-Resident Pétrolia Holder**”) with respect to the Continuance and who disposes of their Pétrolia Shares to Pétrolia will be deemed to have received a dividend equal to the amount by which the cash received (excluding any portion thereof in respect of interest) exceeds the paid-up capital for purposes of the Income Tax Act of the Pétrolia Shares disposed of. The amount of this deemed dividend generally will be excluded from the proceeds of disposition realized by the Dissenting Non-Resident Pétrolia Holder for purposes of calculating the amount of any capital gain or capital loss. See “*Pétrolia Holders Not Resident in Canada - Dividends on Amalco Shares*” above for a general discussion of the treatment of dividends and deemed dividends under the Income Tax Act. Dissenting Non-Resident Pétrolia Holders who realize a capital gain on the disposition of Pétrolia Shares are referred to the discussion above under the heading “*Pétrolia Holders Not Resident in Canada – Disposition of Amalco Shares*”.

Based on the current administrative practice of the CRA, a Dissenting Non-Resident Pétrolia Holder who, dissents with respect to the Arrangement and who dispose of their Pétrolia Shares to Amalco will be considered to have disposed of their Pétrolia Shares for proceeds of disposition equal to the amount of the payment (exclusive of interest) received by the Dissenting Non-Resident Pétrolia Holder. Dissenting Non-Resident Pétrolia Holders may realize a capital gain or sustain a capital loss in respect of such disposition. See the discussion above under the heading “*Pétrolia Holders Not Resident in Canada – Disposition of Amalco Shares*” for a general discussion of the tax consequences to the Non-Resident Pétrolia Holder of realizing a capital gain on the disposition of Pétrolia Shares.

An amount paid in respect of interest awarded by the court to a Dissenting Non-Resident Pétrolia Holder will not be subject to Canadian withholding tax.

Dissenting Non-Resident Pétrolia Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR PIERIDAE SHAREHOLDERS

The following is a summary of the principal Canadian federal income tax considerations generally applicable in respect of the Arrangement to Pieridae Shareholders who, for purposes of the Income Tax Act at all relevant times; (i) hold their Pieridae Shares and will hold any Amalco Shares to be received under the Arrangement, as capital property; (ii) deal at arm’s length with Pieridae and Amalco; and (iii) are not affiliated with Pieridae or Amalco (a “**Pieridae Holder**”). Pieridae Shares and Amalco Shares will generally be considered to be capital property to a Pieridae Holder unless they are held in the course of carrying on a business of buying and selling securities or are acquired in a transaction or transactions which may be considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Pieridae Holder: (a) that is a “financial institution” (as such term is defined in the Income Tax Act) for purposes of the mark-to-market rules; (b) an interest in which is a “tax shelter investment” (as such term is defined in the Income Tax Act); (c) that reports its “Canadian tax results” in a currency other than Canadian currency; (d) that is a “specified financial institution” (as such term is defined in the Income Tax Act); (e) that enters into a “derivative forward agreement” (as such term is defined in the Income Tax Act) with respect to their Pieridae Shares or Amalco Shares; (f) that is a corporation resident in Canada and is, or becomes, controlled by a non-resident corporation for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Income Tax Act; or (g) who has acquired Pieridae Shares

on the exercise of an employee stock option. Such Pieridae Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder in force on the date hereof, all Proposed Amendments publicly announced by or on behalf of the Minister of Finance prior to the date hereof and on the current published administrative policies and assessing practices of the CRA. This summary assumes that the Proposed Amendments will be enacted in their current form but there can be no assurance that any of the Proposed Amendments will be implemented in their current form or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in Law, whether by legislative, governmental or judicial decision or action, or changes in the administrative policies or assessing practices of the CRA. In addition, this summary does not take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is not exhaustive of all Canadian federal income tax considerations and is of a general nature only. It is not intended to be, and should not be construed to be, legal or tax advice to any particular Pieridae Holder. Accordingly, Pieridae Holders should consult their own tax advisors with respect to the income tax consequences to them of the Arrangement and the exercise of dissent rights under federal, provincial, territorial and other applicable tax legislation. The discussion below is qualified accordingly.

Pieridae Holders Resident in Canada

This portion of the summary is applicable to a Pieridae Holder who is resident, or deemed to be resident, in Canada for the purposes of the Income Tax Act and any applicable income tax treaty or convention (a “**Resident Pieridae Holder**”). Certain Resident Pieridae Holders whose Pieridae Shares or Amalco Shares, as applicable, might not otherwise qualify as capital property may be entitled to have such securities, and all other “Canadian securities” (as defined in the Income Tax Act) owned by them, deemed to be capital property by making an irrevocable election in accordance with subsection 39(4) of the Income Tax Act. Resident Pieridae Holders considering making such an election should consult their own tax advisors.

Amalgamation

Resident Pieridae Holders (other than Resident Pieridae Holders who dissent from the Arrangement) will realize neither a capital gain nor a capital loss on the Amalgamation as a result of which their Pieridae Shares will be disposed of in exchange for Amalco Shares. The aggregate cost of the Amalco Shares received by a Resident Pieridae Holder under the Arrangement will be equal to the aggregate adjusted cost base to the Resident Pieridae Holder of the Pieridae Shares disposed of in exchange for such Amalco Shares by virtue of the Amalgamation, prorated among the Amalco Shares on a fair market value basis.

As a result of the Amalgamation and listing of the Amalco Shares, Resident Pieridae Holders will cease to own shares of a “small business corporation” as defined in the Income Tax Act or “qualified small business corporation shares” as defined in the Income Tax Act, to the extent that their Pieridae Shares may have so qualified prior to the Amalgamation. Such Resident Pieridae Holders should consult their own tax advisors for further advice in this regard.

Dividends on Amalco Shares

A Resident Pieridae Holder will be required to include in computing the Resident Pieridae Holder’s income for a taxation year any dividends received, or deemed to be received, by the

Resident Pieridae Holder in the year on the Amalco Shares. In the case of a Resident Pieridae Holder who is an individual or a trust, the amount of any such dividend will be subject to the normal dividend gross-up and tax credit rules generally applicable to dividends received from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if such dividends are properly designated as “eligible dividends” by Amalco. Taxable dividends received by a Resident Pieridae Holder that is an individual or a trust may increase such Resident Pieridae Holder’s liability for alternative minimum tax.

In the case of a Resident Pieridae Holder that is a corporation, the amount of any taxable dividend included in the Resident Pieridae Holder’s income for the taxation year generally will be deductible in computing the Resident Pieridae Holder’s taxable income. A Resident Pieridae Holder that is a “private corporation” (as defined in the Income Tax Act) or any other corporation resident in Canada controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax of 38 1/3% on any taxable dividend to the extent such dividend is deductible in computing the Resident Pieridae Holder’s taxable income for the year.

Under subsection 55(2) of the Income Tax Act, a Resident Pieridae Holder that is a corporation may be required to treat all or a portion of any dividend or deemed dividend as a capital gain or proceeds of disposition to the extent the dividend or deemed dividend is deductible in computing taxable income.

Disposition of Amalco Shares

On the disposition or deemed disposition of an Amalco Share by a Resident Pieridae Holder, the Resident Pieridae Holder will realize a capital gain (or capital loss) equal to the amount by which the Resident Pieridae Holder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Pieridae Holder of the Amalco Shares disposed of immediately before the disposition and any reasonable costs of disposition. Any such capital gain or capital loss will generally be treated in the same manner as described below under the heading “*Pieridae Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, a Taxable Capital Gain realized by a Resident Pieridae Holder in a taxation year must be included in the Resident Pieridae Holder’s income for the year and any Allowable Capital Loss realized by a Resident Pieridae Holder in a taxation year must be deducted from Taxable Capital Gains realized by the Resident Pieridae Holder in that year. Allowable Capital Losses for a taxation year in excess of Taxable Capital Gains for that year may generally be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent taxation year, against net Taxable Capital Gains realized in such years, to the extent and under the circumstances described in the Income Tax Act.

The amount of any capital loss realized by a Resident Pieridae Holder that is a corporation on the disposition of shares may be reduced by the amount of dividends received by it on such shares, to the extent and under the circumstances described in the Income Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that receives and disposes of shares, directly or indirectly, through a partnership or a trust. Such Resident Pieridae Holders should consult their own tax advisors.

Resident Pieridae Holders that, throughout the taxation year, are “Canadian-controlled private corporations” (as defined in the Income Tax Act) may be liable for an additional refundable tax of 10 2/3% in respect of Taxable Capital Gains realized on the disposition of shares. Capital gains

realized by a Resident Pieridae Holder that is an individual (including certain trusts) may increase the Resident Pieridae Holder's liability for alternative minimum tax.

Dissenting Resident Pieridae Holders

Generally, a Resident Pieridae Holder that is a Dissenting Pieridae Shareholder (a “**Dissenting Resident Pieridae Holder**”) who disposes of its Pieridae Shares to Pieridae will be deemed to have received a dividend equal to the amount by which the cash received (excluding any portion thereof in respect of interest) exceeds the paid-up capital for purposes of the Income Tax Act of the Pieridae Shares disposed of. The amount of this deemed dividend generally will be excluded from the proceeds of disposition realized by the Dissenting Resident Pieridae Holder for purposes of calculating the amount of any capital gain or capital loss. See “*Pieridae Holders Resident in Canada - Dividends on Amalco Shares*” above for a general discussion of the treatment of dividends and deemed dividends under the Income Tax Act and possible recharacterization of any deemed dividend as proceeds of disposition if the Dissenting Resident Pieridae Holder is a corporation. Dissenting Resident Shareholders who realize a capital gain or capital loss are referred to the discussion above under the headings “*Pieridae Holders Resident in Canada – Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*”.

Based on the current administrative practice of the CRA, a Dissenting Resident Pieridae Holder who dissents with respect to the Arrangement and who disposes of its Pieridae Shares to Amalco will be considered to have disposed of its Pieridae Shares for proceeds of disposition equal to the amount of the payment (exclusive of interest) received by the Dissenting Resident Pieridae Holder. Dissenting Resident Pieridae Holders may realize a capital gain or sustain a capital loss in respect of such disposition. See “*Pieridae Holders Resident in Canada – Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*” above for a general discussion of the treatment of capital gains and capital losses under the Income Tax Act.

A Dissenting Resident Pieridae Holder who receives an amount in respect of interest on a payment for Pieridae Shares will be required to include the full amount thereof in the dissenting shareholder's income.

Dissenting Resident Pieridae Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Qualified Investments

Provided the Amalco Shares are listed on a “designated stock exchange” (which includes Tiers 1 and 2 of the Exchange), the Amalco Shares will be qualified investments for trusts governed by RRSPs, deferred profit sharing plans, RRIFs, registered disability savings plans, registered education savings plans and TFSAs.

The Amalco Shares will not be a “prohibited investment” for a trust governed by an RRSP, RRIF or TFSA unless the annuitant of the RRSP or RRIF, or holder of the TFSA, as the case may be, does not deal at arm's length with Amalco for purposes of the Income Tax Act or has a “significant interest” (within the meaning of the Income Tax Act for purposes of the prohibited investment rules) in Amalco. In addition, the Amalco Shares will not be a prohibited investment if the Amalco Shares are “excluded property” (as defined in the Income Tax Act) for the particular RRSP, RRIF or TFSA. Pieridae Holders who hold Pieridae Shares in a trust governed by an RRSP, RRIF, or TFSA should consult their own tax advisors regarding the tax rules applicable to that RRSP, RRIF, or TFSA, respectively, and whether the Amalco Shares would be a “prohibited investment” in their particular circumstances.

Pieridae Holders Not Resident in Canada

The following portion of this summary is generally applicable to a Pieridae Holder who at all relevant times, for purposes of the Income Tax Act, (i) is not resident in Canada or is deemed not to be resident in Canada, (ii) does not use or hold and is not deemed to use or hold their Pieridae Shares or Amalco Shares, or in the course of carrying on, a business in Canada, (iii) does not carry on an insurance business in Canada and elsewhere, and (iv) is not an “authorized foreign bank” (as defined in the Income Tax Act) (a “**Non-Resident Pieridae Holder**”).

Amalgamation

A Non-Resident Pieridae Holder (other than a Dissenting Pieridae Shareholder) will realize neither a capital gain nor a capital loss on the Amalgamation as a result of which their Pieridae Shares will be disposed of in exchange for Amalco Shares. The aggregate cost of the Amalco Shares received by a Non-Resident Pieridae Holder under the Arrangement will be equal to the aggregate adjusted cost base to the Non-Resident Pieridae Holder of the Pieridae Shares disposed of in exchange for such Amalco Shares by virtue of the Amalgamation.

Dividends on Amalco Shares

A Non-Resident Pieridae Holder will be subject to Canadian withholding tax on the amount of any dividends received, or deemed to be received, by the Non-Resident Pieridae Holder on the Amalco Shares. Under the Income Tax Act, the rate of withholding would be 25% of the gross amount of the dividend. The withholding rate may be reduced pursuant to the provisions of an applicable income tax treaty or convention. Under the Canada-US Tax Treaty, the withholding rate on any such dividend beneficially owned by a Non-Resident Pieridae Holder that is a resident of the United States for purposes of the Canada-US Tax Treaty and fully entitled to the benefits of such treaty generally would be reduced to 15%, or 5% if such Non-Resident Pieridae Holder is a company that beneficially owns at least 10% of the voting stock of Amalco.

Non-Resident Pieridae Holders who wish to claim a reduced withholding tax rate under an applicable income tax treaty or convention on any dividends paid on Amalco Shares will be required to submit a duly completed and signed copy of CRA form NR301 – “*Declaration of Eligibility for Benefits Under a Tax Treaty for a Non-Resident Taxpayer*” (or form NR302 or NR303, as applicable) to the Depositary. Non-Resident Pieridae Holders should consult their own tax advisors to determine their entitlement to relief under any applicable income tax treaty or convention and for assistance in completing their required form, if any.

Disposition of Amalco Shares

A Non-Resident Pieridae Holder will not be subject to Canadian tax in respect of any capital gain realized on the disposition of Amalco Shares unless such Amalco Shares constitute “taxable Canadian property” (as defined in the Income Tax Act) of the Non-Resident Pieridae Holder at the time of disposition and the Non-Resident Pieridae Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Amalco Shares are listed on a “designated stock exchange”, as defined in the Income Tax Act (which includes Tiers 1 and 2 of the Exchange) at the time of disposition, the Amalco Shares generally will not constitute taxable Canadian property of a Non-Resident Pieridae Holder at that time unless, at any time during the 60-month period immediately preceding the disposition, the following two conditions have been met concurrently: (i) the Non-Resident Pieridae Holder, persons with whom the Non-Resident Pieridae Holder did not deal at arm’s length, partnerships in which the Non-Resident Pieridae Holder or a person with whom the Non-Resident Pieridae Holder does not deal at arm’s length hold a membership interest directly

or indirectly through one or more partnerships, or the Non-Resident Pieridae Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of Amalco; and (ii) more than 50% of the fair market value of the shares of Amalco was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Income Tax Act), “timber resource properties” (as defined in the Income Tax Act) or an option, an interest or right in such property, whether or not such property exists. In certain circumstances, Amalco Shares also may be deemed to be taxable Canadian property to a Non-Resident Pieridae Holder for purposes of the Income Tax Act.

A Non-Resident Pieridae Holder’s capital gain (or capital loss) in respect of Amalco Shares that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Income Tax Act) will generally be computed in the manner as described above under the headings “*Pieridae Holders Resident in Canada - Disposition of Amalco Shares*” and “*Taxation of Capital Gains and Capital Losses*”.

Non-Resident Pieridae Holders whose Amalco Shares may be taxable Canadian property should consult their own tax advisors.

Dissenting Non-Resident Pieridae Holders

A Non-Resident Pieridae Holder that is a Dissenting Pieridae Shareholder (a “**Dissenting Non-Resident Pieridae Holder**”) who disposes of their Pieridae Shares to Pieridae will be deemed to have received a dividend equal to the amount by which the cash received (excluding any portion thereof in respect of interest) exceeds the paid-up capital for purposes of the Income Tax Act of the Pieridae Shares disposed of. The amount of this deemed dividend generally will be excluded from the proceeds of disposition realized by the Dissenting Non-Resident Pieridae Holder for purposes of calculating the amount of any capital gain or capital loss. See “*Pieridae Holders Not Resident in Canada - Dividends on Amalco Shares*” above for a general discussion of the treatment of dividends and deemed dividends under the Income Tax Act. Dissenting Non-Resident Pieridae Holders who realize a capital gain on the disposition of Pieridae Shares are referred to the discussion above under the heading “*Pieridae Holders Not Resident in Canada – Disposition of Amalco Shares*”.

Based on the current administrative practice of the CRA, a Dissenting Non-Resident Pieridae Holder who, dissents with respect to the Arrangement and who dispose of their Pieridae Shares to Amalco will be considered to have disposed of their Pieridae Shares for proceeds of disposition equal to the amount of the payment (exclusive of interest) received by the Dissenting Non-Resident Pieridae Holder. Dissenting Non-Resident Pieridae Holders may realize a capital gain or sustain a capital loss in respect of such disposition. See the discussion above under the heading “*Pieridae Holders Not Resident in Canada – Disposition of Amalco Shares*” for a general discussion of the tax consequences to the Non-Resident Pieridae Holder of realizing a capital gain on the disposition of Pieridae Shares.

An amount paid in respect of interest awarded by the court to a Dissenting Non-Resident Pieridae Holder will not be subject to Canadian withholding tax.

Dissenting Non-Resident Pieridae Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

PART III – INFORMATION CONCERNING PÉTROLIA

The following information about Pétrolia should be read in conjunction with the documents incorporated by reference into this Part III and the information concerning Pétrolia appearing elsewhere in the Information Circular. The Information in this Part III is given as of the date of this Information Circular, prior to the completion of the Arrangement.

The information concerning Pétrolia contained or incorporated by reference in this Information Circular has been provided or publicly filed by Pétrolia. Although Pieridae has no knowledge that would indicate that any of such information is untrue or incomplete, Pieridae does not assume any responsibility for the accuracy or completeness of such information or the failure by Pétrolia to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Pieridae.

CORPORATE STRUCTURE

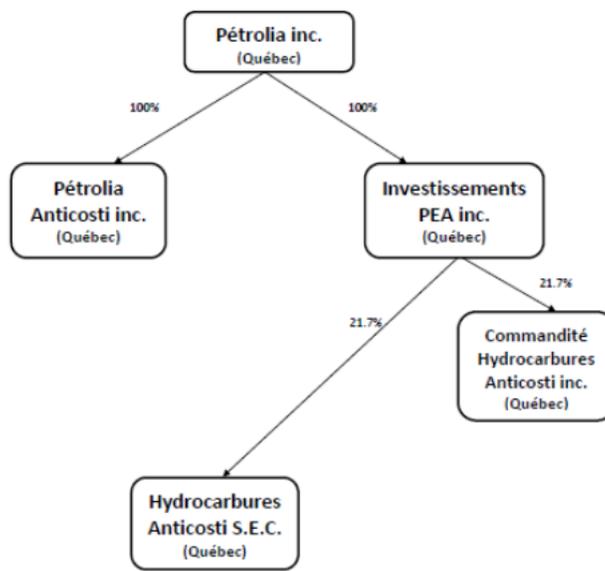
Name and Incorporation

Pétrolia was incorporated on January 22, 2002 under the name 9112-6094 Quebec Inc. pursuant to Part 1A of the *Companies Act* (Québec). Subsequently, its name was changed to “Pétrolia Inc.” by Articles of Amendment dated September 10, 2002. On October 20, 2004, the 4,326,154 Class A shares issued and outstanding of Pétrolia were subdivided into 5,191,389 Class A shares. On October 21, 2004, Pétrolia filed Articles of Amendment in order to amend its share capital, convert its issued and outstanding shares into common shares and to remove the private company provisions from its Articles. Pétrolia is now governed by the provisions of the *Business Corporations Act* (Québec) which replaced the *Companies Act* (Québec) on February 14, 2011.

The registered office and principal place of business of Pétrolia is located at 511 Saint-Joseph Street East, Suite 304, Quebec City, Quebec G1K 3B7. Pétrolia is a reporting issuer in the provinces of Quebec, British Columbia and Alberta, and its Shares have been trading on the Exchange since February 16, 2005 under the symbol “PEA”.

The following chart identifies the relationships among Pétrolia, its subsidiaries and related companies and, in brackets, their jurisdiction, as of the date hereof¹.

¹ It is expected that Investissements PEA inc. will be dissolved pursuant to the Anticosti Settlement. See Information Circular section entitled “Part III – Information Concerning Pétrolia – Anticosti Island”.



GENERAL DEVELOPMENT OF THE BUSINESS

Pétrolia is a Québec-based oil and gas exploration company. Its activities take place primarily in the Gaspé region. Pétrolia’s oil and gas properties are at the exploration stage. Pétrolia’s long-term profitability is tied in part to the cost and success of its exploration programs and their subsequent development. Its activities are oriented to determine whether its properties hold economically profitable reserves.

Pétrolia’s mission is to discover marketable oil and gas resources and to put them into production. To this end, Pétrolia holds rights in licences and associates with partners having the appropriate technical and financial resources. Pétrolia relies on scientific knowledge before it installs its wells, which are drilled using best industry practices and techniques. Special attention is paid to building alliances with the communities where it carries out its activities. Excluding the licences on Anticosti Island held by AHLP, Pétrolia holds licences for, and interests in, an area of 10,117.75 square kilometres (“**km²**”), amounting to nearly 19 percent of the territory of the province of Québec under licence. Located in Eastern Québec, these areas are known for their oil potential. Pétrolia’s territories under licence also offer the potential of discovery of natural gas possibly containing liquid natural gas.

In addition to Anticosti Hydrocarbons L.P. (“**AHLP**”), which particular situation is further described in “*Part V – Information concerning Amalco – Narrative Description of the Business – Anticosti Island*”, there are three partnership agreements covering portions of Pétrolia’s territories under licence as at December 31, 2016 (the remaining licence blocks are wholly owned by Pétrolia):

- On the Bourque licences, Pétrolia holds a 51% interest in each of the 4 licences, covering a total area of approximately 742 km². TUGLIQ Energy holds a 4% interest and Ressources Québec holds a 45% interest therein.

- On the Gaspé licences, Pétrolia and Québénergie Inc. (“**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 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, covering an area of over 1,800 km².

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS

The following table sets forth selected financial information of Pétrolia for the two most recently completed fiscal years as set out in the consolidated audited annual financial statements of Pétrolia for the years ended December 31, 2016 and December 31, 2015 and should be read in conjunction with such consolidated audited annual financial statements, related notes and accompanying management’s discussion and analysis. Also, the following table sets out financial information of Pétrolia for the quarter ended March 31, 2017 and should be read in conjunction with Pétrolia’s unaudited condensed interim consolidated financial statements, related notes and accompanying management’s discussion and analysis for that period (as such unaudited condensed interim consolidated financial statements and the accompanying management’s discussion and analysis were amended and re-filed on Pétrolia’s SEDAR profile at www.sedar.com on July 6, 2017). All of the financial statements and management’s discussion and analysis referenced above are attached as part of Schedule “F” to this Information Circular and are also available under Pétrolia’s profile on SEDAR at www.sedar.com.

The following information has been prepared in accordance with IFRS and is expressed in Canadian dollars.

Item	Three months ended March 31, 2017	Financial year ended December 31, 2016	Financial year ended December 31, 2015
Revenues	12,261	102,283	202,212
Expenses	(443,906)	(2,229,859)	(2,095,824)
Deferred Tax Recovery	(3,391,915)	(187,066)	(340,977)
Impairment of exploration and evaluation assets	(19,207,595)	0	0
Impairment of property, plant and equipment	(228,172)	0	0
Net income (loss) and comprehensive income (loss)	(16,475,497)	(1,940,510)	(1,552,635)
Basic net earnings (loss) loss per share	(0.158)	(0.020)	(0.019)

Assets	69,100,151	91,218,740	89,846,211
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DESCRIPTION OF THE SECURITIES

Securities

The authorized capital of Pétrolia consists of an unlimited number of common shares without par value of which 108,399,683 were issued and outstanding on the date of this Information Circular. The holders of Pétrolia Shares are entitled to vote at all meetings of Pétrolia Shareholders, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Pétrolia.

In addition, there are 4,125,000 Pétrolia Warrants issued and outstanding as of the date hereof which are convertible into Pétrolia Shares.

Stock Option Plan

Pétrolia has a “rolling” stock option plan (the “**Pétrolia Stock Option Plan**”) under which options may be granted for a maximum of 10% of the issued and outstanding Pétrolia Shares at the time of the grant. The number of Pétrolia Shares that may be reserved under the Pétrolia Stock Option Plan automatically increases or decreases as the number of issued and outstanding Pétrolia Shares increases or decreases.

Pétrolia has adopted the Pétrolia Stock Option Plan for the benefit of its employees, directors, officers and consultants. The Pétrolia Stock Option Plan was initially approved by the Pétrolia Shareholders on October 22, 2004 and has been re-approved annually thereafter. The Pétrolia Stock Option Plan was established to provide additional incentives to attract, retain and motivate directors, officers, employees and consultants.

The number of Pétrolia Shares issuable under the Pétrolia Stock Option Plan, together with all of Pétrolia’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Pétrolia Shares. In addition, the following restrictions apply to the Pétrolia Stock Option Plan: (i) the number of Pétrolia Shares reserved for issuance to any one individual under the Pétrolia Stock Option Plan will not exceed 5% of the issued and outstanding Pétrolia Shares, (ii) the aggregate number of Pétrolia Shares reserved for issuance to all individuals conducting investor relations activities in any 12-month period will not exceed 2% of the issued and outstanding Pétrolia Shares, and (iii) the number of common shares reserved for issuance to any one consultant in any 12 month period under the Pétrolia Stock Option Plan will not exceed 2% of the issued and outstanding Pétrolia Shares.

Options granted under the Pétrolia Stock Option Plan are non-transferable and vest in accordance with the schedule established at the time of each grant (generally immediately for grants to directors and in four (4) equal annual tranches commencing as of the date of the grant for all other grants). Options are exercisable for a period of up to five (5) years from the date of the grant.

Employees, officers, directors, consultants of Pétrolia, employees of any person providing management services to Pétrolia, or any company wholly owned by any of the aforementioned are entitled to participate in the Pétrolia Stock Option Plan while they are engaged with

Pétrolia. If a participant under the Pétrolia Stock Option Plan dies while engaged with Pétrolia, the right of that participant (or of that participant's legal representative) to participate in the Pétrolia Stock Option Plan terminates as of the date of death, but any vested option may be exercised until the earlier of one year after the date of death of such participant and the date of expiration of the term otherwise applicable. If a participant under the Pétrolia Stock Option Plan ceases to be employed by or provide services to Pétrolia, except in the case of termination for cause, any vested option may be exercised until the earlier of one year after the participant ceases to be an eligible person under the Pétrolia Stock Option Plan and the date of expiration of the term otherwise applicable, or for such longer period as agreed by the Pétrolia Board and approved by the Exchange at any time prior to expiry of the option. If a participant under the Pétrolia Stock Option Plan ceases to be employed by or provide services to Pétrolia as a result of termination for cause, all options, whether or not vested, will terminate immediately without any right of exercise unless the Pétrolia Board extends the date of such termination to a later date, which must not exceed the earlier of the expiry date of the option and the date that is twelve months after the participant ceases to be an eligible person under the Pétrolia Stock Option Plan.

Options granted under the Pétrolia Stock Option Plan may only be exercised during the lifetime of a participant by such participant personally and no assignment or transfer of options, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such options whatsoever in any assignee or transferee and immediately upon any assignment or transfer, or any attempt to make the same, such options will terminate and be of no further force or effect. However, the Pétrolia Board retains discretion to waive this requirement, subject to the approval of the Exchange, and permit the participant or its legal representative to exercise all or any unvested part of an option if the option would have otherwise vested but for the participant ceasing to be an eligible person.

The Pétrolia Stock Option Plan is administered by the Pétrolia Board, which has authority and discretion, subject to the express provisions of the plan, to interpret the Pétrolia Stock Option Plan, to amend the Pétrolia Stock Option Plan and to make all other determinations deemed necessary or advisable for the administration of the Pétrolia Stock Option Plan. The Pétrolia Board has the right, in its sole discretion, to amend, suspend or terminate the Pétrolia Stock Option Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders; provided that any amendment to any provision of the Pétrolia Stock Option Plan will be subject to any required regulatory approval, stock exchange rules and the approval of shareholders where such approval is required under applicable law. Notwithstanding the foregoing, Pétrolia will be required to obtain the approval of disinterested shareholders for any amendment related to: (i) issuance to any one individual within a 12-month period, of a number of options that would entitle such individual to a number of common shares exceeding 5% of the issued and outstanding common shares, and (ii) reducing the exercise price for outstanding options granted to an insider of Pétrolia.

Upon completion of the Arrangement, the Pétrolia Stock Option Plan will become the stock option plan of Amalco, with the necessary adjustments being made.

As of the Pétrolia Record Date, Pétrolia has a total of 8,072,500 stock options at an average exercise price of \$0.53 per Pétrolia Share.

See “Part V – Information Concerning Amalco - Options to Purchase Securities” for details of the stock options anticipated to be held by the directors, executive officers, employees and consultants of Amalco upon completion of the Arrangement.

The following table summarizes Pétrolia Options outstanding as of the Pétrolia Record Date:

Group	Number of Options granted to Group	Aggregate Number of Shares Issuable	Exercise Price	Expiry Date
Employees and officers	1,310,000	1,310,000	1.02	December 9, 2017
Directors	325,000	325,000	1.02	December 9, 2017
Directors	150,000	150,000	1.14	February 28, 2018
Employees and officers	400,000	400,000	0.98	September 14, 2018
Employees and officers	315,000	315,000	0.67	December 5, 2018
Directors	100,000	100,000	0.67	December 5, 2018
Employees and officers	300,000	300,000	0.67	May 27, 2019
Directors	105,000	105,000	0.67	May 27, 2019
Employees and officers	565,000	565,000	0.49	November 25, 2019
Directors	205,000	205,000	0.49	November 25, 2019
Directors	75,000	75,000	0.57	March 25, 2020
Directors	75,000	75,000	0.55	May 27, 2020
Employees and officers	1,335,000	1,335,000	0.34	November 24, 2020
Directors	350,000	350,000	0.34	November 24, 2020
Employees and officers	150,000	150,000	0.22	May 25, 2021
Directors	75,000	75,000	0.22	May 25, 2021
Employees and officers	450,000	450,000	0.21	August 25, 2021
Employees and officers	1,275,000	1,275,000	0.165	November 16, 2021
Directors	512,500	512,500	0.165	November 16, 2021

PRIOR SALES

The following table discloses the securities of Pétrolia that have been issued in the 12 months prior to the date of this Information Circular (all numbers presented on a pre-consolidation basis):

Date	No. of Securities	Aggregate Issue Price	Issue Price per Common Share	Nature of Consideration
July 15, 2016	4,629,686 flow-through shares	\$1,250,015	\$0.27	Cash
October 27, 2016	6,077,579 flow-through shares	\$1,154,740	\$0.19	Cash
March 17, 2017	5,222,223 flow-through shares	\$940,000	\$0.18	Cash
Total	15,929,488 flow-through shares			

STOCK EXCHANGE PRICE

The Pétrolia Shares are currently listed on the Exchange under the symbol “PEA”. The closing price of the Pétrolia Shares on Friday, May 12, 2017 was \$0.165, being the last day on which the Pétrolia Shares traded prior to the Pétrolia Shares being halted on Monday, May 15, 2017 in connection with the Arrangement and, as of the Pétrolia Record Date, trading in Pétrolia Shares remains halted.

The following table sets out Pétrolia’s price range for and daily average trading volumes of the Pétrolia Shares as reported by the Exchange for the periods indicated. All numbers are presented on a pre Pétrolia Consolidation basis.

Period	High	Low	Daily Average Trading Volume
May 1 to 12, 2017	0.18	0.16	63,010
April 2017	0.18	0.14	301,879
March 2017	0.17	0.13	169,370
February 2017	0.18	0.17	106,463
January 2017	0.20	0.17	165,667
October – December 2016	0.25	0.15	260,756
July - September 2016	0.28	0.16	184,671
April – June 2016	0.33	0.19	176,408
January – March 2016	0.30	0.18	127,990
October – December 2015	0.39	0.26	87,960
July - September 2015	0.50	0.33	70,824
April – June 2015	0.70	0.40	77,327

DIRECTORS AND OFFICERS

The following table and notes thereto state the names, provinces/states and countries of residence of the directors and officers of Pétrolia, the positions and offices presently held with Pétrolia, the principal occupation or employment of each of them, and the approximate number of Pétrolia Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as of the Pétrolia Record Date. The biographical information set out below as to principal occupation of, and number of Pétrolia Shares owned by, each of the directors and officers, not being within the knowledge of Pétrolia, has been furnished by the directors and officers themselves.

Name, City and province of residence	Position within Pétrolia	Principal occupation	Director since	Number of shares owned or controlled ⁽¹⁾
Myron A. Tétrault ⁽³⁾ Calgary, AB, Canada	Executive Chairman and Director	Chairman of Calafate Holdings Ltd., Director of Fitzroy Developments Ltd. and Northern Vision Development Corp and Lead Director of PHX Energy Services Corp.	March 20, 2009	870,000 ⁽⁴⁾
Martin Bélanger ⁽²⁾ Calgary, AB, Canada	Interim President and Chief Executive Officer and Director	Interim President and Chief Executive Officer of Pétrolia	March 26, 2015	38,000 ⁽⁵⁾
Mario Racicot, Boucherville, QC, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary of Pétrolia	n/a	n/a ⁽⁶⁾
David McCallum ⁽²⁾⁽³⁾ Gaspé, QC, Canada	Director	Vice President of Sales of Les Brevages Gaspé Inc.	February 25, 2011	166,300 ⁽⁷⁾
Charles Boulanger ⁽²⁾ ⁽³⁾ Quebec, QC, Canada	Director	President and Chief Executive Officer of LeddarTech Inc.	December 11, 2012	233,500 ⁽⁸⁾
Karl Mc Lellan Québec, QC, Canada	Director	Vice-President of Finance, Endoceutics Inc.	May 26, 2016	43,767 ⁽⁹⁾

1) The directors and officers have provided the information concerning the Pétrolia Shares that they control as at the date of this Information Circular.

2) Members of the Audit Committee.

3) Members of the Compensation and Governance Committee.

4) Not including 1,262,500 shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.

5) Not including 437,500 shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.

6) Not including 462,500 Pétrolia Shares that may be issued to him through Pétrolia Options.

7) Not including 305,000 shares that may be issued to him through Pétrolia Options.

8) Not including 475,000 shares that may be issued to him through Pétrolia Options and Pétrolia Warrants.

9) Not including 825,000 shares that may be issued to him through Pétrolia Options.

All the aforementioned individuals have been directors of Pétrolia since the dates indicated on the same lines as their names and were elected directors of Pétrolia during an annual meeting of

shareholders for which the notice contained a management proxy circular, with the exception of Karl Mc Lellan, who was appointed by the directors of Pétrolia.

Conflict of Interest

The fact that certain directors and officers of Pétrolia may be associated with other resource companies may lead to conflict of interest situations. If a director or officer is placed in a situation of conflict of interest, he shall abstain from taking part in discussions, decisions, and voting.

At the date of this Information Circular, Pétrolia's directors and officers beneficially owned, or controlled or directed, directly or indirectly, as a group, a total of 1,351,567 Pétrolia Shares, representing approximately 1.25% of the issued and outstanding Pétrolia Shares.

Executive Compensation

Compensation Discussion and Analysis

For the purpose of this Information Circular, a "Named Executive Officer" or "NEO" means:

- a) a Chief Executive Officer ("CEO");
- b) a Chief Financial Officer ("CFO");
- c) each of the three most highly compensated executive officers (including those whose total compensation was, individually, more than \$150,000, and those whose total compensation was, individually, less than \$150,000), or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial; and
- d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Pétrolia, nor acting in a similar capacity, at the end of that financial year.

Objective and Purpose of the Compensation Program

This compensation discussion and analysis describes and explains the policies and practices of Pétrolia with respect to the compensation of each of its NEOs. The objectives of Pétrolia's executive compensation program are as follows:

- a) to attract, retain and motivate talented executives who create and sustain Pétrolia's continued success;
- b) to align the interests of Pétrolia's executives with the interests of Pétrolia's shareholders; and
- c) to provide total compensation to executives that is competitive with that paid by other companies of comparable size engaged in similar business in appropriate regions.

Overall, the executive compensation program aims to design compensation packages that are comparable with compensation packages for executives with similar talents, qualifications and responsibilities at companies with similar financial, operating and industrial characteristics. Pétrolia is an oil and gas exploration company and will not be generating significant revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by Pétrolia to be appropriate in the evaluation of the performance of the NEOs.

Pétrolia's executive compensation program has been designed to reward executives for reinforcing Pétrolia's business objectives and values, for achieving Pétrolia's performance objectives and for their individual performances.

Elements of the Compensation Program

The executive compensation program consists of a combination of base salary, performance bonuses and stock options. The base salary of an NEO is intended to attract and retain executives by providing a reasonable amount of non-contingent remuneration.

For certain executives, there are bonuses for achieving annual objectives underlying Pétrolia's strategic plan; this aspect of compensation is contingent.

The bonuses for 2016 were tied to the following objectives:

- develop the Bourque property;
- acquire a production licence for Haldimand;
- complete the stratigraphic drilling for the Anticosti project on time and within the planned budgets; and
- complete financing of \$2,000,000.

Pétrolia management and staff could be entitled to bonuses of up to \$450,000 upon achievement of certain objectives, including the Anticosti Settlement and the completion of the Arrangement.

The use of stock options encourages and rewards performance by aligning an increase in each NEO's compensation with increases in the value of the shareholders' investments.

Determination of the Amount of each Element of the Executive Compensation Program

Compensation and Governance Committee

Compensation of the NEOs of Pétrolia, other than the CEO, is reviewed annually by the CEO, who makes recommendations to the Compensation and Governance Committee. Pétrolia's Compensation and Governance Committee reviews the recommendations of the CEO and makes its own recommendations to the Pétrolia Board, which approves the compensation of the NEOs based on the recommendations of the Compensation and Governance Committee. Compensation for Pétrolia's CEO is reviewed annually by the Compensation and Governance Committee, which then makes recommendations to the Pétrolia Board. The Pétrolia Board approves the base salary of each NEO based on the recommendations of the Compensation and Governance Committee.

During the most recently completed financial year, the members of the Compensation and Governance Committee were Myron A. Tétreault, Charles Boulanger, Albert Wildgen and

David McCallum. Mr. Wildgen was a member of the Committee until February 18, 2016 and was subsequently replaced by Mr. McCallum.

Base Salary

The base salary review of each NEO takes into consideration the then current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. In 2013, the Committee engaged Towers Watson to conduct a pay study that measured executive and director compensation against a peer group. The Committee reviews Canadian industry salaries and takes into account certain factors including the size of Pétrolia, its maturity and its level of production. The Compensation and Governance Committee also considers the general experience of its members in setting base salaries.

Bonuses

During the annual review of the strategic plan, short- and medium-term objectives are jointly set by management and the Pétrolia Board. Depending on how many and to what extent these objectives are achieved during the year, the Pétrolia Board determines a bonus over and above the base salary. The Pétrolia Board also considers job market information when determining bonus levels as a percentage of salary in the event all the objectives are achieved.

Stock Options

Pétrolia has established the Pétrolia Stock Option Plan under which stock options are granted to directors, officers, employees and consultants. The Pétrolia Board, based on recommendations of the Compensation and Governance Committee where appropriate, determines which NEOs (and other persons) are entitled to participate in the Pétrolia Stock Option Plan, determines the number of options granted to such individuals, and determines the date on which each option is granted and the corresponding exercise price.

The Pétrolia Board makes these determinations subject to the provisions of the Pétrolia Stock Option Plan and, where applicable, the policies of the Exchange.

[Link to Overall Compensation Objectives](#)

Each element of the executive compensation program has been designed to meet one or more objectives of the overall program. The fixed base salary of each NEO, combined with the annual bonus and the granting of stock options, has been designed to provide total compensation which the Pétrolia Board believes is competitive with that paid by other companies of comparable size engaged in similar business in appropriate regions.

Summary Compensation Table

The following table presents information concerning all compensation paid, payable, awarded, granted, given, or otherwise provided to NEOs by Pétrolia for services in all capacities to Pétrolia during the last three financial years:

Name and principal position	Year	Salary (\$)	Bonus (\$)	Share-based awards (\$)	Option-based awards ⁽⁶⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
						Annual incentive plans	Long-term incentive plans			
Martin Bélanger Interim President and CEO and director ⁽¹⁾	2016	Nil	Nil	N/A	24,075	N/A	N/A	N/A	95,700	119,775
	2015	Nil	Nil	N/A	50,825	N/A	N/A	N/A	16,183	67,008
	2014	Nil	Nil	N/A	Nil	N/A	N/A	N/A	Nil	Nil
Mario Racicot CFO ⁽²⁾	2016	129,557	11,100	N/A	37,388	N/A	N/A	N/A	Nil	178,045
	2015	29,886	6,000	N/A	15,400	N/A	N/A	N/A	Nil	51,286
	2014	Nil	Nil	NA	Nil	N/A	N/A	N/A	Nil	Nil
Karl McLellan CFO and director ⁽³⁾	2016	82,980	Nil	N/A	15,600	N/A	N/A	N/A	9,583	108,163
	2015	166,635	26,738	N/A	30,800	N/A	N/A	N/A	Nil	224,173
	2014	165,730	72,000	N/A	21,770	N/A	N/A	N/A	Nil	259,500
Alexandre Gagnon President and CEO ⁽⁴⁾	2016	160,278	Nil	N/A	Nil	N/A	N/A	N/A	10,000	170,278
	2015	221,113	35,363	N/A	46,200	N/A	N/A	N/A	Nil	302,676
	2014	215,562	93,000	N/A	91,230	N/A	N/A	N/A	Nil	399,792
Myron A. Tétreault Executive Chairman and director ⁽⁵⁾	2016	Nil	29,372	N/A	28,563	N/A	N/A	N/A	127,950	185,885
	2015	Nil	26,738	N/A	23,100	N/A	N/A	N/A	118,825	168,663
	2014	Nil	200,000	N/A	68,400	N/A	N/A	N/A	205,292	473,692

Notes:

- (1) Interim President and CEO since September 2016. Director since March 2015. For fiscal year 2016, an amount of \$ 21,700 included in the amount presented in the "all other compensation" column and \$6,825 presented in the "option-based awards" column represents Mr. Bélanger's compensation as a director. The services of Mr. Bélanger, as Interim President and CEO are provided by Mr. Bélanger under the terms of a consulting agreement.
- (2) Since May 2016. Prior to that held the position of Corporate Affairs Manager from September 2015 to May 2016.
- (3) Resigned as CFO in May, 2016. Director since May 2016. For fiscal year 2016, an amount of \$9,583 presented in the "all other compensation" column and \$15,600 presented in the "option-based awards" column represents Mr. McLellan's compensation as a director.
- (4) Resigned as CEO in August, 2016. Mr. Gagnon served as President and CEO from May, 2014 to August, 2016. He provided consulting services until February 2017. Prior to that, he held the position of Executive Vice-President and Vice-President Finance.
- (5) Executive Chairman since 2014, Interim President and CEO from September 2013 to May 2014. For fiscal year 2016, an amount of \$26,750 (2015 - \$25,325; 2014 -\$13,542) included in the amounts presented in the "all other compensation" column as well as the amounts presented in the "option-based awards" column for fiscal years 2014, 2015 and 2016 represents Mr. Tétreault's compensation as a director. The services of Mr. Tétreault, as Executive Chairman are provided by Mr. Tétreault under the terms of a consulting agreement.
- (6) The estimated fair value of the Pétrolia Options granted as of the grant date has been calculated using the Black-Scholes-Merton model.

Incentive Plan Awards - Outstanding Share-based and Option-based Awards

The following table sets forth information in respect of all awards outstanding at the end of the last financial year to Pétrolia s NEOs:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) (\$)
Martin Bélanger	75,000	0.57	March 25, 2020	-	-	-	-
	75,000	0.55	May 27, 2020	-	-	-	-
	50,000	0.34	November 24, 2020	-	-	-	-

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) (\$)
	150,000	0.21	August 25, 2021	-	-	-	-
	75,000	0.165	November 16, 2021	2,250	-	-	-
Mario Racicot	100,000	0.34	November 24, 2020	-	-	-	-
	100,000	0.22	May 25, 2021	-	-	-	-
	75,000	0.21	August 25, 2021	-	-	-	-
	187,500	0.165	November 16, 2021	5,625	-	-	-
Karl McLellan	300,000	1.02	December 9, 2017	-	-	-	-
	75,000	0.67	December 5, 2018	-	-	-	-
	100,000	0.49	November 25, 2019	-	-	-	-
	200,000	0.34	November 24, 2020	-	-	-	-
	75,000	0.22	May 25, 2021	-	-	-	-
	75,000	0.165	November 16, 2021	2,250	-	-	-
Alexandre Gagnon ⁽²⁾	300,000	1.02	December 9, 2017	-	-	-	-
	100,000	0.67	December 5, 2018	-	-	-	-
	150,000	0.67	May 27, 2019	-	-	-	-
	150,000	0.49	November 25, 2019	-	-	-	-
	300,000	0.34	November 24, 2020	-	-	-	-
Myron A. Tétreault	125,000	1.02	December 9, 2017	-	-	-	-
	400,000	0.98	September 14, 2018	-	-	-	-
	150,000	0.67	May 27, 2019	-	-	-	-
	100,000	0.49	November 25, 2019	-	-	-	-
	150,000	0.34	November 24, 2020	-	-	-	-
	100,000	0.21	August 25, 2021	-	-	-	-
	187,500	0.165	November 16, 2021	5,625	-	-	-

Notes:

- (1) Based on the closing price of the common shares on the Exchange on December 31, 2016.
- (2) In accordance with an agreement between Mr. Gagnon and Pétrolia in February 2017, Mr. Gagnon's Pétrolia Options will expire on February 28, 2018.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table provides the value vested in relation to awards held by each NEO during the last financial year:

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Martin Bélanger	24,075	-	-
Mario Racicot	37,388	-	-
Karl McLellan	15,600	-	-
Alexandre Gagnon	-	-	-
Myron A. Tétreault	28,563	-	-

Notes:

- (1) The estimated fair value of the Pétrolia Options granted as of the grant date has been calculated using the Black-Scholes-Merton model.

Pension Plan Benefits – Defined Benefits Plan

Pétrolia does not have a defined benefits pension plan for its directors and officers.

Benefits in the Event of Termination or Change of Control

Pétrolia entered into an employment contract with its Chief Financial Officer, which provides for him to receive as an indemnity in the event of termination of employment without just cause or of his resignation in the 12 months following a change of control (as defined in the employment contract):

- (i) a minimum of six months' salary based on the executive's then annual salary, plus one month per year of service completed, up to a maximum of 12 months, and;
- (ii) one (1.0) times the average of any cash bonuses paid to the executive calculated for the same period as the above point.

In addition, each holder of an employment contract has undertaken, at the end of their contract, not to attempt to hire, directly or indirectly, employees of Pétrolia or enter into direct or indirect competition, in whole or in part, with Pétrolia's activities for 12 months following termination of their employment.

Name	Indemnity in the event of termination of employment
Mario Racicot	\$95,683

Director Compensation

Pétrolia's compensation policy stipulates that each director is entitled to receive annual fees of \$10,000 and that each director sitting on a committee is entitled to receive annual fees of \$1,500. The Vice-Chairman of the Pétrolia Board receives additional annual fees of \$12,000, and the chairs of the Audit Committee and the Compensation and Governance Committee receive additional annual fees of \$7,500 and \$5,500, respectively.

The non-executive directors also receive compensation of \$750 for each meeting of the Pétrolia Board or of a committee which they attend in person or by phone. An amount of \$375 is allocated when an unscheduled meeting of the Pétrolia Board must be held.

The directors are reimbursed for all reasonable expenses incurred in the execution of their functions. An amount of \$300 is paid to directors residing outside the province of Quebec who must travel to attend the meetings.

For the year ended December 31, 2016, the directors of Pétrolia earned an aggregate total of \$140,444 in annual retainer fees and attendance fees.

Policy with respect to Mandatory Holding

Pursuant to the director compensation policy, directors must devote at least \$20,000 to purchasing common shares of Pétrolia during the first year of their term.

Director Compensation Table

The following table sets forth information with respect to all compensation elements paid to the non-executive directors of Pétrolia during the last financial year. All compensation (including director compensation) received by Martin Bélanger, Karl Mc Lellan and Myron A. Tétréault is included in the “*Summary Compensation*” table above.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Charles Boulanger	43,750	-	9,100	-	-	-	52,850
Jacques Bourgeois	16,140	-	-	-	-	-	16,140
Albert Wildgen	2,967	-	-	-	-	-	2,967
David McCallum	19,554	-	6,825	-	-	-	26,379

Notes:

- (1) The estimated fair value of the Pétrolia Options granted as of the grant date has been calculated using the Black-Scholes-Merton model.

Incentive Plan Awards - Outstanding Share-based and Option-based Awards

The following table provides information concerning awards to the non-executive directors of Pétrolia during the year. The information pertaining to the awards granted to Martin Bélanger, Karl Mc Lellan and Myron A. Tétréault is set out in the disclosure pertaining to share-based and option-based awards for Pétrolia’s NEOs, above.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) (\$)
	75,000	1.02	December 10, 2017	-	-	-	-
	75,000	1.14	February 28, 2018	-	-	-	-
	50,000	0.67	December 5, 2018	-	-	-	-
	30,000	0.67	May 28, 2019	-	-	-	-

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) (\$)
Charles Boulanger	45,000	0.49	November 25, 2019	-	-	-	-
	50,000	0.34	November 24, 2020	-	-	-	-
	100,000	0.165	November 16, 2021	3,000	-	-	-
Jacques Bourgeois ⁽²⁾	75,000	1.14	February 28, 2018	-	-	-	-
	25,000	0.67	December 5, 2018	-	-	-	-
	75,000	0.67	May 28, 2019	-	-	-	-
	30,000	0.49	November 25, 2019	-	-	-	-
	50,000	0.34	November 24, 2020	-	-	-	-
Albert Wildgen ⁽²⁾	75,000	1.02	December 10, 2017	-	-	-	-
	25,000	0.67	December 5, 2018	-	-	-	-
	30,000	0.49	November 25, 2019	-	-	-	-
	50,000	0.34	November 24, 2020	-	-	-	-
David McCallum	125,000	1.02	December 10, 2017	-	-	-	-
	25,000	0.67	December 5, 2018	-	-	-	-
	30,000	0.49	November 25, 2019	-	-	-	-
	50,000	0.34	November 24, 2020	-	-	-	-
	75,000	0.165	November 16, 2021	2,250	-	-	-

Notes:

- (1) Based on the closing price of the Pétrolia Shares on the Exchange on December 31, 2016.
- (2) In accordance with Pétrolia's Stock Option Plan, the Pétrolia Options of Mr. Bourgeois and Mr. Wildgen expire 12 months after the date of their resignation as a director (i.e. on September 8, 2017 and March 2, 2017, respectively).

Incentive Plan Awards – Value Vested or Earned during the Year

The following table provides the value vested in relation to awards held by each non-executive director during the last financial year. The information pertaining to each of Martin Bélanger, Karl Mc Lellan and Myron A. Tétreault is set out in the table “*Incentive Plan Awards – Value Vested or Earned during the Year*” pertaining to Pétrolia's NEOs, above.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Charles Boulanger	9,100	-	-
David McCallum	6,825	-	-

Notes:

- (1) The estimated fair value of the Pétrolia Options granted as of the grant date has been calculated using the Black-Scholes-Merton model.

Liability Insurance for Directors and Executive Officers

Pétrolia has liability insurance for its directors and executive officers, which protects them from the liability that they incur in their capacity of director or executive officer. The insurance policy, effective July 2, 2016 and expiring on July 2, 2017, provides coverage of \$10,000,000 per event and per policy year. Last year, Pétrolia paid an annual premium of \$24,755 for this insurance policy.

MANAGEMENT CONTRACTS

Management functions of Pétrolia are not, to any substantial degree, performed by a Person or Persons other than the directors and executive officers of Pétrolia.

INFORMATION ON EQUITY-BASED COMPENSATION PLANS

The following table provides information concerning the compensation plans pursuant to which Pétrolia's securities may be issued as at December 31, 2016:

Type of Plan	Number of securities to be issued upon the exercise of outstanding options, warrants or rights	Weighted average exercise price of outstanding options, warrants and rights	Number of unissued securities under equity-based compensation plans (excluding securities shown in column (a))
	(a)	(b)	(c)
Equity-based compensation plans approved by Pétrolia Shareholders (Pétrolia Stock Option Plan)	8,880,000	\$0.56	1,437,746
Equity-based compensation plans not approved by holders	N/A	N/A	N/A
Total	8,880,000	\$0.56	1,437,746

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As at the date of this Information Circular, there exists no indebtedness of any of the directors or NEO to Pétrolia.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, none of the directors, executive officers or principal shareholders, if any, of Pétrolia or any associate or affiliate of the foregoing has had a material interest, direct or indirect, in any transactions in which Pétrolia has participated within the three-year period prior to the Pétrolia Record Date, which has materially affected or will materially affect Pétrolia. See “*Part I - General Proxy Information – Interest of Certain Persons in Matters to be Acted on at the Pétrolia Meetings*”.

INFORMATION CONCERNING GOVERNANCE

Board of Directors

The mandate of the Pétrolia Board is to supervise the management of the affairs of Pétrolia and to act in the best interests of Pétrolia. The Pétrolia Board has a written mandate, the text of which is reproduced in Schedule “M-1” to this Information Circular.

The Pétrolia Board meets at least once per quarter and at each meeting it reviews the activities of Pétrolia. The frequency of the meetings of the Pétrolia Board and the nature of the items on the agenda will vary depending on the activities and priorities of Pétrolia. During the year ended December 31, 2016, the Pétrolia Board met 10 times.

The governance practices of the Pétrolia Board, which must be disclosed annually pursuant to securities legislation and the policies of the Exchange, are reproduced in Schedule “M-2” of this Information Circular.

The Pétrolia Board also adopted, on September 15, 2015, a code of ethics and guidelines with respect to conflicts of interest, which may be consulted under Pétrolia’s profile on SEDAR at www.sedar.com.

Independent members of the Pétrolia Board are David McCallum, Charles Boulanger and Myron Tétreault. Martin Bélanger is Pétrolia's Interim President and Chief Executive Officer and Karl Mc Lellan was its Chief Financial Officer until May 26, 2016, these directors are not considered independent members of the Pétrolia Board.

Audit Committee

The charter of Pétrolia’s Audit Committee is presented in Schedule “M-3” of this Information Circular. The Audit Committee's general mandate is to examine and recommend to the Pétrolia Board the approval of Pétrolia's annual and quarterly financial statements as well as the management reports and press releases related to these financial statements, and in particular:

- to study and assess all aspects of Pétrolia 's financial information reporting process, internal controls, risks, and insurance coverage;
- to present relevant recommendations on these subjects to the Pétrolia Board; and
- to supervise the establishment and management of policies and directives regarding financial information and internal control, and to ensure that the process of certifying the annual financial statements meets applicable standards.

In addition, this committee evaluates and supervises the risk-management program and provides pre-approval reviews of all transactions between related parties; after this evaluation, it provides its recommendations to the Pétrolia Board.

The Audit Committee ensures that the external auditors remain independent of the management of Pétrolia. The Audit Committee reviews the proposed audit and its execution, evaluates the auditors' performance, and makes recommendations to the Pétrolia Board. The Audit Committee reviews the auditors' compensation, makes recommendations in this regard, and pre-authorizes appointments unrelated to auditing, as permitted by law.

When it considers it necessary, the Audit Committee meets jointly and separately with Pétrolia management and with the external auditors to discuss Pétrolia's financial affairs.

Composition

The Audit Committee is comprised of Martin Bélanger, Charles Boulanger and David McCallum. Charles Boulanger and David McCallum are considered to be independent members and all members have financial expertise, as defined in Regulation 52-110 on audit committees (“**Regulation 52-110**”). According to Regulation 52-110, a person has "financial expertise" when he/she has the ability to read and understand a set of financial statements presenting accounting matters of a scope and level of complexity that are, on the whole, comparable with those that may reasonably be expected to be raised by Pétrolia 's financial statements.

Under Regulation 52-110 Pétrolia, as a venture issuer, is exempt from the requirement that each of the members of its Audit Committee be independent. However, in accordance with Policy 3.1 of the Exchange, the majority of the members of Pétrolia's Audit Committee must be directors who are not executive officers or employees of Pétrolia or of legal entities of its group. The Audit Committee must include at least three directors, the majority of whom are not employees, controlling shareholders, or executive officers of Pétrolia.

Relevant Training and Experience

The training and experience of each member of the Audit Committee relevant to his/her responsibilities as members of the Audit Committee are as follows:

Martin BÉLANGER graduated from University of Ottawa in 1991 with a degree in engineering. He worked as a professional engineer in the oil and gas industry for the next 24 years. He started out as a junior engineer in the field, working his way up to become the senior consultant he now is. Over the years, he worked for several companies of various sizes, among which Talisman Energy, PrimeWest Energy, TAQA NORTH, Laricina Energy and TransCanada Pipelines. He thus gained precious expertise in all the aspects of engineering, project management, field operations, maintenance and compliance with regulations. Mr. Bélanger has extensive experience regarding the upstream and downstream management of oil and gas production plants, as well as pipelines. Mr. Bélanger has worked at an international level, notably in the United Kingdom and the United States Prior to assuming his duties as Interim President and Chief Executive Officer of Pétrolia, he was employed by IBM Canada as Director of Business Development, Natural Resources Solution Centre (September 2015 – August 2016). He is an accomplished project manager whose experience also includes integrating several companies following mergers, including managing the optimization efforts aiming at maximizing the newly acquired assets. Mr Bélanger is also an accredited member of the Professional Engineers & Geoscientists of Alberta Association.

Charles BOULANGER graduated from Université Laval with a degree in mechanical engineering (1981) and acquired senior management training from the International Centre for Research and Studies in Management (CIREM) in 1990. Since 2011, he has been president of Moody Management Inc., a private investment firm. He is also the President and CEO of LeddarTech inc. Prior to that, he was founder, president and CEO of Groupe Unipex SAS in 2008 after serving as president of the Active Ingredients and Specialty Chemicals Division of Atrium Innovations (TSX:ATB) from 2004 to 2008. He was also a founder and president of PÔLE Québec Chaudière-Appalaches after being a partner with Phénix Capital. Mr. Boulanger has over

30 years' experience in senior management positions in several industrial sectors with companies such as Shell Canada, Irving Oil, GSI Environment and Prolab Technologies.

David MCCALLUM has a commerce degree from the University of Ottawa and is a businessman in the purest tradition of Quebec entrepreneurship. This visionary from the Gaspé is manager and owner of a number of companies, including Les Breuvages Gaspé Inc., a family business that has produced four generations of entrepreneurs active in the region. Mr. McCallum has served as its vice-president of sales since 1984. Mr. McCallum is the founding president of Service Pause Café Mat. Inc. (a Café Van Houtte franchise), which has been serving Quebec and New Brunswick since 1997. Since 2005, he has contributed to the development of wind energy and is vice-president and cofounder of the consulting engineering firm Kwatroe Consultants (geothermal energy and the first LEED-certified building built in eastern Quebec). His love for the Gaspé region led Mr. McCallum to defend the interests of his region on the Board of Directors by contributing a local perspective. Mr. McCallum's motto is "doing things according to best practices," both in terms of respecting the economic interests of the community and pursuing environmentally friendly development. His unwavering goals are to create jobs, help young people return to and establish themselves in the Gaspé region, and generate economic spinoffs for communities. He has extensive experience in governance, having sat for many years on the boards of the Office de tourisme de Gaspé and the Société de gestion des rivières à saumon de Gaspé, and served as vice-president of the minor hockey league and of the Vincent Lecavalier Foundation, dedicated to helping troubled youth achieve academic success. Via his business endeavors, he has collaborated on various entrepreneurial projects in the region and firmly believes that Quebec's new oil and gas industry can become an international model for development.

External Auditor Service Fees

In addition to taking care of the audit of the financial statements, Pétrolia's auditor has provided other services to Pétrolia and invoiced the following fees over the course of the last two fiscal years:

Fees	Fiscal Year ended on December 31, 2016 (\$)	Fiscal Year ended on December 31, 2015 (\$)
Audit Fees ⁽¹⁾	66,660	62,000
Audit-Related Fees ⁽²⁾	7,600	18,800
Tax Fees ⁽³⁾	11,200	11,500
Translation Fees	14,201	14,234
Total of all Fees:	99,661	106,534

(1) Related to the total fees invoiced by Pétrolia's external auditor for the audit services.

(2) Related to the total fees invoiced by Pétrolia's external auditor for related services that are reasonably related to the performance of the audit of Pétrolia and that are not reported under note (1) above.

(3) Related to the total fees invoiced by Pétrolia's external auditor for professional services rendered for tax compliance and, tax advice.

Compensation and Governance Committee

The Compensation and Governance Committee is comprised of Charles Boulanger, David McCallum and Myron A. Tétréault, all independent directors. This Committee supervises matters related to the governance of Pétrolia and analyzes the adequacy and form of Pétrolia's compensation of its directors and executive officers. The mandate of this committee is reproduced in Schedule "M-4" of this Information Circular.

NON-ARM'S LENGTH TRANSACTION

Pétrolia leases lands from David McCallum, one of its directors, since November 1, 2010. These lands are located on lots 4E-3, 4D-3 and 4C-3 Ptie du Rang 1, Canton de Douglas, Québec, and are used by Pétrolia for operations in connection with the Haldimand wells. The compensation for such lease is 50,000 Pétrolia Shares for each five (5) year period of the lease, as long as the value of the weighted average price of the Pétrolia Shares is equal or inferior to \$2.00 per Pétrolia Share.

On November 6, 2015, Ressources Québec completed a private placement in Pétrolia in the amount of \$2,881,800 by entering into a Subscription Agreement (*Convention de souscription*) with Pétrolia, and also invested \$918,200 in Pétrolia's Bourque property by way of a joint venture created by Pétrolia, Ressources Québec and TUGLIQ Energy, governed by a Master Agreement (*Entente-cadre*) and a Joint Operations Agreement (*Convention d'opérations conjointes*) both executed on this same date. This financing aimed to allow the start-up of work on the first phase of the resource confirmation program on the Bourque property. The Master Agreement and the Joint Operations Agreement were amended on July 15, 2016, as Ressources Québec further invested an amount of \$8,500,000 in the above-mentioned joint venture.

Pétrolia currently has consulting agreements in place with Mr. Myron A. Tétréault (Executive Chairman of the Board and Director) and Mr. Martin Bélanger (Interim President and Chief Executive Officer and Director) in connection with the services rendered by these individuals in their respective roles of Executive Chairman and Interim President and Chief Executive Officer (see the "Summary Compensation Table in "Part III – Executive Compensation" of this Information Circular. In light of their continuing role with Amalco, it is expected that such contracts will continue following the closing of the Arrangement, subject to any amendments that may be agreed by the applicable parties.

ARM'S LENGTH TRANSACTION

The Arrangement does not constitute a Non-Arm's Length Transaction within the meaning of the Exchange Policy.

LEGAL PROCEEDINGS

Pétrolia is not party to any material legal proceedings and no such proceedings are known to Pétrolia to be contemplated. Notwithstanding the preceding, below is a summary of current legal proceedings involving Pétrolia and/or its subsidiaries.

In March 2013, the Centre québécois du droit à l'environnement brought a motion in the Superior Court of Quebec against Pétrolia for a declaratory judgment regarding drilling activities carried out on Anticosti Island and planned fracturing activities, alleging that such activities required the issuance of a certificate of authorization pursuant to the provisions of the *Environment Quality*

Act (Québec). Based on a draft ministerial order providing a regulatory framework for stratigraphic surveys on Anticosti Island issued by the ministère de l'Énergie et des Ressources naturelles in June 2014 (and subsequently finalized in July 2014), the parties reached a settlement pertaining to stratigraphic surveys on Anticosti Island which was approved by the Quebec Superior Court on June 26, 2014. This motion remains outstanding in all other regards at the date of this Circular.

In July 2016, certain subsidiaries of Pétrolia, namely Investissements PEA Inc. and Pétrolia Anticosti Inc., filed an action before the Quebec Superior Court in order to force its partners Ressources Québec and Saint-Aubin to fulfil their contractual commitments regarding AHLP. In his judgment rendered regarding the provisional measures safeguard order, the Honourable Judge Castonguay acknowledged the clear obligation of Ressources Québec and Saint-Aubin to finance the exploration programme and issued orders accordingly. The judgement acknowledged in this regard the financial needs of the operator, Pétrolia Anticosti Inc., and ordered Ressources Québec and Saint-Aubin to provide monthly for the administrative and current expenses of the operator, until May 2017. In addition to these orders, the Court also took note of the commitment of Ressources Québec and Saint-Aubin to finance the construction of the drilling platforms. Finally, the judgement ordered the partners to nominate an independent director to AHLP within 30 days. Given the preliminary stage of the proceedings, the Honourable Judge Castonguay then decided not to rule on the applications concerning the completion of the three wells planned for 2016. On June 14, 2017, Pétrolia Anticosti Inc. and Investissements PEA Inc. reached an agreement with Ressources Québec, Saint-Aubin, and Corridor Resources Inc. relating to safeguard measures for maintaining the status quo with respect to the activities of AHLP on Anticosti Island. The agreement of the parties was endorsed by the Quebec Superior Court which issued an order acknowledging the obligation of the partners to cover certain financial expenses of the operator and, in particular, ordering Ressources Québec to advance sufficient funds on a monthly basis to cover the essential needs of AHLP. The partners of AHLP also agreed to postpone the work planned for Anticosti Island during the summer of 2017 pending the result of the ongoing negotiations with the Government of Québec pertaining to the termination of exploration activities on Anticosti Island and the resolution of certain other issues. Pétrolia and the Government of Québec have since concluded the Anticosti Settlement providing for the withdrawal of the proceedings by Pétrolia, which shall be filed after the reception by Pétrolia of the Anticosti Settlement compensation amount.

As of July 15, 2016, applications for a permanent injunction, a declaratory judgement and judicial review were filed with the Quebec Superior Court by the Council of the Innus of Ekuanitshit and Chief Jean-Charles Pietacho against the Attorney General of Québec and the Government of Québec, to which intervened Pétrolia Anticosti Inc. and to which AHLP was added as respondent. These applications seek to challenge the validity of the authorizations issued by the Government of Québec as of June 15, 2016 regarding certain operations to be completed on Anticosti Island and to obtain the prohibition to proceed with these operations. In April and May, 2017, hearings were held on the applications for a permanent injunction and it was expected that a judgment could be rendered during the second or third quarter of 2017. However, both the ministerial order published on July 28, 2017, further described under heading “*Part V – Information Concerning Amalco – Narrative Description of the Business – Anticosti Island*” and the Anticosti Settlement eliminate the object and purpose of these proceedings.

ANTICOSTI ISLAND

The Government of Quebec adopted a ministerial order on July 24, 2017, published in the *Gazette Officielle du Québec* and taking effect on July 28, 2017, prohibiting the exploration and

development of oil and gas on Anticosti Island. It also announced compensation settlements with corporations involved in oil and gas exploration on Anticosti Island, notably Junex inc., and Corridor Resources inc. and Saint-Aubin, two of the partners in AHLP.

Pétrolia and the Government of Quebec entered into a term sheet dated August 9, 2017 (the “**Anticosti Settlement**”), which sets out the principal terms and conditions of definitive agreements to be entered into between Pétrolia and the Gouvernement of Quebec with respect to the end of oil and gas exploration and development on Anticosti Island and further to which AHLP will eventually be liquidated and dissolved without further compensation, in exchange for a cash consideration of \$20,500,000 in favour of Pétrolia.

As part of the Anticosti Settlement, it is expected that the Government of Québec will also obtain the rights over certain of Pétrolia’s properties on Anticosti Island and assume the financial obligations in connection with the restoration such properties, for which a net liability of approximately \$150,000 was recorded.

From an accounting perspective, further to the Anticosti Settlement, an impairment charge will be recognized as of June 30, 2017, in order to reduce the book value of the investment in the Anticosti project to its recoverable amount of approximately \$20,650,000, being the amount of the negotiated settlement plus the net liability of \$150,000 assumed by the Government of Québec.

Furthermore, the content of the third amendment to the Arrangement Agreement dated August 24, 2017, which includes a new basis for the determination of Pétrolia’s value, demonstrate that the recoverable value of Pétrolia has increased since March 31, 2017 considering the change to the estimates based on the new event that occurred during the third quarter of this financial year, being the Antocisti Settlement. Consequently, if the Arrangement is completed, approximately \$14,000,000, net of taxes, of the previously accounted loss of value on Pétrolia’s exploration and evaluation assets and tangible assets shall be reversed subsequently to the second quarter of this financial year.

Further to the Anticosti Settlement, it is expected that Investissements PEA inc. will be dissolved immediately prior to the signature of the definitive agreements pertaining to the Anticosti Settlement, and that all of its rights and obligations will automatically become those of Pétrolia at the time of such dissolution.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP, Quebec, Quebec, having offices at 2875 Laurier Boulevard, Delta III, Suite 410, Quebec City, Quebec, G1V 0C7, are the auditors of Pétrolia.

The transfer agent and registrar for the Pétrolia Shares is Computershare Investor Services Inc., having offices at 1500 Robert-Bourassa Boulevard, Suite 700, Montreal, Quebec, H3A 3S8.

MATERIAL CONTRACTS

As of the date hereof, with the exception of the Arrangement Agreement, no material contracts entered into by Pétrolia other than in the normal course of its activities are in effect.

RISK FACTORS

Whether or not the Arrangement is completed, Pétrolia will continue to face many risk factors that it currently faces with respect to its business and affairs. An investment in the Pétrolia Shares is subject to certain risks, which may differ or be in addition to the risks applicable to an investment in Pieridae. Investors should carefully consider the risk factors described under the heading “Risk Factors” in Pétrolia’s management’s discussion and analysis for the three-month period ended March 31, 2017 (as amended and re-filed on July 6, 2017), which is part of Schedule “F” attached hereto and available on SEDAR at www.sedar.com under Pétrolia’s profile.

Investors should carefully consider the risk factors referred to above and consider all other information contained in the Information Circular. The risks referred to above are not an exhaustive description of all the risks associated with Pétrolia’s business. Please also refer to “Part II – The Arrangement – Risk Factors Related to the Arrangement”, “Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement” and “Part IV – Information Concerning Pieridae – Risk Factors” in this Information Circular.

ADDITIONAL INFORMATION

Additional information relating to Pétrolia is available on the SEDAR website at www.sedar.com under Pétrolia’s profile, including Pétrolia’s audited consolidated financial statements for the fiscal year ended December 31, 2016 and the accompanying management’s discussion and analysis, and its unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2017 and the accompanying management’s discussion and analysis (as amended and re-filed on Pétrolia’s SEDAR profile at www.sedar.com on July 6, 2017). Copies of these documents, annual and interim financial statements and management’s discussion and analysis for preceding periods, and additional copies of this Information Circular are available under Pétrolia’s profile on SEDAR at www.sedar.com, the Pétrolia website or upon request from Pétrolia.

PART IV – INFORMATION CONCERNING PIERIDAE

The following information about Pieridae should be read in conjunction with the documents incorporated by reference into this Part IV and the information concerning Pieridae appearing elsewhere in the Information Circular. The Information in this Part IV is given as of the date of this Information Circular, prior to the completion of the Arrangement.

The information concerning Pieridae contained or incorporated by reference in this Circular has been provided by Pieridae. Although Pétrolia has no knowledge that would indicate that any of such information is untrue or incomplete, Pétrolia does not assume any responsibility for the accuracy or completeness of such information or the failure by Pieridae to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Pétrolia.

CORPORATE STRUCTURE

Incorporation

Pieridae was incorporated on May 29, 2012 pursuant to the CBCA and was extra-provincially registered on May 31, 2012 under the *Business Corporations Act* (Alberta). On October 4, 2012 Pieridae filed Articles of Amendment in order to consolidate the number of then issued and outstanding Pieridae Shares into a smaller number of shares on a 5.1282 to 1 basis.

The registered office of Pieridae is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1. The head office of Pieridae is located at 1718 Argyle Street, Suite 730, Halifax, Nova Scotia B3J 3N6.

Intercorporate Relationships

The following table sets forth the inter-corporate relationships among Pieridae and each of its Affiliates (collectively, the "**Pieridae Group**") and each other Company in which Pieridae owns a significant interest, the percentage of votes attached to all voting securities of each such Affiliate and other Company beneficially owned, controlled or directed, directly or indirectly, by Pieridae and the jurisdiction of incorporation or formation of each such Affiliate and other Company.

Affiliate	Jurisdiction of Incorporation or Formation	Ownership Interest of Pieridae
Pieridae Energy (Canada) Ltd.	Federal	99%
Goldboro LNG Limited Partnership	Alberta	99%
9290834 Canada Ltd.	Federal	100% ⁽¹⁾
Pieridae Energy (USA) Ltd.	Federal	100%
Goldboro LNG Limited Partnership II	Alberta	100%
Pieridae Production GP Ltd.	Alberta	50%
Pieridae Production Limited Partnership	Alberta	20%
Atlantic Offshore Production Ltd.	Federal	100%

Affiliate	Jurisdiction of Incorporation or Formation	Ownership Interest of Pieridae
Pieridae Offshore Development Limited Partnership	Alberta	100%

Notes:

(1) Held by Pieridae Energy (Canada) Ltd.

Pieridae Energy (Canada) Ltd.

Pieridae Energy (Canada) Ltd. ("**Pieridae Canada**") is the sole general partner in Goldboro LNG Limited Partnership. Pieridae Canada was incorporated on February 14, 2012 under the CBCA and was extra-provincially registered under the Business Corporations Act (Alberta) on October 3, 2012 and under the Corporations Registration Act (Nova Scotia) on October 5, 2012. Pieridae Canada's registered office is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1.

Goldboro LNG Limited Partnership

Goldboro LNG Limited Partnership ("**Goldboro Canada LP**") was formed on December 11, 2012 under Part 2 of the *Partnership Act* (Alberta) for the purposes of developing, constructing and operating an LNG facility to be situated on the Atlantic Ocean coast in the Municipality of the District of Guysborough, Nova Scotia (the "**Goldboro LNG Facility**"). The principal place of business of Goldboro Canada LP is located at 1718 Argyle Street, Suite 730, Halifax, Nova Scotia B3J 3N6.

9290834 Canada Ltd.

9290834 Canada Ltd. ("**9290834**") was incorporated on May 11, 2015 under the CBCA and was extra-provincially registered on June 4, 2015 under the *Corporations Registration Act* (Nova Scotia). On December 3, 2015 9290834, in its capacity as agent and bare trustee of Pieridae Canada and Goldboro Canada LP, acquired and holds legal title to the lands on which the Goldboro LNG Facility is being developed and will be constructed and from which it will be operated (the "**Project Site**"). 9290834's registered office is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1.

Pieridae Energy (USA) Ltd.

Pieridae Energy (USA) Ltd. ("**Pieridae USA**") is the sole general partner in Goldboro LNG Limited Partnership II. Pieridae USA was incorporated on August 16, 2013 under the CBCA and was extra-provincially registered under the *Business Corporations Act* (Alberta) on August 22, 2013 and under the *Corporations Registration Act* (Nova Scotia) on November 6, 2013. Pieridae USA's registered office is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1.

Goldboro LNG Limited Partnership II

Goldboro LNG Limited Partnership II ("**Goldboro USA LP**") was formed on September 24, 2013 under Part 2 of the *Partnership Act* (Alberta) for the purposes of procuring long-term natural gas supply from producers in the United States and transporting the natural gas to the Goldboro LNG Facility for sale to Goldboro Canada LP for use as feed gas and fuel in the production of LNG. The principal place of business of Goldboro USA LP is located at 1718 Argyle Street, Suite 730, Halifax, Nova Scotia B3J 3N6.

Pieridae Production GP Ltd.

Pieridae Production GP Ltd. ("**Production GP**") is the sole general partner in Pieridae Production Limited Partnership. Production GP was incorporated on February 5, 2013 under the *Business Corporations Act* (Alberta) and was extra-provincially registered on March 1, 2013 under the *Business Corporations Act* (New Brunswick). Production GP's registered office is located at 525 8th Avenue S.W., Suite 2400, Calgary, Alberta T2P 1G1.

Pieridae Production Limited Partnership

Pieridae Production Limited Partnership ("**Production LP**") was formed on February 27, 2013 under Part 2 of the *Partnership Act* (Alberta) for the purposes of acquiring and developing natural gas resource properties in New Brunswick. Production LP's records office is at 525 8th Avenue S.W., Suite 2400, Calgary, Alberta T2P 1G1.

Atlantic Offshore Production Ltd.

Atlantic Offshore Production Ltd. ("**Atlantic Production**") is the sole general partner in Pieridae Offshore Development Limited Partnership. Atlantic Production was incorporated on September 23, 2015 under the CBCA and was extra-provincially registered on September 25, 2015 under the *Business Corporations Act* (Alberta) and on September 28, 2015 under the *Companies Act* (Nova Scotia). Atlantic Production is presently inactive. Atlantic Production's registered office is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1.

Pieridae Offshore Development Limited Partnership

Pieridae Offshore Development Limited Partnership ("**Offshore Development LP**") was formed on October 20, 2015 under Part 2 of the *Partnership Act* (Alberta) for the purposes of acquiring and developing natural gas resource properties in Nova Scotia and offshore. Offshore Development LP is presently inactive. Offshore Development LP's records office is located at 1600, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1.

GENERAL DEVELOPMENT OF THE BUSINESS

History

The Pieridae Group's business activities are centred on the development of the following fields of the energy sector: (a) the production and procurement of Canadian and U.S. natural gas, (b) the processing and liquefaction of that natural gas in the production of LNG at a facility owned by Pieridae and (c) the sale of the LNG to customers for export to international markets and to specific markets in North America.

Value will be created to the extent that the price for LNG in international markets (which is often oil influenced) exceeds the cost of the natural gas production and procurement in the North American market and related costs including transportation, liquefaction, shipping and regasification.

Pieridae's business model is based upon the traditional integrated model for the LNG industry which is characterized by the ownership of both natural gas resources and liquefaction capacity. In terms of liquefaction capacity, the Pieridae Group is developing a natural gas liquefaction facility to be situated on the Atlantic Ocean coast, near the community of Goldboro, Nova Scotia

(the “**Goldboro LNG Project**”). This traditional model allows for more flexible management and mitigation of risks along the value chain.

The major achievements in the development of the Goldboro LNG Project include the following:

1. The confirmation in principle on April 25, 2013 that the project financing that is secured for the construction of the first train of the Goldboro LNG Facility will qualify for a US \$3 billion loan guarantee from the German federal government provided that, among other things, at least 1.5 MTPA of the LNG produced from the first train of the Goldboro LNG Facility is delivered by Uniper to the German domestic gas market. Uniper is contractually obligated to satisfy this condition at all relevant times.
2. The pre-sale of 4.8 MTPA of LNG annually, on a “take or pay” basis to Uniper Global Commodities S.E., previously E.ON Global Commodities S.E., (“**Uniper**”), agreed to on May 31, 2013, for a term of 20 years commencing at the start of commercial deliveries of LNG. This annual volume of LNG represents substantially all of the LNG production from one of the two planned liquefaction trains of the Goldboro LNG Facility.
3. During 2013 Pieridae issued an aggregate of 2,899,412 Pieridae Shares at an average price of \$2.70 per Pieridae Share, for aggregate gross proceeds of approximately \$7,828,412.
4. The successful completion of the environmental assessment, by the Minister of the Environment of Nova Scotia (the “**Minister**”), of the proposed Goldboro LNG Facility to be located on the Project Site on March 31, 2014.
5. The issuance by Pieridae of an aggregate of 2,194,190 Pieridae Shares during 2014, at a price of \$9.00 per Pieridae Share for aggregate proceeds of \$19,747,710.
6. The issuance by the US DOE of Order No. 3639 on May 22, 2015 authorizing the annual export, by pipeline, of up to 292 Bcf of natural gas sourced from the United States to Canada for end use in Canada or, after liquefaction in Canada, to export, by vessel, the LNG produced from such natural gas to countries with which the United States has a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of date of first export and May 22, 2022.
7. The issuance by the NEB of Export Licence GL-313 on August 13, 2015 (ultimately approved May 26, 2016) authorizing the export from Canada up to 16.675 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first export.
8. The issuance by the NEB of Import Licence GL-314 on August 13, 2015 (ultimately approved May 26, 2016) authorizing the import to Canada up to 11.845 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first import.
9. The identification of the Project Site and its acquisition on December 3, 2015.
10. The acquisition of a 20% interest in Production LP in 2015 which owns certain natural gas resource properties situated in New Brunswick. Under certain circumstances it is possible to increase this interest to 50%. However, there is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively

prevents any further exploration and development by Production LP of its natural gas resource properties in that province. The other partner in Production LP is ORLEN Upstream Canada Ltd., an affiliate of Polski Koncern Naftowy Orlen Spółka Akcyjna which is a public corporation listed on the Warsaw stock exchange and is a major Polish oil refiner and petrol retailer with operations in Poland as well as the Czech Republic, Germany and the Baltic States.

11. The issuance by Pieridae of an aggregate of 970,000 Pieridae Shares during 2015, at an average price of \$9.07 per Pieridae Share for aggregate proceeds of approximately \$8,797,900.
12. The issuance by the US DOE of Order No. 3768 on February 5, 2016 authorizing the annual export, using the capacity of the U.S. portion of the M&N Pipeline that is in service as of February 5, 2016, of up to 292 Bcf natural gas sourced from the United States to Canada for liquefaction in Canada and re-export as LNG to countries with which the United States does not have a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of the date of first commercial re-export and February 5, 2023. The volume of natural gas that is authorized for export under Order No. 3768 is not additive to the volume of natural gas that is authorized for export under Order No. 3639.
13. The successful negotiation of a collective agreement on May 3, 2017 affecting 15 of the relevant trade unions in Nova Scotia which will be relied upon to construct the Goldboro LNG Facility and the issuance by the Labour Board (Nova Scotia) on July 28, 2017 of order LB-1322 and order LB-1323 declaring that the collective agreement is a project agreement with effect commencing July 27, 2017 in accordance with subsection 5(3) of the *Construction Project Labour Relations Act* (Nova Scotia). See "*Part IV – Information Concerning Pieridae – Narrative Description of the Business – Labour Matters*".
14. The issuance by Pieridae of an aggregate of 75,556 Pieridae Shares during 2016, at an average price of \$9.93 per Pieridae Share for aggregate proceeds of approximately \$750,271.

Certain of these achievements are described in more detail below under the heading "*Narrative Description of the Business*".

On May 15, 2017 Pieridae entered into the Arrangement Agreement with Pétrolia. See "*Part II – The Arrangement*".

Pieridae Private Placement

Pursuant to the Arrangement Agreement, on August 25, 2017 Pieridae completed the Pieridae Private Placement of an aggregate of 1,970,600 Pieridae Subscription Receipts at a price of \$12.50 each for aggregate net proceeds of \$24,632,500. Each Pieridae Subscription Receipt will be automatically converted into one Pieridae Share immediately prior to the completion of the Arrangement, and such Pieridae Shares will be exchanged for Amalco Shares concurrently with the completion of the Arrangement.

Pieridae engaged the Agents, on a "commercially reasonable efforts" basis for the Pieridae Private Placement. The net proceeds of the Pieridae Private Placement will be held in escrow by the Subscription Receipt Agent, and released concurrent with the completion of the Arrangement

pursuant to the terms of the Subscription Receipt Agreement. In the event the Arrangement is not completed or upon certain other events to be set forth in the Subscription Receipt Agreement, an amount equal to the full purchase price of each holder's Subscription Receipts plus any interest accrued thereon during the term of the escrow will be paid to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled.

Pieridae intends to pay the Agents a commission equal to 5% of the net proceeds of the Pieridae Private Placement from subscribers, other than Alfred Sorensen Holdings Ltd., payable by way of the issuance of the Agents' Pieridae Shares at a price of \$12.50 per Pieridae Share. The net proceeds of the Pieridae Private Placement will be used to fund certain activities to allow Amalco to reach the final investment decision with respect to the Goldboro LNG Facility, Amalco's operations and general working capital purposes.

The Pieridae Debenture is convertible into Pieridae Shares (at the option of Pieridae) at a price of \$12.50 per share. The Pieridae Debenture is to be converted prior to the completion of the Arrangement. The number of Pieridae Shares issuable upon conversion will depend on the daily exchange rate of the U.S. dollar published by the Bank of Canada on the day preceding the conversion. The Pieridae Debenture is secured by a general charge registered against all of Pieridae's personal property. Such security will be discharged after the Pieridae Debenture is fully paid, whether by the conversion of the Pieridae Debenture into Pieridae Shares or otherwise.

Significant Acquisitions and Dispositions

There have been no significant acquisitions completed by Pieridae or any of its Affiliates for which financial statements would be required under NI 41-101 and no significant dispositions completed by Pieridae or any of its Affiliates during the most recently completed financial year or the current financial year for which pro forma financial statements would be required under NI 41-101.

NARRATIVE DESCRIPTION OF THE BUSINESS

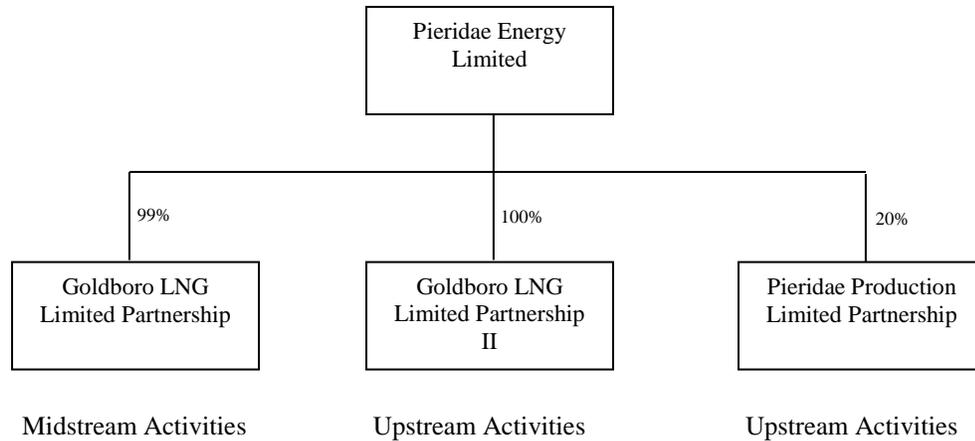
General

Pieridae is a privately held corporation which, through its Affiliates, carries on an integrated LNG business consisting of:

- (a) the development, construction, ownership and operation of the Goldboro LNG Facility to be situated in the Municipality of the District of Guysborough (the "**Municipality**"), Nova Scotia having a design production capacity of up to 10 million metric tonnes per annum ("**MTPA**") of LNG which will be sold to customers at the Goldboro LNG Facility primarily for export (collectively, the "**Midstream Activities**"); and
- (b) the acquisition and development of resource property interests in Canada and the United States for the production of natural gas and associated products, and the supplemental procurement of natural gas from Canadian and U.S. producers under medium and long-term contract, for use as feed gas and fuel in the production of LNG at the Goldboro LNG Facility (collectively, the "**Upstream Activities**").

Pieridae carries on its business indirectly, through its several limited partnerships in which it holds an interest. Please refer to "*Part IV – Information Concerning Pieridae – Corporate Structure*" for more details on these entities. Pieridae's Midstream Activities are carried on

through its 99% interest in Goldboro Canada LP while its Upstream Activities in the United States and in New Brunswick are carried on through its 100% interest in Goldboro USA LP and its 20% interest in Production LP, respectively.



Principal Products or Services

The Pieridae Group is in the development stage of its Midstream Activities and is in the early acquisition stage of its Upstream Activities and therefore is not earning revenues from the sale of LNG, natural gas or any other product or service.

The Pieridae Group anticipates that it will produce and procure sufficient natural gas supply, and will secure sufficient pipeline transportation capacity, to be able to make a positive financial investment decision in relation to the proposed Goldboro LNG Facility on or before March 31, 2018 and that the construction and commissioning of the Goldboro LNG Facility will be completed approximately four years thereafter. No entity in the Pieridae Group has yet entered into a natural gas supply agreement for the Goldboro LNG Facility.

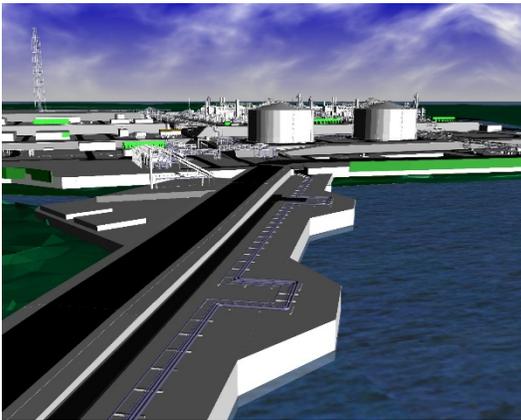
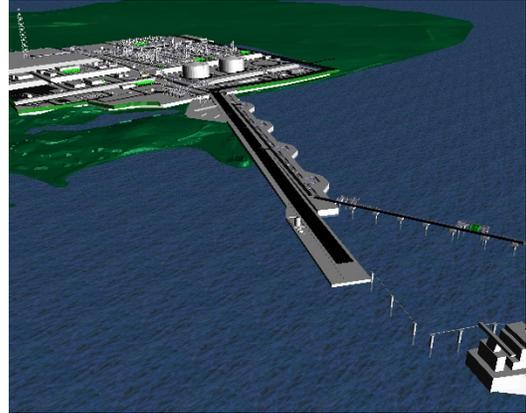
Operations

The Pieridae Group intends to engage experienced and reputable third party operators to safely and efficiently manage the production of natural gas and the operation of the Goldboro LNG Facility in accordance with all applicable laws.

The Goldboro LNG Facility

The Goldboro LNG Facility will be located on the Atlantic Ocean coast of the Municipality, approximately two kilometres from the communities of Goldboro in the West, and Drum Head in the East.

The Goldboro LNG Facility will include one or possibly two liquefaction trains, each with the annual production capacity of 5 MTPA of LNG, a power plant which will generate the electricity required to produce LNG, two LNG storage tanks as well as marine structures and a jetty which will be equipped to accommodate two LNG carriers of up to 250,000 m³ of LNG each. The following are engineering diagrams of the proposed Goldboro LNG Facility.



Goldboro Canada LP engaged CB&I UK Limited and CB&I Canada Limited which have completed the front end engineering and design of the Goldboro LNG Facility and Goldboro Canada LP is now preparing to request the open book estimate of the cost of the facility and to negotiate an engineering, procurement and construction contract.

In order to assist Goldboro Canada LP to secure project financing for the construction of the first train of the Goldboro LNG Facility, Uniper, on behalf of Goldboro Canada LP, filed a request under the "untied finance credit" program sponsored by the Federal Republic of Germany, for a preliminary determination of whether such project financing would qualify for a loan guarantee from the German federal government. The Application was reviewed by both PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Euler Hermes Deutschland A.G. which confirmed, as the joint representatives of the German government, that, in principle, construction of the first train of the Goldboro LNG Facility would qualify for a US \$3 billion loan guarantee under the untied finance credit program provided that, among other things, at least 1.5 MTPA of the LNG produced from the first train of the Goldboro LNG Facility is delivered by Uniper to the Netherlands for regasification and is then transported by pipeline to the Federal Republic of Germany for consumption in its domestic gas market. Uniper is contractually obligated, pursuant to the LNG Sale and Purchase Agreement to satisfy this condition at all relevant times.

Project Site Acquisition

On December 3, 2015 Pieridae Canada acquired the beneficial interest in and to the Project Site

from the Municipality in consideration for \$3.2 million. The Project Site consists of approximately 107.5 hectares (265.5 acres) of unimproved land situated within the Goldboro industrial park. The Project Site is a suitable location for the proposed Goldboro LNG Facility for several reasons including the fact that the Goldboro industrial park is the origination point of the main line of the Canadian portion of the Maritimes & Northeast Pipeline (the "**M&N Pipeline**") as well as the landfall site for the Sable natural gas pipeline. The Project Site also has sheltered access to the deep water of Isaacs Harbour.

Legal title to the Project Site is held by 9290834 as bare trustee and agent of Pieridae Canada pursuant to a declaration of bare trust and agency agreement made by 9290834 and Pieridae Canada as of November 4, 2015. A collateral mortgage in favour of the Bank of Nova Scotia is registered on title to the Project Site which secures the \$3.2 million loan, which was advanced by the Bank of Nova Scotia to Pieridae Canada on December 3, 2015 to purchase the Project Site from the Municipality. Pieridae Canada has the right, exercisable on sixty (60) days prior notice at any time before March 31, 2019, to require the Municipality to repurchase the Project Site for \$3.2 million on the terms and conditions of a put option registered against title to the Project Site. In addition, the Municipality has the right, exercisable on sixty (60) days prior notice, to repurchase the Project Site for \$3.2 million on the terms and conditions of a call option registered against title to the Project Site if Pieridae Canada either: (a) fails to make a final investment decision to proceed with the construction of the Goldboro LNG Facility on or before December 31, 2018; or (b) fails to obtain all regulatory permits that are necessary to construct the Goldboro LNG Facility on or before December 31, 2018.

Environmental Assessment

On March 21, 2014, the Minister approved the proposed Goldboro LNG Facility pursuant to section 40 of the *Environment Act* (Nova Scotia) and subsection 26(1) of the Environmental Assessment Regulations. The approval is subject to approximately forty conditions which are described in more detail at <http://novascotia.ca/nse/ea/goldboro-lng/conditions.pdf>.

One of the conditions (condition 1.3) requires that Pieridae Canada commences work on the Goldboro LNG Facility within two years of the issuance of the approval unless granted a written extension by the Minister. On August 6, 2015, the Minister issued to Pieridae Canada written confirmation that the deadline to commence work on the Goldboro LNG Facility is extended to March 21, 2018.

The Canadian Environmental Assessment Agency determined pursuant to paragraph 128(1)(c) of the *Canadian Environmental Assessment Act* (Canada) that a federal environmental assessment was not required to be obtained by Pieridae Canada in relation to the proposed Goldboro LNG Facility.

Environmental Protection

The Pieridae Group is subject to, and to the best of its knowledge is in compliance with, federal, provincial and municipal environmental legislation in all of its areas of activity. The Pieridae Group recognizes that it must conduct all of its activities in a manner that both protects and preserves the environment. To the knowledge of the directors and executive officers of Pieridae, as of the date of the Information Circular, there is no pending environmental legislation which would be likely to have a material impact on the activities, operations, capital expenditure requirements or competitive position of the Pieridae Group.

Pieridae Production Limited Partnership

On March 4, 2013, Pieridae entered into an agreement with Contact Exploration Inc. (subsequently Kicking Horse Energy Inc.) to establish Production LP in order to acquire and develop natural gas resources in New Brunswick. As at January 1, 2014, Pieridae, as a limited partner, had a 16.98% interest in Production LP and has made no further contributions to Production LP during that year. During 2015 Pieridae invested an additional \$750,000 in Production LP, increasing its ownership interest to 20%. Pieridae is entitled to contribute an additional \$14,125,000 to Production LP prior to any further funding by the other partner, and to thereby increase its ownership in Production LP to 50%. In late 2015 ORLEN Upstream Canada Ltd. acquired Kicking Horse Energy Inc.

There is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by Production LP of its natural gas resource properties in that province.

The LNG Purchase and Sale Agreement

Goldboro Canada LP and Uniper have entered into an agreement dated May 31, 2013, as amended on February 3, 2016 and June 2, 2017 (the "**LNG Sale and Purchase Agreement**") which contemplates the sale each year by Goldboro Canada LP, and the purchase by Uniper on a "take or pay" basis, of 4.8 MTPA of LNG for a term of 20 years commencing at the start of commercial deliveries of LNG. Title and risk to the LNG will pass from Goldboro Canada LP to Uniper at the point that the LNG passes from the Goldboro LNG Facility to the customer's LNG vessel. The price of the LNG is expressed in U.S. dollars and is determined primarily by reference to the prevailing price for natural gas quoted on a prescribed European index discounted for costs incurred by the customer for the transportation and regasification of the LNG. Under the terms of the LNG Sale and Purchase Agreement Uniper has the right to terminate the agreement in accordance with its terms, including in the event Goldboro Canada LP fails to meet certain milestone deadlines (and such deadlines are not extended as agreed to between Uniper and Goldboro Canada LP).

Labour Matters

In order to establish a basis for determining the labour component of the construction cost of the Goldboro LNG Facility and to ensure that the construction of the Goldboro LNG Facility is not interrupted by a labour dispute, Goldboro Canada LP negotiated a project special needs collective agreement (the "Collective Agreement") affecting 15 of the relevant trade unions in Nova Scotia, of which 13 have signed and ratified the Collective Agreement.

On May 8, 2017 Nova Scotia Construction Labour Relations Association Limited, acting as the bargaining agent of Goldboro Canada LP, applied to the Labour Board (Nova Scotia) pursuant to subsection 5(1) of the *Construction Project Labour Relations Act* (Nova Scotia) for an order declaring the Collective Agreement to be a project agreement and declaring it to be in effect and thereby binding on all relevant trade unions. This application was opposed by the Operating Engineers, Local 721 which had applied to the Labour Board (Nova Scotia) under subsections 14(1) and 15(1) of the *Construction Project Labour Relations Act* (Nova Scotia) for a hearing to determine whether or not the Collective Agreement has the requisite approval of 85% of the relevant trade unions. That hearing was held on July 27, 2017. On July 28, 2017 the Labour Board (Nova Scotia) issued order LB-1322 and order LB-1323 declaring that the Collective

Agreement is a project agreement and that it is effective commencing July 27, 2017 in accordance with subsection 5(3) of the *Construction Project Labour Relations Act* (Nova Scotia).

Market and Marketing Plans

Goldboro Canada LP has pre-sold substantially all of the LNG that will be produced from one of the two liquefaction trains planned for the Goldboro LNG Facility to Uniper under the LNG Sale and Purchase Agreement for a term of twenty years commencing at the start of commercial production.

Pieridae is currently in discussions with one or more potential customers for the pre-sale of the LNG that could be produced from the second liquefaction train planned for the Goldboro LNG Facility.

Regulatory - Canada

On August 13, 2015 the National Energy Board confirmed its decision, subject to the approval of the Governor in Council, to issue a licence to Goldboro Canada LP to:

- (a) export from Canada up to 16.675 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first export ("**Export Licence GL-313**"); and
- (b) import to Canada up to 11.845 billion cubic meters of natural gas each year for a period of twenty years commencing on the date of first import ("**Import Licence GL-314**").

On May 26, 2016, the Governor in Council approved Export Licence GL-313 and Import Licence GL-314 pursuant to section 117 of the *National Energy Board Act* (Canada).

Regulatory - United States

On May 22, 2015, the Department of Energy of the United States (the "**US DOE**") issued an order ("**Order No. 3639**") granting Goldboro USA LP authorization to export annually, by pipeline, up to 292 Bcf of natural gas sourced from the United States to Canada for end use in Canada or, after liquefaction in Canada, to export, by vessel, the LNG produced from such natural gas to countries with which the United States has a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of date of first export and May 22, 2022.

On February 5, 2016, the US DOE issued an order ("**Order No. 3768**") granting Pieridae USA, as the general partner of Goldboro USA LP, authorization to export annually, using the capacity of the U.S. portion of the M&N Pipeline that is in service as of February 5, 2016, up to 292 Bcf natural gas sourced from the United States to Canada for liquefaction in Canada and re-export as LNG to countries with which the United States does not have a free-trade agreement. This authorization is for a period of twenty years commencing on the earlier of the date of first commercial re-export and February 5, 2023. The volume of natural gas that is authorized for export under Order No. 3768 is not additive to the volume of natural gas that is authorized for export under Order No. 3639.

The regulatory history of the applications made by Goldboro USA LP, including a copy of Order No. 3639 and Order No. 3768, can be accessed at <https://energy.gov/fe/downloads/pieridae->

[energy-usa-ltd-fe-dkt-no-14-179-lng](#).

Both Order No. 3639 and Order No. 3768 are subject to certain reporting requirements and other conditions including the requirement to comply with the US DOE's Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas (79 FR 65541).

On December 18, 2015 Goldboro USA LP applied to the Assistant Secretary for Fossil Energy of the US DOE to approve the change of control of it occasioned by the acquisition by ORLEN Upstream Canada Ltd. of all of the issued and outstanding shares in the capital of Kicking Horse Energy Inc. which, at that time, owned (indirectly through KCK Atlantic Holdings Ltd.) approximately 10.77% of the issued and outstanding shares in the capital of Pieridae. On November 23, 2016, the US DOE notified Pieridae USA that the request for approval of the change in control is granted.

On May 21, 2017 Goldboro USA LP applied to the Assistant Secretary for Fossil Energy of the US DOE to approve the change of control of it occasioned by the proposed amalgamation of Pieridae and Pétrolia pursuant to the Arrangement. This application remains outstanding as of the date of this Information Circular.

On August 30, 2016, the US DOE promulgated the Revised Procedures Affecting Applications and Authorizations for the In-Transit Movement of Natural Gas (81 FR 59436) which clarify that in-transit shipments of natural gas are not "imports" or "exports" within the meaning of section 3 of the *Natural Gas Act* (15 U.S. Code Chapter 15B). Goldboro Canada LP intends to rely on, and to comply with, these procedures in respect to possible shipments of natural gas by pipeline from Western Canada through portions of the United States *en route* to the Goldboro LNG Facility. For these purposes an "in-transit" shipment of natural gas includes a shipment of natural gas from Canada that only temporarily passes through the United States before returning to Canada.

Employees

Pieridae presently has 5 employees (including 2 non-independent directors), 3 independent consultants and 3 independent directors.

Competition

The sale of LNG in the international market is highly competitive. In marketing LNG, Pieridae competes for the sale of LNG with a variety of competitors including (a) large multinational and large U.S. national corporations with longer operating histories, more development experience, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources and (b) oil and gas producers which sell or control LNG derived from their international natural gas properties.

Goldboro Canada LP has pre-sold substantially all of the production from one of the two proposed liquefaction trains of the Goldboro LNG Facility, being 4.8 MTPA of LNG, to Uniper for a term of 20 years on the terms and conditions of the LNG Sale and Purchase Agreement. The possible production of LNG from the second proposed liquefaction train remains unsold at this time.

The ability of Pieridae Canada to enter into other long-term sale and purchase agreements is subject to market volatility and other factors including changes in worldwide supply and demand

for natural gas and substitute products, the relative prices for natural gas, crude oil and substitute products in international markets, economic growth in developing countries, investment in energy infrastructure, the rate of fuel switching for power generation from coal, nuclear or oil to natural gas and access to capital markets.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION
AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table sets out certain financial information extracted from Pieridae's consolidated financial statements for the periods indicated.

\$000	Quarter Ended								Year Ended December 31		
	Mar. 31, 2017 ⁽¹⁾⁽²⁾	Dec. 31, 2016 ⁽¹⁾⁽²⁾	Sep. 30, 2016 ⁽¹⁾⁽²⁾	June 30, 2016 ⁽¹⁾⁽²⁾	Mar. 31, 2016 ⁽¹⁾⁽²⁾	Dec. 31, 2015 ⁽¹⁾⁽²⁾	Sep. 30, 2015 ⁽¹⁾⁽²⁾	June 30, 2015 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾⁽²⁾	2015 ⁽¹⁾⁽²⁾	2014 ⁽¹⁾⁽²⁾
Terminal Development	207	3,916	252	744	5,324	9,426	17,140	2,843	10,236	30,611	12,553
Employee Benefits	704	1,137	661	748	879	1,365	319	230	3,425	2,189	282
Interest Expense (Income)	381	395	383	373	384	127	6	(64)	1,535	78	91
Foreign Exchange Loss (Gain)	15	(437)	(136)	(340)	(210)	(907)	1,125	1,886	(1,123)	554	165
Other Expenses (net of Gains)	763	436	204	(1,025)	400	1,029	233	214	15	1,625	442
Net Loss	2,070	5,447	1,364	500	6,777	11,040	18,823	5,109	14,088	35,057	13,533
Total Current Assets	2,025	2,813	2,957	2,654	1,532	6,406	2,957	19,166	2,813	6,406	15,018
Investment in Production LP	3,824	3,854	3,890	3,920	3,950	3,980	3,980	3,980	3,854	3,980	3,343
Investment in Project Site	3,354	3,354	3,354	3,354	3,354	3,354	3,354	250	3,354	3,354	0
Other Assets	5	7	8	10	12	14	8	133	7	14	21
Total Assets	9,208	10,028	10,209	9,938	8,848	13,754	10,299	23,529	10,028	13,754	18,382
Accounts Payable	16,015	15,447	11,181	10,906	11,063	11,487	11,181	3,396	15,447	11,487	2,246
Promissory Notes	2,154	2,129	1,743	1,731	1,427	0	1,743	0	2,129	0	0
Mortgage on Project Site	3,200	3,200	3,200	3,200	3,200	3,200	3,200	0	3,200	3,200	0
Convertible Debt	6,420	6,297	6,013	6,367	6,214	6,487	6,013	0	6,297	6,487	0
Total Long Term Financial Liabilities	27,789	27,073	22,137	22,204	21,904	21,174	22,137	3,396	27,073	21,174	2,246
Share Capital	44,668	44,668	44,668	44,168	43,918	43,918	43,669	43,669	44,668	43,918	35,119
Warrants	0	0	0	500	0	0	0	0	0	0	0
Contributed Surplus	6,238	5,896	5,225	3,340	2,867	2,397	0	0	5,896	2,397	0
Deficit	70,866	68,808	63,359	62,004	61,516	54,807	43,864	25,245	68,808	54,807	20,085
Accumulated Other Comprehensive Income	1,479	1,287	1,679	1,862	1,795	1,125	2,754	1,657	1,287	1,125	1,016
Non-Controlling Interest	100	88	141	132	120	53	22	53	88	53	86
Total Equity (Deficiency)	(18,581)	(17,045)	(11,928)	(12,266)	(13,056)	(7,420)	2,537	20,134	(17,045)	(7,420)	16,136

Notes:

- (1) Information in the table is presented in accordance with IFRS.
- (2) Information in the table is derived from the unaudited interim financial statements of Pieridae for the March 31, June 30 and September 30 interim periods and from the audited financial statements for the years ended December 31, 2016, 2015 and 2014.

Trends

Pieridae's business is subject to certain trends and uncertainties. See the following risk factors set forth in "*Part IV - Information Concerning Pieridae - Risk Factors*":

- (a) *Substantial Capital Requirements;*
- (b) *Access to Equipment and Key Suppliers;*
- (c) *Operating Risks;* and
- (d) *Price and Cost Volatility.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pieridae's audited annual consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and the unaudited consolidated financial statements for the three-month period ended March 31, 2017 are attached to the Information Circular as Schedule "G".

Pieridae's management's discussion and analysis for the years ended December 31, 2016, 2015 and 2014 and for the three-month period ended March 31, 2017 are attached to this Information Circular as Schedule "G".

DESCRIPTION OF SHARE CAPITAL

Pieridae Shares

Pieridae is authorized to issue an unlimited number of Pieridae Shares. As at the date of the Information Circular, there are 15,599,157 Pieridae Shares issued and outstanding. The holders of Pieridae Shares are entitled to dividends if, as and when declared by the Pieridae Board, to one vote per share at meetings of the holders of Pieridae Shares and to receive all the assets of Pieridae as are distributable to the holders of Pieridae Shares upon liquidation.

Pieridae Options

The Pieridae Stock Option Plan provides that the Pieridae Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of Pieridae the option to purchase Pieridae Shares (the "**Pieridae Options**"). The Pieridae Stock Option Plan provides for a rolling maximum number of Pieridae Options available for grant equal to ten percent (10%) of the issued and outstanding Pieridae Shares at the time of grant, on a non-diluted basis.

The Pieridae Board determines the price per Pieridae Share and the number of Pieridae Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Pieridae Options. Periodic grants of Pieridae Options are based on individual performance, the position held with Pieridae and the overall performance of Pieridae. Previous grants of Pieridae Options are taken into account when considering new grants to directors, officers, employees and consultants of Pieridae.

As of the date of the Information Circular, Pieridae has outstanding Pieridae Options to acquire an aggregate of 1,625,000 Pieridae Shares at a weighted average exercise price of \$7.2032. The number of Pieridae Shares currently available upon the exercise of Pieridae Options inadvertently exceeds the rolling 10% limit of 1,559,915 Pieridae Shares established under the Pieridae Stock Option Plan by 62,668. However, the maximum number of Pieridae Options issuable under the Pieridae Stock Option Plan is anticipated to increase as a result of the Pieridae Private Placement and the conversion of the Pieridae Debenture into Pieridae Shares, which will rectify such excess. Furthermore, no Pieridae Shares have been issued upon the exercise of any Pieridae Options granted in contravention of the rolling 10% limit.

The following table sets forth information with respect to the Pieridae Options outstanding as of the date of the Information Circular.

Name	Option-based Awards				Share-based Awards		
	Number of Pieridae Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiry date ⁽²⁾	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of Pieridae Shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) (\$)
Alfred Sorensen	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Thomas Dawson	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Judson	200,000	\$9.00	June 13, 2021	\$700,000	N/A	N/A	N/A
Steve Harding	200,000	\$12.50	June 21, 2021	N/A	N/A	N/A	N/A
Other Employees	305,000	\$1.00	February 1, 2018	\$3,507,500	N/A	N/A	N/A
	200,000	\$12.50	October 19, 2021	N/A	N/A	N/A	N/A
	200,000	\$12.50	August 2, 2021	N/A	N/A	N/A	N/A
Independent Contractors	20,000	\$0.01	June 9, 2021	\$249,800	N/A	N/A	N/A
	300,000	\$1.00	January 19, 2018	\$3,450,000	N/A	N/A	N/A
	200,000	\$9.00	June 9, 2021	\$700,000	N/A	N/A	N/A

Notes:

- (1) Based on an assumed value of \$12.50 per share.
- (2) The right of the option holder to acquire the Pieridae Shares will vest immediately prior to a "change of control" of Pieridae. It is anticipated that the Arrangement, if approved, will qualify as a change of control of Pieridae.

DIVIDENDS AND DISTRIBUTIONS

Pieridae has not paid or declared payable any dividends to the holders of Pieridae Shares. See "*Part V - Information Concerning Amalco*" for a description of the anticipated dividend policy in respect of Amalco.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table provides the number of each class and series of voting or equity securities of Pieridae for which there are securities outstanding and each class and series of securities of Pieridae which are convertible into, or exercisable or exchangeable for, voting or equity securities of Pieridae, as at the date of the Information Circular:

Security	Amount Authorized	Amount Outstanding	Terms
Pieridae Shares ⁽¹⁾	Unlimited	15,599,157 ⁽³⁾	See "Part IV - Information Concerning Pieridae - Description of Share Capital"
Pieridae Options	1,559,915	1,625,000 ⁽⁴⁾	See "Part IV - Information Concerning Pieridae - Description of Share Capital"
Pieridae Debenture	N/A	Undeterminable ⁽²⁾	See Note 2 below

Notes:

- (1) Pursuant to the Arrangement Agreement, Pieridae completed the Pieridae Private Placement on August 25, 2017, for an aggregate of 1,970,600 Pieridae Subscription Receipts at a price of \$12.50 per Pieridae Subscription Receipt for net proceeds of \$24,632,500. See "Part IV - Information Concerning Pieridae - History".
- (2) The Pieridae Debenture is convertible into Pieridae Shares (at the option of Pieridae) at a price of \$12.50 per share. The Pieridae Debenture is to be converted prior to the completion of the Arrangement. The number of Pieridae Shares issuable upon conversion will depend on the daily exchange rate of the U.S. dollar published by the Bank of Canada on the day preceding the conversion.
- (3) Prior to the completion of the Arrangement, Pieridae intends to issue an aggregate of 24,167 Pieridae Shares to current and former employees of Pieridae as partial payment for bonuses earned by such employees.
- (4) The number of Pieridae Shares currently available upon the exercise of Pieridae Options inadvertently exceeds the rolling 10% limit of 1,559,915 Pieridae Shares established under the Pieridae Stock Option Plan by 62,668. However, the maximum number of Pieridae Options issuable under the Pieridae Stock Option Plan is anticipated to increase as a result of the Pieridae Private Placement and the conversion of the Pieridae Debenture into Pieridae Shares, which will rectify such excess. Furthermore, no Pieridae Shares have been issued upon the exercise of any Pieridae Options granted in contravention of the rolling 10% limit.

PRIOR SALES

The following tables summarize the issuances by Pieridae of Pieridae Shares or securities convertible into Pieridae Shares in the 12-month period prior to the date of the Information Circular:

Date of Issue	Number and Type of Security	Issue Price Per Security	Aggregate Issue Price	Nature of Consideration
July 1, 2016	55,556 Pieridae Shares	\$9.00	\$500,004	Cash

Trading Volume and Price

None of the Pieridae Shares or Pieridae Options are traded or quoted on any stock exchange.

Securities Subject to Contractual Restriction on Transfer

None of the Pieridae Shares or Pieridae Options are subject to any contractual restriction on transfer.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of Pieridae, as of the date of the Information Circular, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities of Pieridae carrying ten percent or more of the voting rights attached to any class of voting securities of Pieridae other than as set forth below:

Name	Number of Pieridae Shares	Percentage of Pieridae Shares
Alfred Sorensen Holdings Ltd. ⁽¹⁾	3,591,781	23.03%
Jayvee & Co. (on behalf of Canoe Financial L.P.)	1,677,778	10.76%
KCK Atlantic Holdings Ltd.	1,669,411	10.70%

Notes:

- (1) Alfred Sorensen Holdings Ltd. is a private corporation controlled by Alfred Sorensen, the President and Chief Executive Officer of Pieridae.

CONSOLIDATED CAPITALIZATION

The following table sets forth the share and loan capitalization of Pieridae.

Designation	Authorized	Amount Outstanding as at December 31, 2016	Amount Outstanding as at June 12, 2017
Pieridae Shares ⁽¹⁾⁽²⁾	Unlimited	\$44,668,536 (15,599,157 shares)	\$44,668,536 (15,599,157 shares) ⁽⁶⁾
Pieridae Debenture ⁽³⁾	N/A	US\$5 million	\$US5 million ⁽⁴⁾
Pieridae Bank Loan ⁽⁵⁾	\$3,200,000	\$3,200,000	\$3,200,000

Notes:

- (1) As at the date of the Information Circular, Pieridae has an aggregate of: (i) 605,000 Pieridae Options outstanding with an exercise price of \$1.00 per share of which 300,000 expire on January 19, 2018 and 305,000 expire on February 1, 2018; (ii) 20,000 Pieridae Options outstanding with an exercise price of \$0.01 per share expiring on June 9, 2021; (iii) 400,000 Pieridae Options outstanding with an exercise price of \$9.00 per share 200,000 of which expire on June 13, 2021 and 200,000 expire on June 9, 2021; and 600,000 Pieridae Options outstanding with an exercise price of \$12.50 per share of which 200,000 expire on June 21, 2021, 200,000 expire on October 19, 2021 and 200,000 expire on August 2, 2021. See "Part IV - Information concerning Pieridae - Description of Share Capital".
- (2) Pursuant to the Arrangement Agreement, Pieridae completed the Pieridae Private Placement on August 25, 2017, for an aggregate of 1,970,600 Pieridae Subscription Receipts at a price of \$12.50 per Pieridae Subscription Receipt for net proceeds of \$24,632,500. See "Part IV - Information Concerning Pieridae - History"
- (3) The Pieridae Debenture is convertible into Pieridae Shares (at the option of Pieridae) at a price of \$12.50 per share. The Pieridae Debenture is to be converted prior to the completion of the Arrangement. The number of Pieridae Shares issuable upon conversion will depend on the daily exchange rate of the U.S. dollar published by the Bank of Canada on the day preceding the conversion.
- (4) Equivalent to C\$6,300,000 based on the daily exchange rate on August 17, 2017 of 1.26 published by the Bank of Canada.
- (5) Secured by a mortgage on the Project Site.
- (6) Prior to the completion of the Arrangement, Pieridae intends to issue an aggregate of 24,167 Pieridae Shares to current and former employees of Pieridae as partial payment for bonuses earned by such employees.

DIRECTORS AND EXECUTIVE OFFICERS

The Pieridae Board presently consists of five directors, all of whom are elected annually to hold office until the next annual meeting of shareholders or until his or her successor is duly elected or appointed unless his office is earlier vacated in accordance with the provisions of the CBCA, Pieridae's by-laws or the Arrangement.

The name, municipality of residence, position presently held with Pieridae, principal occupation during the last five years, the period served as director, and the number of Pieridae Shares beneficially owned, directly or indirectly, or over which each exercises control or direction as of

the date of the Information Circular, of each of the directors and officers of Pieridae, are as follows:

Name, Position Held with Pieridae and Municipality of Residence	Principal Occupation for Past Five Years	Director Since	Pieridae Securities Beneficially Owned or Controlled, Directly or Indirectly, as of the date of the Information Circular
Alfred Sorensen <i>Director, President and Chief Executive Officer</i> Calgary, Alberta	President and CEO of Pieridae since its founding in 2012. Prior thereto, a principle founder of Galveston LNG, Inc.	May 29, 2012	3,591,781 ⁽¹⁾
Thomas Dawson <i>Director and Chief Operating Officer</i> Calgary, Alberta	Chief Operating Officer of Pieridae since May 2012. Prior thereto, a principle founder of Galveston LNG, Inc.	May 29, 2012	1,180,000 ⁽²⁾
Andrew Judson <i>Director</i> Calgary, Alberta	Managing Director of Camcor Partners Inc. since 2013, a general partner and investment manager for a series of limited partnerships mandated to invest in the Canadian upstream energy industry. Prior thereto, a Managing Director with FirstEnergy Capital Corp. since September 2007.	June 12, 2015	Nil
Steve Harding <i>Director</i> Calgary, Alberta	Chief Executive Officer of Kicking Horse Oil and Gas Ltd. since August 2016, a Calgary-based energy company. Prior thereto, President and CEO of Contact Exploration Inc. (presently Kicking Horse Energy Inc.) from April 2010 to December 2015 and President and CEO of American Exploration Corp. (presently Spotlight Innovations Inc.) from October 2008 to November 2013.	July 16, 2013	Nil
Matthew Rees <i>Director</i> Calgary, Alberta	President and Chief Executive Officer of ORLEN Upstream Canada Ltd. since June, 2015. Prior thereto, held positions with Talisman Energy Inc. and Petro-Canada Oil & Gas in the U.K., Colombia, and Canada.	December 17, 2015	Nil

Notes:

- (1) These Pieridae Shares are held by Alfred Sorensen Holdings Ltd., a private corporation controlled by Mr. Sorensen. In addition, the Pieridae Debenture held by Alfred Sorensen Holdings Ltd. is convertible into Pieridae Shares at a price of \$12.50 per share. The Pieridae Debenture is to be converted prior to the completion of the Arrangement. The number of Pieridae Shares issuable upon conversion will depend on the daily exchange rate published by the Bank of Canada on the day preceding the conversion.
- (2) These Pieridae Shares are held by Thomas Dawson Holdings Ltd., a private corporation controlled by Mr. Dawson.

Ownership of Shares

As at the date of the Information Circular, the directors and executive officers of Pieridae, as a group, beneficially own, or control or direct, directly or indirectly, 4,771,781 Pieridae Shares being approximately 30.59% of the issued and outstanding Pieridae Shares (on a non-fully diluted basis).

Cease Trade Orders

To the knowledge of the directors and executive officers of Pieridae, as of the date of the Information Circular, no director or executive officer of Pieridae is, as of the date of the Information Circular, or was, within the ten years before the date of the Information Circular, a director, chief executive officer or chief financial officer of any company (including Pieridae or any Affiliate thereof) that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied that company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued: (i) while such person was acting in that capacity; or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

To the knowledge of the directors and executive officers of Pieridae, as of the date of the Information Circular, other than as set out below, no director or executive officer of Pieridae, or shareholder holding a sufficient number of securities to affect materially the control of Pieridae is, as of the date of the Information Circular, or has been, within ten years before the date of the Information Circular, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of management, no director or executive officer of Pieridae, or shareholder holding a sufficient number of securities to affect materially the control of Pieridae has, within the ten years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the directors and executive officers of Pieridae, as of the date of the Information Circular, no director or executive officer of Pieridae, or shareholder holding a sufficient number of securities to affect materially the control of Pieridae has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Pieridae will be subject in connection with the operations of Pieridae. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

Management and Directors

Each of the members of management devotes the majority of his time to Pieridae's business and each of the members of the Pieridae Board devotes such amount of time as is required to fulfill their duties and obligations as directors of Pieridae. The following is a brief description of each of the members of the Pieridae Board and management.

Alfred Sorensen — Chief Executive Officer and Director

Mr. Sorensen is the CEO of Pieridae since its founding in 2012. He is a chartered professional accountant and a leader in the energy industry with over 30 years of Canadian and international experience. Mr. Sorensen served as the CEO of Canadian Spirit Resources from 2013 to 2015. From 2003 to 2010 Mr. Sorensen was the CEO and a founder of Galveston LNG. Galveston LNG's Kitimat LNG project was the first new liquefaction facility permitted in North America in 40 years and is now owned by Chevron and Woodside Petroleum. Prior to Galveston LNG, he was President of Duke Energy Europe and before that President at Duke Energy Canada.

Thomas Dawson — Chief Operating Officer and Director

Mr. Dawson has been active in the energy industry for 30 years and is the Chief Operating Officer of Pieridae. He has been involved in the LNG industry for 15 years, including projects in Canada, Australia and the Middle East. Mr. Dawson was one of the principle founders of Galveston LNG. Galveston LNG's Kitimat LNG project was the first new liquefaction facility permitted in North America in 40 years and is now owned by Chevron and Woodside Petroleum. He has been involved in trading for natural gas, crude oil, electricity and currency markets with several large energy-trading companies from 1992 to 2002. He has served on utility risk management committees of a number of Canadian energy utilities. Mr. Dawson has also sat on the boards of several Canadian junior oil and gas companies.

Andrew Judson — Director

Since 2013, Mr. Judson has been a Managing Director of Camcor Partners Inc., a general partner and investment manager for a series of limited partnerships mandated to invest in the Canadian upstream energy industry. Previously he was a Managing Director with energy focused boutique investment dealer FirstEnergy Capital Corp. with offices in Calgary and London, helping lead the capital markets group. Mr. Judson was responsible for covering some of the largest institutional investors in Canada, the United States and Europe, and advising on their energy related investments. Mr. Judson has extensive board governance experience and serves on several boards of directors of Camcor portfolio companies.

Matthew Rees — Director

Mr. Rees is the President and Chief Executive Officer of ORLEN Upstream Canada Ltd., an oil and gas exploration and production company based in Calgary. Mr. Rees is a Professional Engineer with extensive experience in Western Canadian and international onshore and offshore oil and gas operations. He holds a Mechanical Engineering degree from University of Victoria and a Master's in Business Administration, from University of Calgary. Mr. Rees has a broad range of experience including Reservoir and Production Engineering, Business Development, Commercial Transactions and Corporate Planning in Canada, Latin America and the United Kingdom. Mr. Rees previously held positions with Talisman Energy and Petro-Canada Oil & Gas in the U.K., Colombia and Canada.

Steve Harding — Director

Mr. Harding is currently Chief Executive Officer of Kicking Horse Oil and Gas Ltd., a Calgary-based energy company. Mr. Harding is a Professional Geologist with over 30 years of experience, including President and CEO of Contact Exploration Inc. (presently Kicking Horse Energy Inc.) from April 2010 until December 2015 and CEO of American Exploration Corp. (presently Spotlight Innovations Inc.) from October 2008 until November 2013. He holds a B.Sc. in Geology from McMaster University and and M.Sc.in Geology from the University of Alberta.

EXECUTIVE COMPENSATION

For the purpose of this section a "CEO" means each individual who served as Chief Executive Officer of Pieridae during the most recently completed financial year. A "Named Executive Officer" means the CEO and each of Pieridae's three (3) most highly compensated executive officers, other than the CEO, who were serving as executive officers at the end of the most recently completed financial year of Pieridae, regardless of the amount of compensation; and any additional individuals (other than the CEO) for whom disclosure would have been provided except that the individual was not serving as an officer of Pieridae nor acting in a similar capacity at the end of the most recently completed financial year-end.

Pieridae had two Named Executive Officers for the fiscal year ended December 31, 2016: Alfred Sorensen, President and Chief Executive Officer, and Thomas Dawson, Chief Operating Officer. The position of Chief Financial Officer is presently vacant. The aggregate remuneration paid or payable to the Named Executive Officers for services rendered to Pieridae during the financial year ended December 31, 2016 was \$605,000.

Compensation Committee

The Pieridae Board has not established a Compensation Committee.

Compensation Discussion and Analysis

Pieridae's executive compensation program is comprised of base salary only.

Summary Compensation Table

The following table sets forth compensation paid during three most recently completed financial years to the Named Executive Officers of Pieridae.

Name and Principal Position	Year Ended December 31	Salary ⁽¹⁾	Share-Based Awards (\$)	Option Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Alfred Sorensen	2016	\$330,000	N/A	N/A	N/A	N/A	N/A	\$330,000
	2015	\$330,000	N/A	N/A	N/A	N/A	N/A	\$330,000
	2014	\$240,000 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	\$240,000
Thomas Dawson	2016	\$275,000	N/A	N/A	N/A	N/A	N/A	\$275,000
	2015	\$275,000	N/A	N/A	N/A	N/A	N/A	\$275,000

Name and Principal Position	Year Ended December 31	Salary ⁽¹⁾	Share-Based Awards (\$)	Option Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
	2014	\$240,000 ⁽³⁾	N/A	N/A	N/A	N/A	N/A	\$240,000

Notes:

- (1) No Named Executive Officers who also act as directors of Pieridae received any compensation for services as directors of Pieridae during the financial years ended December 31, 2014, December 31, 2015 and December 31, 2016.
- (2) Earned as a consultant through Alfred Sorensen Holdings Ltd.
- (3) Earned as a consultant through Thomas Dawson Holdings Ltd.

Incentive Plan Awards

Pieridae has issued an aggregate of 1,625,000 Pieridae Options to directors, officers, employees and independent contractors of the Pieridae Group, each entitling the holder to acquire one (1) Pieridae Share exercisable at prices ranging from \$0.01 to \$12.50 per Pieridae Share. Pursuant to the option agreements in respect of such Pieridae Options, the term for the Pieridae Options is generally 5 years from the date of grant, unless extended by the Pieridae Board.

No option-based awards or share-based awards were granted to either of the Named Executive Officers of Pieridae.

Termination and Change of Control Benefits

The employment arrangement with the Named Executive Officers does not expressly provide for the payment of termination benefits whether such termination is without cause or arising on a change of control.

Compensation of Directors

Director Compensation Table

The following table sets forth the value of all compensation provided to the directors, not including those directors who are also Named Executive Officers, for the year ended December 31, 2016.

Name and Principal Position	Fees Earned (\$)	Share-Based Awards (\$)	Option Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Andrew Judson	N/A	N/A	N/A ⁽¹⁾	N/A	N/A	N/A	N/A
Steve Harding	N/A	N/A	N/A ⁽¹⁾	N/A	N/A	N/A	N/A
Matthew Rees	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) No value can be attributed to the option-based awards made to Andrew Judson and Steve Harding as Pieridae is a private company whose securities do not trade on any exchange.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the option-based awards and share-based awards granted to the directors of Pieridae, not including those directors who are also Named Executive Officers and which were outstanding at the end of the financial year ended December 31, 2016.

Name	Option-based Awards				Share-based Awards		
	Number of Pieridae Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^{(1) (2)} (\$)	Number of shares or units of shares that have not vested (#)	Market or Payout value of share-based awards that have not vested (\$)	Market or Payout value of share-based awards not paid out or distributed (\$)
Andrew Judson	200,000	\$9.00	June 13, 2021	\$700,000	N/A	N/A	N/A
Steve Harding	200,000	12.50	June 21, 2021	N/A	N/A	N/A	N/A
Matthew Rees	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) The right of the option holder to acquire the Pieridae Shares will vest immediately prior to a “change of control” of Pieridae. It is anticipated that the Arrangement, if approved, will qualify as a change of control of Pieridae.
- (2) Based on a value of \$12.50 per Pieridae Share.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors during the most recently completed financial year.

Name	Option-based awards (value vested during the year) \$	Share-based awards (value vested during the year) \$	Non-equity incentive plan compensation (value earned during the year) \$
Alfred Sorensen	N/A	N/A	N/A
Thomas Dawson	N/A	N/A	N/A
Andrew Judson	N/A ⁽¹⁾	N/A	N/A
Steve Harding	N/A ⁽¹⁾	N/A	N/A
Matthew Rees	N/A	N/A	N/A

Notes:

- (1) No value can be attributed to the option-based or share-based awards vested during the year as Pieridae is a private company whose securities do not trade on any exchange.

EQUITY COMPENSATION PLANS

Other than the Pieridae Stock Option Plan, Pieridae does not have any compensation plans under which Pieridae Shares are authorized for issue. The following table sets forth information regarding Pieridae's equity compensation plan as at December 31, 2016:

Plan Category	Number of Pieridae Shares to be issued upon exercise of outstanding options (a) ⁽¹⁾	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issue under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders (being the Pieridae)	1,625,000	\$7.2032 per share	nil

Plan Category	Number of Pieridae Shares to be issued upon exercise of outstanding options (a) ⁽¹⁾	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issue under equity compensation plans (excluding securities reflected in column (a)) (c)
Stock Option Plan)			
Total	1,625,000	\$11,705,200	nil

Notes:

- (1) The number of authorized but unissued Pieridae Shares that may be subject to Pieridae Options at any time, plus the number of Pieridae Shares that have been issued prior to such time on exercise of Pieridae Options granted under the Pieridae Stock Option Plan, may not exceed 10% of the issued and outstanding Pieridae Shares from time to time. No Options granted under the Pieridae Stock Option Plan have been exercised. As of the date of the Information Circular, there are 1,625,000 Pieridae Options outstanding, representing approximately 10.4% of the outstanding Pieridae Shares. However, the limit is anticipated to increase as a result of the Pieridae Private Placement and the conversion of the Pieridae Debenture into Pieridae Shares, which will rectify any such excess. As of the date of the Information Circular, no Pieridae Options remain available for issue under the Pieridae Stock Option Plan.

Pension Plan Benefits

Pieridae has not established a pension plan, a defined benefit plan or any retirement savings programs for the Named Executive Officers or other employees of the Pieridae Group.

Deferred Compensation Plans

Pieridae has not established a deferred compensation plan for the Named Executive Officers or other employees of the Pieridae Group.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer or employee of Pieridae nor any affiliates or associate of such persons is as of the date of the Information Circular indebted to Pieridae or to any of its subsidiaries, or to any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Pieridae.

No person who is or was, at any time during the most recently completed financial year of Pieridae, a director or executive officer of Pieridae nor any associate of any such person, is or at any time since the beginning of the most recently completed financial year of Pieridae has been indebted to the Pieridae Group or whose indebtedness to another entity is or at any time since the beginning of the most recently completed financial year of Pieridae has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Pieridae Group under securities purchase program or any other program.

CORPORATE GOVERNANCE AND COMMITTEES

General

The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 - *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers. In addition, the CSA have implemented National Instrument 58-101-*Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by reporting issuers of their corporate governance practices. While such guidelines do not apply to Pieridae as a non-reporting issuer, the Pieridae Board believes

that good corporate governance improves corporate performance and benefits all shareholders, certain corporate governance disclosure in respect of Pieridae is presented below.

Board of Directors

The Pieridae Board is comprised of five directors, of which three are independent for the purposes of NI 58-101, therefore a majority of the Pieridae Board is comprised of independent directors. Alfred Sorensen and Thomas Dawson are not independent as each of them is an executive officer of Pieridae.

There are no committees of the Pieridae Board and no special structures or processes are in place to facilitate the functioning of the Pieridae Board independently of Pieridae's management. However, the independent directors are given full access to management so that they may express their views and communicate their expectations of the management.

There were five meetings of the Pieridae Board during the financial year ended December 31, 2016 and one meeting of the Pieridae Board in the current financial year to date. The following table summarizes those meetings of the Pieridae Board and the attendance of individual directors of Pieridae at such meetings.

Director	Number of Meeting Attended
Alfred Sorensen	six
Thomas Dawson	six
Andrew Judson	five
Steve Harding	six
Matthew Rees	four

Other Reporting Issuers

The following directors and officers of Pieridae are, or have been within the previous five years of the date of the Information Circular, a director, officer or promoter of the following reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Alfred Sorensen	Canadian Spirit Resources Inc. (Alberta)	TSX-V	Director	January 2012	present
			Chief Executive Officer	April 2012	September 2014
Steve Harding	Kicking Horse Energy Inc. (formerly Contact Exploration Inc.)	TSX-V	Chief Executive		

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
	(Alberta)		Officer and Director	April 2010	December 2015
	Claren Energy Corp. (formerly Terra Nova Energy) (Alberta)	TSX-V	Director	April 2012	present
	Huntington Exploration Inc. (Alberta)	TSX-V	Director	October 2011	March 2013
	Spotlight Innovation Inc. (formerly American Exploration Corp.) (Nevada)	OTCBB	Chief Executive Officer and Director	October 2008	November 2013

Board Mandate

The Pieridae Board does not have a written mandate but has delineated duties verbally including, among other duties and responsibilities, the duty: (a) to approve and monitor the strategic, business and financial plans of Pieridae, (b) to supervise performance and succession planning of senior officers, (c) to assess the principal risk factors relating to the business of Pieridae and (d) to monitor and oversee the integrity of the financial reporting and disclosure.

Every director is required to act honestly and in good faith and in the best interests of Pieridae and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management remain those of the full Pieridae Board.

The Pieridae Board has not developed formal written position descriptions for the President, Chief Executive Officer or chairman of the Pieridae Board.

Board Committees

As a non-reporting issuer, Pieridae is not required to have, and the Pieridae Board has not established, an Audit Committee or any other committees of the Pieridae Board.

Pre-Approval Policies

Any proposed audit and permitted non-audit services (as identified by the Pieridae Board at the time the annual audit engagement is approved) to be provided by the external auditor to Pieridae must receive prior approval from the Pieridae Board.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to Pieridae, respectively, for professional services rendered by Ernst & Young LLP, Chartered Professional Accountants, during fiscal 2016 and 2015 and were paid or estimated to be payable for services in the year indicated:

Ernst & Young LLP	2016 (\$)	2015 (\$)
Audit Fees ⁽¹⁾	\$15,000	\$15,000
Audit Related Fees	\$0	\$0
Tax Fees	\$0	\$0
All Other Fees	\$0	\$0
Total⁽²⁾	\$15,000	\$15,000

Notes:

- (1) Audit fees were for professional services rendered by the auditors for the audit of Pieridae's annual consolidated financial statements.
- (2) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on Pieridae's behalf. These additional costs are not material as compared to the total professional services fees for each year.

Orientation and Continuing Education of Board Members

The Pieridae Board meetings are usually held at the offices of Pieridae and are combined with presentations by Pieridae's management and employees to give the directors additional insight into Pieridae's business. In addition, management of Pieridae makes itself available for discussion with all Pieridae Board members. Although Pieridae does not currently have any formal ongoing education programs for directors, the services of outside experts may be retained for specific matters.

Measures to Encourage Ethical Business Conduct

The Pieridae Board relies upon Pieridae's practices for appointing hiring and retaining directors, officers, employees and consultants whom it considers as meeting the highest ethical standards to promote a culture of ethical business conduct. In addition, Pieridae has established a code of business conduct and ethics sets out the basic principles to guide Pieridae's personnel in the performance of their duties and services. All directors, officers, employees and contractors must conduct themselves accordingly and seek to avoid even the appearance of improper behaviour. Refer to <http://pieridaeenergy.com/about-us/governance-and-ethics> for additional information.

The Pieridae Board has implemented levels of authority within Pieridae's organization which impose limitations and checks on the types of decisions that may be taken by any particular individual. This applies to various financial and other business-related decisions ranging from making purchase orders to setting budgets.

The Pieridae Board itself must comply with the conflict of interest provisions of the CBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director and executive officer has a material interest.

Assessment of the Board of Directors

The Pieridae Board conducts an annual performance evaluation for the Pieridae Board as a whole and of each individual member of the Pieridae Board.

Nomination of Board Members

The Pieridae Board considers its size each year when it considers the number and expertise of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account independence and the number required to carry out the Pieridae Board duties effectively and to maintain a diversity of view and experience.

The Pieridae Board does not have a nominating committee. The functions of a nominating committee are currently performed by the Pieridae Board as a whole. However, if there is a change in the number of directors required by Pieridae, this policy will be reviewed. The entire Pieridae Board is responsible for identifying and interviewing qualified candidates. Prior to nominating or appointing individuals as directors, the Pieridae Board will consider the following: (a) the competencies and skills the Pieridae Board, as a whole, should possess and (b) the competencies and skills each existing director possesses.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained in the Information Circular. The risks described below are not an exhaustive description of all the risks associated with Pieridae's businesses. Please also refer to “Part II – The Arrangement – Risk Factors Related to the Arrangement”, “Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement” and “Part III – Information Concerning Pétrolia – Risk Factors” in this Information Circular.

Failure to Complete the Arrangement

The Arrangement is subject to the satisfaction or waiver of certain conditions including, but not limited to, approval of the Arrangement by the shareholders of each of Pétrolia and Pieridae, Court approval of the Arrangement, and the normal commercial risk that the transaction may not be completed on the terms negotiated or at all. As a result of the conditions, there can be no assurance that the Arrangement will be completed on the terms agreed upon in the Arrangement Agreement.

Termination in the Event of a Change Constituting a Material Adverse Change or Material Adverse Effect

In certain circumstances, the Arrangement Agreement may be terminated in the event of a change that constitutes a Material Adverse Effect. There can be no assurance that a change that constitutes a Material Adverse Effect will not occur prior to the Effective Date, in which case, the Arrangement Agreement may be terminated and the Arrangement would not proceed.

Payment of Termination Fee upon the Occurrence of Certain Events

If the Arrangement Agreement is terminated in certain circumstances, pursuant to its terms, Pieridae will be required to pay the Termination Fee to Pétrolia described under the heading "*Part II - The Arrangement - The Arrangement Agreement - Mutual Covenants regarding Non-Solicitation*". There can be no assurance that such circumstances will not occur, in which case the Arrangement would not proceed and Pieridae would be required to pay such Termination Fee.

Forward-Looking Information may prove inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Competition

The natural gas and LNG industries in which the Pieridae Group conducts its business is competitive. Goldboro Canada LP competes with numerous other participants to attract and retain customers for its LNG production. Goldboro Canada LP's competitors include large multinational energy corporations and government owned entities which have far greater financial and physical resources than those of the Pieridae Group and which enable them produce and market LNG at competitive prices. There is no assurance that Goldboro Canada LP will be able to negotiate an LNG sales and purchase agreement with any new customers on favourable terms or that Uniper will not terminate the LNG Sale and Purchase Agreement in accordance with its terms.

Potential Customer Default

Before signing any LNG sale and purchase agreement, Goldboro Canada LP seeks to satisfy itself that the potential customer has adequate resources to satisfy its financial obligations under such agreement. Goldboro Canada LP's future results and liquidity are substantially dependent upon the performance by its customers, including Uniper, of their respective obligations under their long-term LNG sale and purchase agreement with Goldboro Canada LP, including the payment of LNG which is delivered or deliverable under such agreement. Goldboro Canada LP is also exposed to the credit risk of any guarantor of these customers' obligations under their respective agreement in the event that Goldboro Canada LP must seek recourse under a supporting guarantee. If any customer and its guarantor fail to perform their respective contractual obligations, Goldboro Canada LP's business, contracts, financial condition, operating results, cash flow, liquidity and prospects could be materially and adversely affected even if Goldboro Canada LP is ultimately successful in seeking damages from that customer or its guarantor for any such contractual breach.

Substantial Capital Requirements

Goldboro Canada LP will not earn revenues from the sale of LNG until the first train of the Goldboro LNG Facility is fully constructed, and the commercial production of LNG commences, which is not anticipated to occur until the end of 2022 at the earliest. Moreover, during the next four years Goldboro Canada LP anticipates making substantial capital expenditures for the development and construction of the Goldboro LNG Facility and for the acquisition and development of natural gas resource properties and the production of natural gas for use as feed gas and fuel in the production of LNG. Any construction delays beyond 2022 would prolong, and could increase the level of, operating losses and negative operating cash flows. Goldboro Canada LP's future liquidity may also be adversely affected by delays in the availability of project financing and equity investment in relation to the incurrence of construction expenditures and other outflows. Many factors (including factors beyond Goldboro Canada LP's control) could result in a disparity between the availability of capital and the uses of capital including factors such as construction delays and breaches of agreements. There can be no assurance that debt

financing or equity investment will be available or sufficient to meet these requirements or for other corporate purposes or, if debt financing or equity investment is available, that it will be on terms acceptable to Goldboro Canada LP. Moreover, future activities may require Goldboro Canada LP to alter its capitalization significantly. The inability of Goldboro Canada LP to access sufficient capital for its development plans and operations could have a material adverse effect on its financial condition, results of operations or prospects.

Additional Equity Requirements

The Pieridae Group does not expect to receive positive cash flow from its integrated operations until at least the end of 2022 and will need to raise substantial amounts of capital during the next four years in order to fund the substantial capital expenditures that will be required to construct the Goldboro LNG Facility and to acquire and procure a sufficient supply of natural gas. Accordingly, Pieridae anticipates that it will need to raise equity investment through the issuance of additional Pieridae Shares which will dilute the proportionate interests of Pieridae's existing shareholders.

Dilution

Pieridae may make future acquisitions and will enter into financings or other transactions involving the issuance of securities of Pieridae which will dilute the proportionate interests of Pieridae's existing shareholders.

Issuance of Debt

From time to time Pieridae may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Pieridae's debt levels above industry standards. In order to construct the Goldboro LNG Facility and to acquire and procure a sufficient supply of natural gas and to reserve sufficient pipeline transportation capacity, Pieridae will be required to secure debt financing, either with or without additional equity investment, that may not be available or, if available, may not be available on favorable terms. Neither Pieridae's articles nor its by-laws limit the amount of indebtedness that Pieridae may incur. The level of Pieridae's indebtedness from time to time could impair Pieridae's ability to obtain additional debt financing in the future on a timely basis to take advantage of business opportunities that may arise. The terms of such debt financing may restrict the distributions that Pieridae can make to its shareholders, and the payments that its Affiliates can make to Pieridae, in certain events and limit the indebtedness that Pieridae and its Affiliates may incur. These restrictions may, in turn prevent Pieridae and its Affiliates from entering into potentially beneficial transactions such as acquiring certain assets or making certain investments and selling or transferring certain assets.

Global Financial Volatility

Pieridae is reliant on the global financial market in order to secure project financing and equity investment. The global financial market is subject to significant volatility due to a variety of factors including fears by lenders and investors that the global economies are vulnerable to recession which could cause central banks and the governments to increase debt in an effort to ameliorate the concomitant recessionary effects. As a result of these global conditions, Pieridae is subject to increased counterparty risk and liquidity risk. Pieridae is exposed to various counterparty risks including, but not limited to: (a) financial institutions that hold the cash of Pieridae or provide available project financing and other debt funding and (b) the insurance

providers of Pieridae. As a result, the cash of Pieridae may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, Pieridae would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

Pieridae will also be exposed to liquidity risk in the event its future cash position declines or becomes inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or demand for natural gas in Europe and other markets falls. Any of these factors may impact the ability of Pieridae to obtain further financing capital and equity investment in the future and, if obtained, on terms favourable to Pieridae. If these increased levels of volatility and market turmoil were to increase, the results of development plans, operations and future growth of Pieridae could be adversely impacted.

Access to Equipment and Technology with Key Suppliers

The ability of Goldboro Canada LP to construct the Goldboro LNG Facility will depend in part on its having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new competitive technologies. Failure by Goldboro Canada LP to do so could have a material adverse effect on the Pieridae Group's business, financial condition, results of operations and cash flow. The Pieridae Group's equipment may become obsolete or experience a decrease in demand due to competing products that are lower in cost, have enhanced performance capabilities or are determined by the market to be more preferable for environmental or other reasons. Although Goldboro Canada LP has very good relationships with its key suppliers, including General Electric Company, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, Goldboro Canada LP's ability to compete may be impaired. If the relationships with key suppliers come to an end, the availability and cost of securing certain parts, components and equipment may be adversely affected. In addition, the Pieridae Group competes with other more established companies which have greater financial resources to develop new technologies.

Construction Costs

The actual construction costs of the Goldboro LNG Facility and other capital projects may be significantly higher than estimated construction costs as a result of numerous factors including, but not limited to, delays in construction and change orders issued under the relevant engineering, procurement and construction contracts resulting from the occurrence of certain specified events. Pieridae and its Affiliates may not be able to obtain additional financing on terms that are acceptable, or at all.

Pipeline Transportation Capacity

The natural gas that will be owned or otherwise procured by the Pieridae Group for use in the production of LNG must be transported from their sources by pipelines to the Goldboro LNG Facility. Although the U.S. and Canadian portions of the M&N Pipeline are expected to serve as a primary source of pipeline transportation capacity to the Goldboro LNG Facility, no assurance can be given that the Pieridae Group will be able to reserve sufficient pipeline transportation capacity at a reasonable price to satisfy all of its operational needs at all relevant times. Similarly, the Pieridae Group will be dependent upon pipelines upstream of M&N Pipeline or as an alternative to M&N Pipeline. No assurance can be given that the Pieridae Group will be able

to reserve sufficient pipeline transportation capacity at a reasonable price to satisfy all of its operational needs. The energy industry and pipelines in Canada and the United States are subject to regulation by both federal and provincial or state agencies, and adverse regulatory decisions may have a negative effect on the Pieridae Group's ability to meet all of its operational needs at all relevant times at reasonable prices.

Operating Risks

It will take at least four years to construct the Goldboro LNG Facility and even if successfully constructed, the Goldboro LNG Facility will be subject to numerous operating risks including the risk that (a) the facility will operate below expected levels of efficiency or productivity, (b) critical equipment will not perform or will fail, (c) operational errors will occur by the operator of the Goldboro LNG Facility or by the operators of LNG vessels and tug boats, (d) labour disputes will disrupt the activities of Goldboro Canada LP, (e) disruptions to the operations of critical pipelines and (f) weather related interruptions of operations. Each of these risks could have a material adverse effect not only on the ability of Pieridae and its Affiliates to generate cash flows, but also on their respective business, contracts, financial condition, operating results, liquidity and prospects.

Reserves Acquisition and Operating Risks

The Pieridae Group's business development requires the acquisition of natural gas reserves and the production of natural gas. There is no assurance that market conditions will remain favourable thereby enabling the Pieridae Group to acquire these reserves to produce natural gas as forecasted at reasonable cost for its integrated business or that the reserves can be monetized in the event that the Goldboro LNG Facility is not constructed.

Price and Cost Volatility

The Pieridae Group's development and construction of the Goldboro LNG Facility, acquisition of natural gas resource properties and its future operations generally are based on assumptions regarding the future availability of, and demand for, LNG, the price for LNG in Europe and other markets and the cost of natural gas used in the production of LNG and the concomitant cost of pipeline transportation capacity. The price for LNG and the cost of natural gas and other costs have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to a variety of factors including (a) changes in the regasification capacity in the international marketplace, (b) competitive liquefaction capacity in North America and elsewhere, (c) insufficient or oversupply of natural gas liquefaction or receiving capacity and LNG vessel capacity worldwide, (d) actions of the Organization of Petroleum Exporting Countries, (e) political stability in the Middle East and elsewhere, (f) weather conditions, (g) changes in the demand and supply of natural gas in domestic and international markets, (h) changes in pipeline configuration and pipeline transportation capacities, and (i) changes in regulatory, tax or other governmental policies regarding imported or exported LNG, natural gas and alternative energy sources which may change the demand for imported or exported LNG and natural gas.

Environmental

The Pieridae Group is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in its operations. The Pieridae Group has established procedures to address compliance with current environmental laws and

regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that these procedures will prevent environmental damage occurring from spills or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. While the Pieridae Group may have the benefit of insurance maintained by it or the operator; the Pieridae Group may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

There is growing concern about the apparent connection between the burning of fossil fuels and climate change. The issue of energy and the environment has created intense public debate in Canada, the United States and around the world in recent years that is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy including the demand for hydrocarbons and resulting in lower demand for the Pieridae Group's LNG and natural gas. There can be no assurance that the federal and provincial or state governments of Canada, the United States and other countries in which the Pieridae Group operates will not adopt new environmental regulations, rules or legislation or make modifications to existing regulations, rules or legislation which could increase costs paid by the Pieridae Group or its customers or introduce changes to how the Pieridae Group has planned to operate. An increase in environmental related costs could reduce Pieridae's profitability and could make capital expenditures by Pieridae and its Affiliates uneconomic.

Estimating Costs and Assessing Contract Risks

The price payable by the Pieridae Group under contract for property (including natural gas) and services is, or will be, based, in part, on cost estimates and assumptions. If, as a result of faulty logic or unforeseen circumstances, these estimates and assumptions are erroneous, or the Pieridae Group's assessment of the risks associated with these contracts is incorrect, or its estimates of the costs are inaccurate, Pieridae's profitability may be lower than anticipated or a loss may be incurred.

Quality Assurance and Quality Control

The Pieridae Group enters into contracts which specify the scope of the project to be constructed (including the Goldboro LNG Facility) and quality standards. If all or portions of the work fail to meet these standards, the Pieridae Group would be exposed to additional costs for the correction of non-compliant work (including LNG produced from the Goldboro LNG Facility that fails to satisfy the pre-determined specifications in the LNG sale and purchase agreements).

Maintaining Safe Work Sites

In spite of the best efforts of the Pieridae Group to minimize the likelihood of the occurrence of accidents, the risk of accidents can never be completely eliminated. When accidents do occur, their impact on the Pieridae Group and its personnel can be significant. Pieridae's future success is highly dependent on its ability to keep its worksites safe. Failure to do so can have serious impact on the personal wellbeing of its employees and others. In addition, it can expose the Pieridae Group to fines, regulatory sanction or even criminal prosecution. The Pieridae Group's safety record and worksite safety practices also have a direct bearing on its ability to conduct its business. Pieridae is not aware of the occurrence of any accident or risk of accident which could be likely to have an adverse impact on any of Pieridae's operations, capital expenditure requirements, reputation or competitive position. Nevertheless, there can be no assurance that an accident will not occur in the future.

Access to Surety Support and Other Contract Security

During the course of the construction and operation of the Goldboro LNG Facility, Goldboro Canada LP may be required to provide surety bonds and to secure performance guarantees. Goldboro Canada LP ability to obtain surety bonds and performance guarantees depends primarily upon its capitalization, working capital, past performance, its current level of activity as well as the capability and continuity of management. Goldboro Canada LP will also be required to maintain higher levels of equity and working capital than it currently maintains. The level of working capital required to maintain ongoing surety support and performance guarantees is subject to negotiation and cannot be determined exactly or in advance. Furthermore, the overall capacity of the surety market and claims experience of sureties will have an influence on the pricing and availability of bonds. There is no assurance that Goldboro Canada LP will have access to surety support or be able to secure performance guarantees on favourable or commercially reasonable terms or at all for any or all of the contracts that it would like to pursue.

Joint Venture Risk

The Pieridae Group may need to form joint ventures to pursue and execute projects. A joint venture structure can be beneficial by permitting pooling of resources required to complete a project and by spreading risk between the partners. The joint ventures in which the Pieridae Group may participate would typically be formed to undertake a specific project (including the development and production of natural gas), are jointly controlled by the partners and are dissolved upon completion of the project. The agreements which govern these joint ventures typically require the participants to supply their proportionate share of operating funds and require that the profits and losses be allocated in accordance with specified percentages. The Pieridae Group will select the participants of its joint ventures based on a variety of criteria including relevant expertise, past working relationships as well as analysis of the prospective participants' financial and operational capabilities and expertise. Each participant in a joint venture is usually liable for the obligations of the joint venture on a joint and several basis. In the event that any of the Pieridae Group's joint venture participants fails to perform their obligations due to financial or other difficulties, the Pieridae Group may be required to provide additional resources to the project and assume additional responsibilities for the obligations of its joint venture participants including responsibility for financial losses.

Currency Risk

From time to time the Pieridae Group may enter into agreements to fix the exchange rate between the Canadian dollar and the U.S. dollar in order to offset the risk of foreign exchange losses if the Canadian dollar changes in value compared to the U.S. dollar. There can be no assurance that the Pieridae Group will be able to enter into such agreements on favourable terms or that such agreements, if entered into, will successfully prevent the occurrence of foreign exchange losses.

Insurance

Goldboro Canada LP's construction and operation of the Goldboro LNG Facility may subject it to liability for pollution, property damage, personal injury or other hazards. Although Goldboro Canada LP will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, Goldboro Canada LP may elect not to obtain insurance to deal with specific risks

due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Goldboro Canada LP. The occurrence of a significant event that Goldboro Canada LP is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on its financial position, results of operations or prospects.

Conflicts of Interest

Certain directors of Pieridae may also be directors of other corporations and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA. See "*Directors and Officers - Conflicts of Interest*".

Reliance on Key Personnel

The success of the Pieridae Group will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on Pieridae and its Affiliates. The Pieridae Group does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Pieridae Group are likely to be of central importance. In addition, the competition for qualified personnel in the natural gas and LNG industry is intense and there can be no assurance that the Pieridae Group will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Pieridae and its Affiliates.

Labour Supply Risk

The Pieridae Group requires a number of skilled trades personnel to construct the Goldboro LNG Facility and to conduct its operations. Recruiting and training these individuals is critical to its ability to continue to meet customer requirements and generate increasing levels of revenue. As there is very high demand for many of these skilled people, the Pieridae Group will continue to devote significant resources and planning to the recruitment, retention and training of people in order to secure the required level of staffing and skills necessary to support its business development and operations. Failure to identify, hire and retain sufficient numbers of employees possessing the skills required for customer projects could have a significant adverse impact on the Pieridae Group's profitability and prospects.

Delays in Business Operations

In addition to the usual delays in payments from customers, and the delays by customers in remitting payment to the Pieridae Group, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Pieridae Group in a given period and expose Pieridae to additional third party credit risks.

Changes in Legislation

The return on an investment in securities of Pieridae is subject to changes in Canadian federal and provincial tax laws and government incentive programs and there can be no assurance that such

laws or programs will not be changed in a manner that adversely affects Pieridae or its shareholders, as a result of their holding and disposing of Pieridae's securities.

Seasonality

The level of activity in the Canadian energy industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for natural gas and LNG.

Income Taxes

Pieridae and each of its Affiliates will file all required income tax returns and believe that they will be in full compliance with the provisions of the Income Tax Act and all applicable provincial tax legislation. However, such returns are subject to potential reassessment by the applicable taxation authority. In the event of a successful reassessment, such reassessment may have an impact on current and future taxes payable.

Borrowing

Pieridae's lenders will be provided with security over substantially all of the property of Pieridae and its Affiliates including the Goldboro LNG Facility. If Pieridae becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell Pieridae's properties. The proceeds of such sale would be applied to satisfy amounts owed to Pieridae's lenders and other creditors and only the remainder, if any, would be available to Pieridae or to its shareholders upon liquidation.

Third Party Credit Risk

Pieridae is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, customers and other parties. In the event such entities fail to meet their contractual obligations to Pieridae, such failures could have a material adverse effect on Pieridae and its cash flow from operations.

Geo-Political Risks

The marketability of Goldboro Canada LP's LNG is, in part, and will continue to be affected by political events throughout the world that cause disruptions in the supply of natural gas and substitute commodities. Conflicts, or conversely peaceful developments, arising in the Middle-East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in an adverse and material impact on Pieridae's operations and future net revenue.

Business Continuity, Disaster Recovery and Crisis Management

Inability to restore or replace critical capacity in a timely manner may impact business and operations. A serious event could have a material adverse effect on the Pieridae Group's business,

results of operations and financial condition. This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery and computer systems, to minimize any business disruption in the event of a major disaster. Insurance coverage may minimize any losses in certain circumstances.

Risk of Foreign Operations

Goldboro Canada LP intends to procure a significant percentage of its natural gas requirement from Goldboro USA LP with its direct operations in the United States as well as from independent producers in the United States and intends to sell the LNG produced from the Goldboro LNG Facility in Europe and other international markets. There are potential risks associated with foreign operations, procurement and sales including: (a) trade and economic sanctions or other restrictions imposed by government, including the Canadian or U.S. governments, (b) expropriation or nationalization, (c) terrorist actions or threats, (d) civil insurrection, (e) labour unrest, strikes and other political risks, (f) fluctuation in foreign currency and exchange control, (g) foreign currency de-valuations, (h) increases in interest rates, duties and taxes and (i) changes in laws and policies governing operations of foreign based corporations.

Legal Proceedings

Pieridae and its Affiliates may be involved in litigation from time to time in the ordinary course of business. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a materially adverse effect on Pieridae or its Affiliates.

MATERIAL CONTRACTS

The Pieridae Group has not entered into any contract, other than contracts entered into in the ordinary course of business, that is material to Pieridae and that was entered into within the most recently completed financial year or before the most recently completed financial year but is still in effect, other than the Arrangement Agreement and as set forth below:

- (a) the Loan Agreement dated November 27, 2015 between Pieridae and Alfred Sorensen Holdings Ltd. evidencing the Pieridae Debenture (it is anticipated that the Pieridae Debenture will be repaid by the issuance of Pieridae Shares in connection with the completion of the Pieridae Private Placement on or before Closing of the Arrangement) and
- (b) the LNG Sale and Purchase Agreement dated May 31, 2013 between Uniper and Goldboro Canada LP, as amended on February 3, 2016 and June 2, 2017.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Pieridae is not aware of any existing or contemplated legal proceedings material to Pieridae, to which Pieridae or any of its Affiliates is a party or of which any of its property is subject since the beginning of the financial year ended December 31, 2016.

Management of Pieridae is not aware of any penalties or sanctions imposed against Pieridae or any of its Affiliates by a court relating to securities legislation or by a securities regulatory authority within the three years preceding the date of this Information Circular, or any other

penalties or sanctions imposed by a court or regulatory body against Pieridae or its Affiliates that would likely be considered important to a reasonable investor in making an investment decision.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

Except as otherwise disclosed herein, there are no material interests, direct or indirect, of directors and senior officers of Pieridae, any shareholder who beneficially owns more than 10% of the Pieridae Shares or any known associate of such person in any transaction since incorporation or in any proposed transaction which could materially affect Pieridae.

MANAGEMENT CONTRACTS

Management functions of Pieridae are performed by the directors and executive officers of Pieridae and are not performed by any other person to any substantial degree.

NON-ARMS' LENGTH PARTY TRANSACTIONS

During the past five years Pieridae has received interest bearing loans from the Named Executive Officers including the Pieridae Debenture in the principal amount of US\$5,000,000. In addition, the Named Executive Officers have advanced additional funds to Pieridae evidenced by promissory notes that are unsecured, bear interest at a rate of 10% per annum and are due upon demand. The principal amount outstanding under these promissory notes is US\$1.1 million and C\$730,000.

General Electric Canada became a shareholder of Pieridae on August 29, 2014. On that date Pieridae and General Electric Canada entered into an equipment and services agreement pursuant to which Pieridae has agreed to purchase, either directly or indirectly, from General Electric Canada and/or its affiliates, on an exclusive basis, certain equipment and services (including the liquefaction trains, power generation equipment, electrical controls, pre-treatment and compression equipment and associated long-term services) provided that the price and terms of such purchase are not materially less favourable than General Electric Canada or any of its affiliates supplies such equipment and services to projects similar to the Goldboro LNG Project. General Electric owns approximately 7.5% of the Pieridae Shares that are issued and outstanding on the date of the Information Circular. On June 1, 2017 General Electric Canada transferred to GE Oil & Gas Canada Inc. all of its Pieridae Shares (representing approximately 7.5% of the Pieridae Shares that are issued and outstanding on the date of the Information Circular). At that time General Electric Canada also assigned to GE Oil & Gas Canada Inc. all of its right, title and interest in the equipment and services agreement referred to above.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Pieridae are Ernst & Young LLP, Chartered Professional Accountants.

Burstall Winger Zammit LLP, at its offices in Calgary, Alberta is the registrar and transfer agent for the Pieridae Shares.

PART V – INFORMATION CONCERNING AMALCO

NOTICE TO READER

The following information concerning Amalco following completion of the Arrangement should be read in conjunction with the information concerning Pieridae and Pétrolia appearing elsewhere in the Information Circular. See “*Part IV - Information Concerning Pieridae*” and “*Part III - Information Concerning Pétrolia*”, respectively. The information is presented on the assumption that an aggregate of 2,556,130 Pieridae Shares will have been issued upon completion of the Pieridae Private Placement and the conversion of the Pieridae Debenture (including the Agents' Pieridae Shares).

CORPORATE STRUCTURE

The Arrangement will result in the amalgamation of Pieridae and Pétrolia to form Amalco. Former holders of Pétrolia Shares will each receive one Amalco Share in exchange for each Pétrolia Share held. Former holders of Pieridae Shares will each receive 2.2057526 Amalco Shares for each Pieridae Share held.

Amalco will carry on the business currently carried on by Pieridae and Pétrolia.

Name and Incorporation

Upon completion of the Arrangement, Amalco will be amalgamated under the CBCA under the name "Pieridae Energy Limited". Amalco will be a reporting issuer or the equivalent in British Columbia, Alberta and Québec.

Upon the completion of the Arrangement, the head office of Amalco is expected to be located in Calgary, Alberta at an office to be determined by Amalco and the registered office of Amalco is expected to be located at the current offices of Pétrolia at 511 Saint-Joseph Street East, Suite 304, Quebec City, Quebec G1K 3B7. Subsequent to the exchange of Pétrolia Shares and Pieridae Shares for Amalco Shares, the registered office of Amalco shall be changed to the registered office of Pieridae at 1600, 333 7th Avenue S.W., Calgary, Alberta T2P 2Z1.

Intercorporate Relationships

Tables and charts providing the name, the percentage of votes attached to all voting securities of the subsidiaries beneficially owned, controlled or directed, directly or indirectly, by Amalco and the jurisdictions of incorporation of Amalco's subsidiaries after giving effect to the Arrangement are contained under the headings "*Corporate Structure*" in the sections entitled "*Part IV - Information Concerning Pieridae*" and "*Part III - Information Concerning Pétrolia*".

Affiliate	Jurisdiction of Incorporation or Formation	Ownership Interest of Amalco
Pieridae Energy (Canada) Ltd.	Federal	99%
Goldboro LNG Limited Partnership	Alberta	99%
9290834 Canada Ltd. ⁽²⁾	Federal	100% ⁽²⁾
Pieridae Energy (USA) Ltd.	Federal	100%
Goldboro LNG Limited Partnership II	Alberta	100%
Pieridae Production GP Ltd.	Alberta	50%
Pieridae Production Limited Partnership	Alberta	20%
Atlantic Offshore Production Ltd.	Federal	100%
Pieridae Offshore Development Limited Partnership	Alberta	100%
Pétrolia Anticosti inc.	Québec	100%
Investissements PEA inc. ⁽¹⁾	Québec	100%
Hydrocarbures Anticosti S.E.C. ⁽³⁾	Québec	21.7% ⁽³⁾
Commandité Hydrocarbures Anticosti inc. ⁽³⁾	Québec	21.7% ⁽³⁾

Notes:

- (1) It is expected that this entity will be dissolved pursuant to the Anticosti Settlement.
- (2) Held by Pieridae Energy (Canada) Ltd.
- (3) This entity will be liquidated and dissolved pursuant to the Anticosti Settlement.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

Following the completion of the Arrangement, Amalco will continue to carry on, and will integrate, the business of Pieridae and the business of Pétrolia, which are, respectively, the development of the Goldboro LNG Facility and the acquisition and development of resource properties for the extraction of natural gas and associated products. For further information regarding the businesses of Pieridae and Pétrolia, and the historical development of such businesses, see "*Part III - Information Concerning Pétrolia*" and "*Part IV - Information Concerning Pieridae*".

The principal business objectives of Amalco are to make a positive financial investment decision in regard to the Goldboro LNG Facility by early 2018 and immediately thereafter to commence the construction of the facility.

Milestones

In order to accomplish its business objectives stated above, Amalco must be able to achieve the following milestones.

Description of Milestone	Estimated Capital Expenditure Required (in millions)
<p>(a) Procurement of long-term supplies of natural gas that are sufficient in aggregate to operate the Goldboro LNG Facility efficiently in the production of LNG. This milestone is anticipated to be achieved within twelve months after the Closing Date.</p> <p>The Goldboro LNG Facility will include at least one liquefaction train and possibly two trains. It is anticipated that the operation of two liquefaction trains will require approximately 300 billion cubic feet of natural gas <i>per annum</i> in order to produce 5 MTPA of LNG efficiently and to operate the 180 megawatt power plant necessary in the production of the LNG.</p> <p>It is anticipated that these long-term supplies of natural gas will be procured principally from the production of natural gas from resource properties acquired, owned and developed by Amalco supplemented by the purchase of natural gas from independent producers in Canada and the United States under medium and long-term contract.</p>	\$0.8
<p>(b) Procurement of long-term pipeline transportation capacities sufficient in aggregate to transport the natural gas from its source to the Goldboro LNG Facility. This milestone is anticipated to be achieved within five months after the Closing Date.</p> <p>Amalco expects that it will need to acquire long-term pipeline transportation capacity on the Canadian portion of the M&N Pipeline sufficient to transport 300 billion cubic feet <i>per annum</i>. Amalco will also need to procure long-term pipeline transportation capacity on other pipelines which interconnect the source of the natural gas supply to the M&N Pipeline.</p>	\$0.5
<p>(c) Determine whether the Goldboro LNG Facility will consist of one liquefaction train or two liquefaction trains. This milestone is anticipated to be achieved within six months after the Closing Date.</p>	nil
<p>(d) Commence and complete the preparation of the Project Site, finalize the engineering works, obtain the open book estimate for the construction costs of the Goldboro LNG Facility from CB&I and negotiate and execute an engineering, procurement and construction contract. This milestone is anticipated to be achieved within eight months after the Closing Date.</p>	\$7.91
<p>(e) Prepare and plan for the procurement of the equity and debt that will be</p>	

Description of Milestone	Estimated Capital Expenditure Required (in millions)
required to fund the construction of the Goldboro LNG Facility (including the cost of legal, tax and advisory services). This milestone is anticipated to be achieved within six months after the Closing Date.	\$1.0
Total Goldboro LNG Facility Expenses	\$10.21

Amalco anticipates that the principal risks associated with not successfully achieving its business objectives will largely be relating to the procurement of sufficient natural gas reserves and pipeline transportation capacity as well as the procurement of sufficient project financing which will be influenced by, *inter alia*, projected commodity prices at the time.

Exploration and Development

When Amalco has completed its acquisition of additional resource properties necessary to support the above-noted business objectives, it will determine its exploration and development program in regards thereto. As concerns the resource properties currently held by the Pétrolia, the exploration and development program is as set out below.

Any capitalized term or abbreviation used in the next sections that is not defined in the glossary of this Information Circular shall bear the meaning given to it in the technical report entitled “Audit of Certain P&NG Holdings of Pétrolia inc. in Quebec as of December 31, 2016”, prepared by Sproule Associates Limited, available on Pétrolia’s profile on SEDAR on www.sedar.com. For any further information on Amalco’s exploration and development activities pertaining to Pétrolia’s business, see the above-mentioned technical report.

As of December 31, 2016, no oil or natural gas reserves have been assigned to any of the properties in which Pétrolia has an interest. Pétrolia however did produce oil on a test basis. As of December 31, 2016, contingent oil resources have been assigned to the Haldimand Block in the Gaspé Peninsula, Québec.

Strategy and Outlook

Amalco’s mission will be to discover marketable oil and gas resources and put them into production as soon as possible. To this end, Amalco will hold the Pétrolia rights in promising licences and arrangements with partners having the appropriate technical and financial resources. Amalco will rely on scientific knowledge before it installs its wells, which are drilled using best industry practices and techniques. Special attention is paid to building alliances with the communities where it carries out its activities and in the pursuit of its mission, Amalco will continue Pétrolia’s focus on environmental protection and community relations.

Licences and Partnerships

Excluding licences held by AHLP on Anticosti Island, Amalco will hold licences for and interests in an area of 10,117.75 km², amounting to nearly 19% of Quebec’s territory under licence. Located in Eastern Quebec, these areas are known for their oil potential. Amalco’s territories under licence also offer the potential of discovering natural gas and possibly liquid natural gas.

In addition to AHLP, which particular situation is further described below, there are three partnership agreements covering portions of the territories under licences to be held by Amalco:

- On the territory covered by the Bourque licences (see map below), Amalco will hold a 51% interest in each of the 4 licences, covering a total area of approximately 742 km². TUGLIQ Energy holds a 4% interest and Ressources Québec holds a 45% interest respectively in such licences.
- On the territory covered by the Gaspé licences (see map below), Amalco will hold a 50% interest in conjunction with Québénergie which also holds a 50% interest in each of the 13 licences, covering a total area of approximately 2,500 km².
- On the territory covered by the Baie-des-Chaleurs–Matapédia and Ristigouche licences (see map below), Amalco will hold a 50% interest in conjunction with Saint-Aubin Énergie S.A.S. (a subsidiary of Maurel & Prom and Maurel & Prom International) which also holds a 50% interest in 13 licences, covering an area of over 1,800 km².
- The remaining licence blocks will be wholly owned by Amalco.

Summary Work Plan and Budget

The planned work program for the Bourque, Haldimand and Gaspesia projects is detailed below and summarized as follows. Such work program has been estimated and recommended by Pétrolia management which includes members of the following professional organizations: the Association of Professional Engineers and Geoscientists of Alberta, l’*Ordre des ingénieurs du Québec* and l’*Ordre des géologues du Québec*. Due to the ministerial order adopted by the Government of Québec on July 24, 2017 and that came into effect on July 28, 2017 prohibiting oil and gas exploration and development on Anticosti Island, and further to the Anticosti Settlement, the Anticosti project has not been included in the work plan.

Project	Work	Projected Expenditures
Bourque	Swabbing and Various Studies	\$1,192,000
Haldimand	Stimulation Techniques Study	\$175,000
Gaspesia	Seismic Survey	\$1,325,000
Total		\$2,692,000

As indicated in the table entitled “Use of Funds” set out below in this Part V, Amalco will dispose of \$1,500,000 for exploration and development of Pétrolia’s Haldimand and Gaspesia projects. Any expenditures for Pétrolia’s remaining Bourque project are entirely funded by the project partners.

As also indicated in the table entitled “Use of Funds”, Amalco will dispose of \$10,212,912 in unallocated working capital.

Exploration Permits

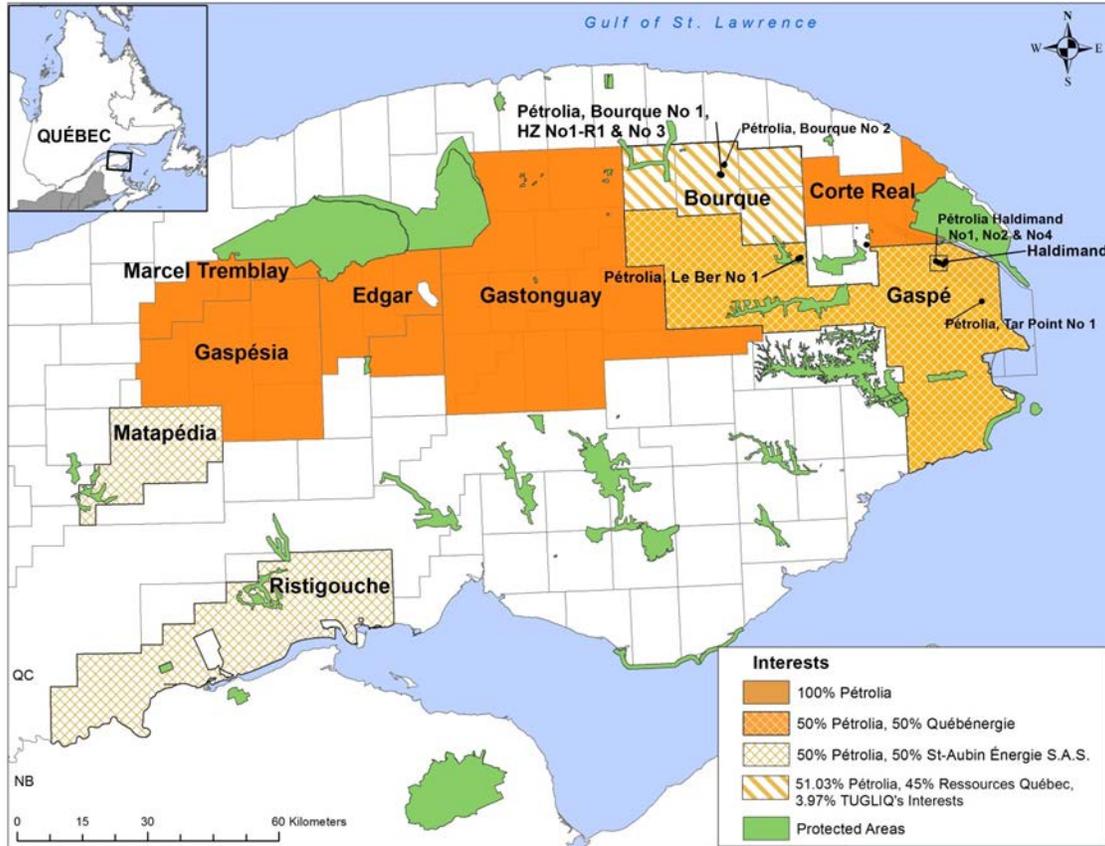


Figure 1: Oil and gas properties held by Pétrolia in Gaspesia Peninsula

Gaspésia Property

This block is owned 100% by Pétrolia and is the western-most block located on the Gaspé Peninsula (Figure 1). It was acquired in 2002 as seven oil and gas exploration permits having a total surface area of 137,000 hectares (Table 1). The permits were converted to underground storage exploration permits (RS) as of April 28, 2009, thus extending their validity. The block covers a part of the Connecticut Valley – Gaspé Synclinorium, showing significant Silurian-Devonian sedimentary thicknesses lying over a highly deformed Cambrian-Ordovician substratum.

**Table 1
Gaspésia Block Permits**

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009RS226	2009-04-28	19,061	100	19,061
2009RS228	2009-04-28	18,580	100	18,580
2009RS229	2009-04-28	21,004	100	21,004
2009RS230	2009-04-28	17,538	100	17,538
2009RS231	2009-04-28	20,517	100	20,517
2009RS232	2009-04-28	20,577	100	20,577
2009RS236	2009-04-28	19,723	100	19,723
TOTAL		137,000		137,000

The Gaspésia Block is located in the northern half of the Connecticut Valley - Gaspé Synclinorium basin where important anticlinal structures and numerous fault traps are interpreted from surface geology and are also observed on existing seismic data within the Devonian and Silurian sections. Based on available geological and geophysical data, this property has interesting gas and oil potential worthy of further exploration work. Thermal maturity studies indicate that the sedimentary section in the general area is gas prone but, locally, in the north-central part, it could still be in the oil window.

The 126 km high-resolution regional seismic program that was acquired over the Gaspésia property in December 2006, was processed in 2007. Since, Pétrolia has focused its efforts on the interpretation of the available seismic data on these properties, in particular the 126 km of seismic data acquired in December 2006. Pétrolia's geologists have also conducted field studies, investigating the reservoir potential of the geologic units in outcrop. The results of this work have identified potential reservoirs and structures, over which a detailed 2-D seismic survey consisting of 4 lines with a total length of 53 km was acquired during the summer of 2008. In order to help prioritize exploration targets, Pétrolia conducted a geochemical survey in 2008, using the adsorbed-gas technique. A total of 334 surface samples were collected along the length of these new seismic lines, over the old seismic lines and over a few salt marshes in the area.

A previous study sponsored by Pétrolia on the various formations indicates that the sandstones at the base of the Silurian sequence are of similar nature to the Silurian sandstones of the Appalachian Basin of the United States, which have been producing sizable volumes of natural gas for many years. The December 2006 seismic survey made it possible to evaluate the lateral extent and depth of these sandstones and of the overlying Silurian carbonates. The 2007 field work also confirmed the presence of fracture porosity in the sandstones and vuggy porosity in the Silurian carbonates. This type of reservoir is especially interesting in view of its thickness (> 200 m) and its potential porosity. The Siluro-Devonian limestone reefs could also be a target. Following a geochemical sampling campaign performed in September 2010, Pétrolia has carried out a surface geochemical survey using a technology developed by W.L. Gore & Associates, Inc. The survey was conducted in February 2011. Following these evaluations, in 2012, a detailed plan was developed to cover a significant lead found in Permit 2009RS228 with a pseudo 3D seismic survey. The objective of the survey is to confirm the existence and size of the prospect.

A new geophysical permitting process is currently in preparation and for budgeting purposes, it is estimated that expenditures of approximately \$1,325,000 will be required for 2017. This amount is included in the \$1,500,000 amount set out in the table entitled “Use of Funds” set out below in this Part V.

Edgar Property

This property is owned 100% by Pétrolia and consists of three oil and gas exploration permits (PG) acquired in April 2006 (Figure 1). The permits were converted to underground storage exploration permits (RS) as of April 28, 2009, thus extending their life. The property is located in the northeastern extension of the Gaspésia Block. Table 2 lists the three permits, which cover a total area of 50,010 ha.

Table 2				
Edgar Block Permits				
PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009RS233	2009-04-28	21,157	100	21,157
2009RS234	2009-04-28	14,128	100	14,128
2009RS235	2009-04-28	14,725	100	14,725
TOTAL		50,010		50,010

Interesting results obtained from a 2007 government thermal maturation study over this area, indicate that the large dome structure mapped in the central part of the Edgar property showed the potential for oil preservation. Pétrolia has not conducted any major activities over the Edgar Block as it had higher priority projects in the eastern Gaspé region.

Marcel Tremblay Property

This property is owned 100% by Pétrolia and consists of two oil and gas exploration permits (PG) acquired in July 2007 (Figure 1). It is located directly to the north of the Gaspésia Block and has a total surface area of 33,165 hectares (Table 3). The permits were converted to underground storage exploration permits (RS) as of April 28, 2009, thus extending their life.

Table 3				
Marcel Tremblay Block Permits				
PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009RS225	2009-04-28	19,563	100	19,563
2009RS227	2009-04-28	13,602	100	13,602
TOTAL		33,165		33,165

Pétrolia has not conducted any major activities over the Edgar Block as it had higher priority projects in the eastern Gaspé region.

Matapédia and Restigouche Properties

The Matapédia property is located in the southern part of Lac Matapédia area, adjacent to the Gaspésia project (Figure 1). The six licenses of the property were initially acquired by Gastem in 2009. In 2013 the licenses were acquired by the 50/50 joint venture between Pétrolia and the French company Maurel & Prom (Saint-Aubin Énergie S. A. S.) (Table 4).

Hydrocarbon shows have been recorded in the Matapédia sector (seeps in the northern section, microseeps, and subsurface liquid hydrocarbons), which would suggest that the area is favourable for oil, condensate, and dry gas accumulations.

In September 2013 Pétrolia drilled the core hole Pétrolia La Vérendrye 2013, to confirm the presence of gas indicated by the well Great Plains Noël et al No.1 La Vérendrye drilled in 1972. The new slim hole well was cored through two reservoir targets the Val Brilliant and the shallower Saint Leon formations.

Several down-hole samples were collected that confirmed the presence of gas in the low porosity sandstone reservoirs. As this was a stratigraphic corehole it was abandoned as per regulations. Pétrolia will continue to work up the data on this play to estimate the gas in-place and if a portion of this gas can be recovered. The low porosity nature of the reservoirs will most likely require some form of wellbore stimulation.

The Restigouche property is located in the southern Gaspé Peninsula, on the north shore of Chaleur Bay and is included with the Matapédia Property. The seven licenses of the property were initially acquired by Gastem in 2007. In 2013 the licenses were acquired by the 50/50 joint venture between Pétrolia and the French company Maurel & Prom (Saint-Aubin Énergie S. A. S.) (Table 9).

Research indicates that some of the Restigouche area would be prospective for oil and condensate, while the other would be prospective for gas. Several formations in this area have been targeted as potential reservoirs, such as the White Head and the La Vieille Formation. The White Head Formation comprises fractured limestones in fresh fractures, and emits strong odors suggesting a migration of hydrocarbons. The La Vieille Formation is, in turn, locally composed of hydrothermal dolomites. To the south in New Brunswick, asphaltene-rich solid bitumen (migrabitume) has been found in similar dolomites, indicating that there has been migration of hydrocarbons.

Seismic surveys were conducted in 2003 covering portions of the Restigouche project area. In 2011, an aeromagnetic survey and an environmental study were conducted in advance of any future drilling. A structure seen on the seismic has been interpreted as a barrier reef complex in the West Point Formation. The reef complex of West Point elsewhere in cores have indicated preserved porosity, thus making this structure a potential target. Pétrolia has not conducted any additional major activities as it given higher priority to other projects.

Table 4				
Matapédia Block Permits				
PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009PG578	09-01-2009	14,254	50	7,127
2009PG579	09-01-2009	15,309	50	7,654.5
2009PG580	09-01-2009	19,006	50	9,503
2009PG581	09-01-2009	5,099	50	2,549.5
2009PG582	09-01-2009	21,000	50	10,500
2009PG583	09-01-2009	14,722	50	7,361
2007PG939	10-23-2007	9,215	50	4,607.5
2007PG940	10-23-2007	11,128	50	5,564
2007PG941	10-23-2007	13,439	50	6,719.5
2007PG942	10-23-2007	18,998	50	9,449
2007PG943	10-23-2007	18,200	50	9,100
2007PG944	10-23-2007	22,327	50	11,163.5
2007PG945	10-23-2007	6,576	50	3,288
TOTAL		189,273		94,636.5

Gastonguay Property

The Gastonguay property is located in the east-central part of the Gaspé Peninsula (Figures 1 and 2). It is subdivided into 13 oil and gas exploration permits (PG) covering an area of 259,015 ha (Table 5).

On this property, which is located over the largest anticlinal structure identified in the Gaspé Peninsula, very little exploration has been done to date but the presence of oil and gas in fractures has been shown in the Murdochville skarn area in mining cores. Various exploration targets in Devonian limestones (reefs) and sandstones, as well as in Silurian carbonates and sandstones, at depths ranging from 1,000 to 4,000 metres, are expected. Only one well, drilled in the 1980s, was drilled to a depth of 1,800 metres on the anticline, however, the deeper targeted Silurian was not reached.

A field sampling program was completed in September 2010 to initiate thermal maturation and geochemistry studies. Pétrolia's exploration work on this property has been limited to evaluation of existing geological and geophysical data.

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009PG494	2009-04-28	21,977	100	21,977
2009PG495	2009-04-28	23,278	100	23,278
2009PG500	2009-04-28	22,645	100	22,645
2009PG501	2009-04-28	21,284	100	21,284
2009PG507	2009-04-28	15,186	100	15,186
2009PG508	2009-04-28	18,496	100	18,496
2009PG509	2009-04-28	24,174	100	24,174
2009PG510	2009-04-28	21,596	100	21,596
2009PG513	2009-04-28	17,483	100	17,483
2009PG514	2009-04-28	16,374	100	16,374
2009PG515	2009-04-28	18,057	100	18,057
2009PG516	2009-04-28	15,800	100	15,800
2009PG517	2009-04-28	22,665	100	22,665
TOTAL		259,015		259,015

Gaspé Property

The Gaspé property is located in the east-central part of the Gaspé Peninsula (Figures 1 and 2). Pétrolia initially acquired these exploration permits from Junex Inc. in 2005 and has concentrated a large part of its exploration to date on this property. As a result of a June 8, 2010 asset exchange agreement with Junex Inc. and with the approval of the Ministère des Ressources Naturelles et de la Faune (MRNF) du Québec, Junex Inc. kept the totality of the revised permit 2005RS120 while Pétrolia kept the totality of revised permits 2005RS111, 112, 122 and within permit 2005RS123, all the area outside of the 900 ha Haldimand Joint Lands. On December 20, 2011, Junex Inc. transferred its share on the Haldimand Block (900 ha) to Pétrolia/Québénergie. The block is now comprised of 16 oil and gas (PG) and 4 underground reservoir (RS) exploration permits, covering some 3,596 square kilometres (Tables 6a and 6b). A royalty of 5% to 7.5% on future production encumbers the following 11 permits: 2005RS111, 2005RS112, 2005RS122, 2009PG496, 2009PG497, 2009PG498, 2009PG499, 2009PG502, 2009PG503, 2009PG504, 2009PG505, on the Gaspé Block.

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2009PG496 ⁽¹⁾	2009-04-28	17,898	51	9,128
2009PG497 ⁽¹⁾	2009-04-28	24,120	51	12,301.2
2009PG498 ⁽¹⁾	2009-04-28	13,419	51	6,843.7
2009PG499 ⁽¹⁾	2009-04-28	10,634	100	10,634
2009PG504 ⁽¹⁾	2009-04-28	18,830	51	9,603.3
2009PG506 ⁽¹⁾	2009-04-28	12,369	100	12,369

2005RS111 ⁽¹⁾	11-21-2005	9,415	100	9,415
2005RS112 ⁽¹⁾	11-21-2005	14,048	100	14,048
TOTAL		120,733		84,342.2

(1) Subject to a royalty of 5% to 7.5% on future production.

Table 6b				
Gaspé Block Permits - Pétrolia - Québénergie				
PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2005RS112 ⁽¹⁾	11-21-2005	6201	50	3,100.5
2005RS122 ⁽¹⁾	11-21-2005	19,539	50	9,769.5
2005RS123	11-21-2005	23,043	50	11,521.5
2005RS123 ⁽²⁾	11-21-2005	900	50	450
2009PG502 ⁽¹⁾	04-28-2009	17,395	50	8,697.5
2009PG503 ⁽¹⁾	04-28-2009	22,901	50	11,450.5
2009PG505 ⁽¹⁾	04-28-2009	14,842	50	7,421
2009PG511	04-28-2009	21,595	50	10,797.5
2009PG512	04-28-2009	24,873	50	12,436.5
2009PG518	04-28-2009	14,448	50	7,224
2009PG519	04-28-2009	16,695	50	8,347.5
2009PG520	04-28-2009	2,251	50	1,125.5
2009PG521	04-28-2009	17,353	50	8,676.5
2009PG522	04-28-2009	20,641	50	10,320.5
TOTAL		222,677		111,338.5

(1) Subject to a royalty of 5% to 7.5% on future production.

(2) Portion of lease originally subject to a joint operating agreement with Junex Inc., transferred to the Pétrolia/Québénergie Joint Venture on December 20, 2011.

As a result of these modifications, the total area covered by the contract permits is now 343,410 hectares on a gross basis and 195,680.7 hectares on a net basis.

The Gaspé property is characterized by the presence of oil shows (about 60 known sites) in the Devonian sandstones, which explains the interest in this region by explorers for more than a century. Most of the early work involved shallow drilling and was lacking either a geological description or petrophysical well logs. Since 1970, better knowledge was acquired from the results of 9 wells and more than 600 km of seismic lines (including Pétrolia's 105 km). The main exploration targets correspond to contact zones between the Devonian Gaspé sandstone and limestone. Other potential targets over the property are Siluro-Devonian reef features and Devonian or Silurian hydrothermal breccias in fracture zones near major faults.

Pétrolia has identified and assigned different projects names to the various exploration areas within the Gaspé property.

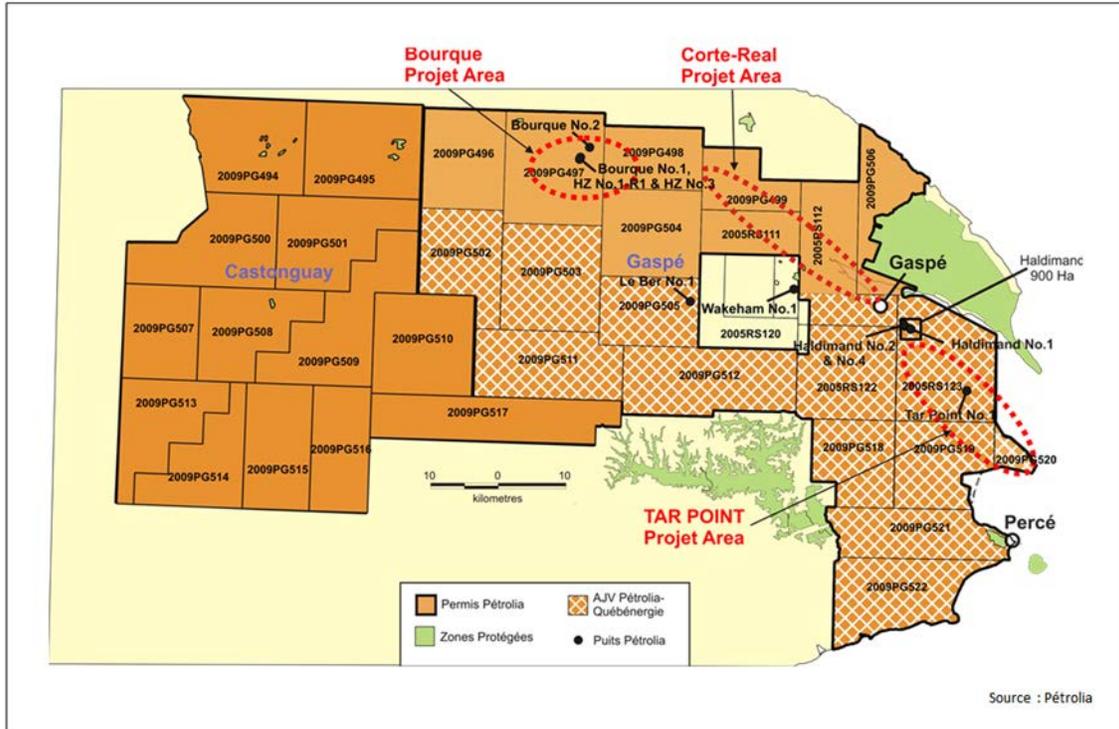


Figure 2: Pétroli, Gaspé, Gastonguay, and Haldimand JOA Lands

Haldimand Project

The Haldimand discovery was made by Pétroli in 2006 with the drilling of Pétroli Haldimand No.1 which tested oil 53 °API from shaly sandstones within the York River Formation. The formation is characterized by low primary matrix porosity with open fractures. The second well Haldimand No. 2 was drilled in 2009 approximately 1000 metres to the northwest of the discovery well. Following the drilling of Haldimand No. 2 Sproule Associates Limited carried out an audit of the Company’s resource estimate which classified the oil as a Contingent Resource. Pétroli subsequently drilled a horizontal well Haldimand No.4 drilled in 2014 to further assess the development of the resource using horizontal well technology, and has been conducting tests on the horizontal well. A long term production test on Haldimand No 4 was done in 2016.

The production test on Haldimand 4 resulted in the natural production, without artificial aid, of high quality oil (API 53). But, even with intersecting the natural fracture network, it was observed that the formation is still with low permeability and productivity. Thus, in order to improve the productivity of the formation, Pétroli and its partner are working on developing a stimulation program for 2017-2018 that would allow for optimal production of the Haldimand reservoir. Amalco will continue these efforts. For budgeting purposes, it is estimated that the study and analyses will require expenditures of approximately \$175,000 (this amount is included in the \$1,500,000 amount set out in the table entitled “Use of Funds” set out below in this Part V). This program will be presented to the Gaspé citizens' committee as well as representatives from the municipality.

Bourque Project

The Bourque Project (Figure 2) was initiated in 2007 and is located in the northwestern portion of the Gaspé property 30 km east of Murdochville and 50 km west of the town of Gaspé. This property consists of four permits, 90 percent owned by Pétrolia.

On August 5, 2008, Pétrolia signed a \$20 million farmout agreement with Pilatus Energy Canada Inc. (“**Pilatus**”). This sum was to be invested in exploration and development work for the project. The first phase of the work, a three-dimensional (3D) seismic survey over an area of 65 km², was carried out during the summer of 2008. The seismic data acquired was processed at the end of 2008, with the data quality being very good. The interpretation of this new data was performed in early winter 2009, with Pétrolia and its partner identifying several potential drilling targets and building as a result a first drilling pad on the most promising site.

Unfortunately, the 2008-2009 global economic turmoil affected the partner’s ability to assemble the capital required to go ahead with the drilling operations. Pétrolia and Pilatus thus came to an accord to terminate the farmout agreement, with Pilatus keeping a 5% working interest in the Bourque Lands and maintaining its participation as shareholder of Pétrolia.

Pétrolia requested and obtained in April 2012 from the Ministry of Natural Resources and Wildlife permits to drill two wells called Bourque No. 1 and Bourque No. 2. Concurrently, efforts to secure the financing of these two wells came to fruition. An agreement was reached in May 2012 with Investissement Québec for 10 million dollars, and Financière Banque Nationale and Banque Laurentienne for \$5 million. This \$15 million financing was sufficient to commit to a drilling rig and plan a drilling campaign in the second half of 2012.

The first well, Bourque No. 1, was spudded on July 19, 2012 and significant gas shows were encountered during the drilling. Eight (8) DST’s were run over a gross interval of 1,700 metres.

The following information was gathered from this well:

1. The main reservoir target which was the West Point Reef was not found at this location, which resulted in the suspension of drilling before reaching the planned total depth of 3,600 meters.
2. The upper section of the well (York River, York Lake, Indian Cove and Shiphead formations) encountered only minor hydrocarbon indications.
3. Starting at the fault encountered at 1,474 metres, significant gas indications were encountered throughout the deeper section (to the depth of 2,700 metres).
4. Logs indicated generally low porosities, with fractures in many intervals, associated with the hydrocarbon shows.
5. A large interval of the Forillon Formation exhibits intersection of good apparent vuggy porosities associated with open fractures, the nature of which is currently being evaluated.

The well has been suspended and an extended production test program is being developed.

The platform for the second well, Bourque No. 2, was constructed during the above period, and drilling of the well started on October 31 2012, immediately after completion of the No. 1 well. The well was targeting a pinnacle reef at the base of the Devonian section. Some shows where

encountered into the Forillon Formation, and the top of the pinnacle reef was reached at the depth of 2,500 m MD. Four (4) drill stem tests were run, three (3) in the Forillon Formation and a deeper one into the pinnacle reef. Two of the tests in the Forillon recovered small amounts of light oil mixed with drilling mud in the sample chamber of the test tool and small amounts of wet gas was flowed at the surface.

Pétrolia has filed an application for a drilling permit with the Ministry of Energy and Natural Resources. This permit will allow a work program to be conducted that will allow Pétrolia, in collaboration with TUGLIQ Energy, to implement a liquid natural gas (LNG) extraction and liquefaction pilot project. The re-entry and the drilling of a horizontal leg in the Bourque No. 1 well to test the Forillon Fm is the first step of this resource confirmation program.

In 2015, reprocessing of the 3D seismic data was performed to optimize the data over the Forillon reservoir interval by integrating the acoustic and density logs from the two wells drilled in 2012.

An evaluation of the resources in place was carried out by Sproule Associates Limited in 2013. Those resources were classified as Undiscovered. Sproule was engaged to update this evaluation in August 2017, but preliminary results will not be available until later this year.

In August 2015, Pétrolia announced that it had completed the reprocessing of the seismic data related to the Bourque Project and that it had developed a program for further technical work to assess the production capacity of the Forillon Formation in Bourque No. 1 and Bourque No. 2.

On November 6, 2015, Pétrolia confirmed the closing of a \$5,150,000 investment, the first phase of financing for the Bourque property. In this investment, the private placement of Ressources Québec reached \$2,881,800. Ressources Québec also invested \$918,200 in the Bourque property through a joint venture set up by the Corporation, with TUGLIQ Énergie. TUGLIQ Énergie's investment in the Bourque property, through the same joint venture, is \$1,350,000.

On July 15, 2016, Pétrolia confirmed the closure of the second phase of funding for the Bourque project by Ressources Québec, acting as agent of the Government of Québec, for a total amount of \$8,500,000. Following the completion of this second phase of financing for the Bourque property, the interests of the various companies in the joint venture amounted to 51.03% for Pétrolia, 45% for Ressources Québec, and 3.97% for TUGLIQ Énergie.

A work program was drawn up for the re-entry of Bourque No. 1 and the directional drilling of a new 1,800 m lateral in the prospective zone of the Forillon Formation. This work was to be followed by the drilling of a new Bourque HZ No. 3 well, located on the same drilling pad, with a horizontal drain of 1,500 m to test the northern flank of an anticlinal structure located southeast of the pad. The drilling of the two wells was to be followed by the installation of temporary production equipment to enable the completion and subsequent production tests of both wells.

On September 26, 2016, Pétrolia announced the beginning of the drilling of the Bourque HZ No. 1 R1 (re-entry) well. The lower open hole section of the Bourque No. 1 well was permanently abandoned by setting 4 cement plugs in the 1,693 m to 2,746 m interval. The sidetracked section of the well was initiated by milling a window through the 9⁵/₈" casing of the well, from 1,221 to 1,227 metres

From that window, the well was progressively deviated to the southwest down to measured depth of 1,641 metres (MD) corresponding to a true vertical depth (TVD) of 1,509 metres and the intermediate casing was set at 1,635 m MD (1,505 m TVD). The total measured drilling depth of

the horizontal well is 3,450 metres. The drilling of the 1,815 m horizontal drain in the Forillon Formation was followed by logging operations. Completion equipment was installed in preparation for the acidification of the horizontal drain.

The drilling rig was then moved 53 m to the southeast, on the same platform, in order to drill the Bourque HZ No. 3 well. This new horizontal well was drilled to test the Forillon formation at a true vertical depth (TVD) of 1,297 metres. From that depth, a horizontal drain of 1,497 metres length was then drilled through the reservoir up to the total measured depth of 3,075 metres (MD).

After rig release, a coiled tubing unit was mobilized on the site and acidification of the horizontal section of the Bourque HZ No. 1 R1 was done followed by cleanup and tests. Because of the early onset of winter, no stimulation works was completed on Bourque HZ No. 3 well.

Bourque HZ N°1 R1 main results

After having recovered 181 m³ of fluids used during the completion carried out in late 2016, the Bourque HZ No. 1 R1 well experienced, in its initial production period, a decrease of its gas flow to the surface from 40 400 to 4,700 m³/ day after 2 hours 20 minutes and, after 4 hours, down to a flow too small to be measured (TSTM). Its flow was made up of wet gas in which 120 litres of light oil (43.57 ° API) were recovered. The well was then closed for a 27-hour period for pressure buildup. After such period of closure and a 2,620 kPa head pressure, and before the two down-hole recorders were to be put in place, a static pressure gradient survey was performed (wells closed at the surface). This survey showed that the base of the production casing of Bourque HZ No. 1 R1 contains light oil (0.70 kg/l) from the measured depth of 1,625 m located near the entrance of the horizontal drain to the measured depth of 1,471 m (1,439 m TVD) which suggests an oil column at a vertical depth of 66 m. This oil column is topped by low pressure wet gas.

After a further 24-hour period of closure and a rise of head pressure to 3,128 kPa, the well was then put into production on a 6.25 mm (¼") flow-control valve for a period of eight hours. During runoff, the gas flow to the surface reached 5,080 m³/ d to subsequently decrease to 1,180 m³/ d at the end of the test period.

The analysis of the pressure buildup data reveals that the initial reservoir pressure is 9,065 kPa and at the end of the closure period it is 8,833 kPa. The well was subsequently left closed for a final pressure buildup with the two down-hole recorders until May 17, 2017 (3,740 hours). During the recovery of the down-hole recorders, a static pressure gradient survey was performed (wells closed at the surface). This survey indicated that the production casing is filled with light oil (0.72 kg/l) to a measured depth of 693m (686 m TVD), which corresponds to an oil column at a vertical depth of 819 m. This oil column is topped by low pressure wet gas.

The presence of an oil column that pulled up in the casing up to 686 m TVD indicates that Bourque HZ No. 1 R1 Forillon is a reservoir containing light oil and that the amount of associated gas may be less important than initially assessed. A specific depth sampling procedure is required to define the exact mix of light oil and gas condensate.

A diagnostic analysis of the log-log plot-flow regime identification has been performed on the pressure buildup data and a good agreement was obtained by applying a horizontal well in a dual porosity reservoir model. The shape of the derivative pattern suggests that the Bourque HZ No. 1 R1 reservoir is mostly made up of naturally fractured carbonate rocks and blocks of matrix porosity leading up to open fissures.

Bourque Well HZ No. 3 main results

More than 88.3 m³ of fluid was injected in the Bourque HZ No. 3 well during cleanup operations, from the setup of coil tubing on December 16, 2016 up to the end of operations on December 20, 2016. 54.4 m³ of fluid was recovered in storage tanks. The difference, being 33.9 m³, was injected into the formation during these operations.

On December 20, 2016, a one-hour production test with a 6.25 mm (¼") flow-control valve produced flammable gas with an initial flow of 860 m³/ d decreasing to a flow too small to be measured. After this production period, two down-hole recorders were lowered. The presence of a gas/fluid interface was detected at about 935 m. The well was then closed for a final pressure buildup until May 17, 2017 (representing 3,580 hours).

On May 17, 2017, during the removal of down-hole recorders, a static pressure survey was performed (wells closed at the surface). This survey shows that production casing is filled with water (1.06 kg/l) up to the measured depth of 536 m, which corresponds to a water column at a vertical depth of 762 m. This water column is topped with non-pressurized gas. Taking into account the open horizontal drain and the water column in the casing, the total volume is estimated at 34.5 m³, which corresponds to the remaining water/brine remaining in the well at the end of the stimulation test. The analysis of pressure buildup data reveals that the initial reservoir pressure of the Bourque HZ No. 3 well is approximately 8,234 kPa.

Next Steps: 2017 proposed work program

The confirmation on these two wells has established the presence of oil and gas in the reservoir. It has also revealed that the formation is tight and will require some additional work to allow an economical production. Eighty per cent (80%) of new wells in Canada are completed with hydraulic fracking and more than 200,000 wells have been fracked in Canada. To continue the assessment of the Bourque project, Pétrolia, as the operator, will propose to its partners (Ressources Québec and TUGLIQ Energy) the following exploration program in chronological order:

- Resume the production test on the Bourque HZ No. 1 R1 well by using a swabbing unit to better quantify reservoir productivity, if possible take a depth sample (PVT) and confirm the retention of the pressure regime.
- Resume the production test of the Bourque HZ No. 3 well by using a swabbing unit.
- Mandate Sproule Associates Limited to reassess the potential resources by integrating the data of these two wells and 3D seismic data (restated since the initial analysis carried out by Sproule Associates Limited).
- Study the best options for stimulation and completion.

Each of these steps will be presented to the appropriate elected officials and citizen follow-up committees. Transparency and community relations have been important priorities for Pétrolia and this will continue to be the case for Amalco as these next steps are carried out.

For budgeting purposes, it is estimated that the swabbing of the Bourque HZ No. 1 R1 and Bourque HZ No. 3 wells will require an expenditure of approximately \$592,000. The funding of the upcoming works on the Bourque property is already provided for by partner advances for planned exploration work as described in Pétrolia's unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2017 and 2016 (amended).

The funding of the upcoming works on the Bourque property is already provided for by partner advances for planned exploration work as described in Pétrolia's unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2017 and 2016 (amended).

Pétrolia has determined that a phased approach to future exploration and development work on the Bourque property is recommended and Amalco will adopt such approach. Based upon the results and data previously gathered, Amalco will conduct a swabbing operation of Bourque HZ No. 1 R1 and Bourque HZ No. 3. The information from these operations is expected to provide clear orientations for the next phase for the Bourque project. For budgeting purposes, it is estimated that the swabbing of Bourque HZ No. 1 R1 and Bourque HZ No. 3 will require an expenditure of approximately \$592,000. An independent firm will be mandated to carry out a resource assessment update. In addition, Amalco's main priority will be focused on carrying out the necessary work to fulfill all the conditions necessary in order to receive the required permits and other regulatory autorizations prior to next season.

Bourque 2017

	Amount of Funds
Swabbing/N2 Lifting	\$156,000
Production Testing	\$90,000
Well evaluation	\$75,000
Mobilization and Logistics and Contingency	\$212,000
Engineering & Supervision	\$59,000
Resources Assessment	\$100,000
Various Studies	\$500,000
Total	<u>\$1,192,000</u>

This amount of \$1,192,000 is not included in the \$1,500,000 amount set out in the table entitled "Use of Funds" set out below in this Part V as this amount will be entirely funded by Pétrolia's project partners in accordance with the terms of the applicable agreements.

Haldimand Fairway Project

The Haldimand Fairway Project was conceived during 2008. It includes the areas located to the northwest and southeast of the Haldimand Project, in which Pétrolia holds a 100% interest (Figure 2).

According to Pétrolia these areas present geological characteristics resembling those observed in the Haldimand Field area. During the (2007-2008) fiscal year, Pétrolia invested \$1.2 million exploration work on this project to identify targets to be drilled. In December of 2008 Pétrolia carried out an 83 kilometre 2D seismic program. As a result of this program Pétrolia split the project area into two projects: Tar Point which is the Southern Haldimand Fairway and

constitutes the natural extension of the Pétrolia-Haldimand No. 1 area to the southeast, and Corte-Real to the northwest.

Tar Point (South)

In the Southern Haldimand Fairway, the results of the 2D seismic, combined with the surface geology and an aeromagnetic survey acquired by Pétrolia in 2008, defined two drilling targets. This led to the selection of a site on a structure known as the Tar Point anticline, near Anse-à-Brillant, 18 km southeast of Gaspé. A well drilled on the anticline in 1950, about 2.0 km northwest of the proposed site, intersected traces of petroleum in the York River Formation (Devonian sandstones), with a strong gas show at the bottom, at a depth of about 2,155 m, in limestones of the Indian Cove Formation. Moreover, in a coastal section less than one kilometre from the proposed site, liquid petroleum has been observed in several open fractures of the York River Formation and in amygdules in a Carboniferous dyke.

The well Pétrolia-Tar Point No. 1, drilled from October 23 to December 7, 2009, reached a total depth of 2,434 m, intersecting in the process 1,536 m of York River Formation, 619 m of Indian Cove Formation and, after going through a fault, drilling through 150 m of Grès de Gaspé. The following information was gathered from this well:

1. The upper section of the York River Formation does not contain any hydrocarbons on account of its shallow burial depth.
2. The lower section of the York River Formation contains indications of light oil with porosity and permeability characteristics similar to those found on the Haldimand project.
3. In the Indian Cove Formation, two 100 m sections with open fractures have given numerous indications of hydrocarbons.

Following completion, the well was shut-in.

A DFIT carried out in November 2011, confirmed the possibility of increasing production with an appropriate stimulation program.

Corte-Real (North)

In the Northern Haldimand Fairway, the seismic suggest the presence of reefs within the Chaleurs Group. The Northern Haldimand Corridor thus shows similarities to the Bourque Project. Reefal traps are very abundant in the Western Canadian Sedimentary Basin, and also in Ontario and Michigan, which further supports Pétrolia's interest in this region. The old seismic data, combined with the new data acquired by Pétrolia in 2008, should enable a drilling target to be identified in this area. The present estimate is that a well 2,000 metres deep would be necessary to reach the reef-bearing strata.

Anticosti Island

Anticosti Island lies in the Gulf of St. Lawrence, 75 km from the coast of the Gaspé Peninsula. It is 220 km in length, up to 48 km in width and occupies an area of approximately 8,000 km² (3,000 square miles).

On April 1, 2014, Pétrolia announced the creation of the limited partnership AHLP, which owns and operates the interests on Anticosti Island that were held by Pétrolia and Corridor Resources

Inc. The limited partnership was created for the purposes of characterizing and developing the Macasty Formation and to determine whether this type of deposit can be developed economically. The following is a list of the limited partners and their ownership percentages in AHLP as of the date of this Information Circular:

Partners	Participation Percentage
Ressources Québec inc.	35%
Pétrolia inc. (through its wholly-owned subsidiary Investissements PEA inc.)	21.7%
Corridor Resources Inc.	21.7%
Saint-Aubin E&P (Québec) Inc.	21.7%

The Government of Quebec adopted a ministerial order on July 24, 2017, published in the *Gazette Officielle du Québec* and taking effect on July 28, 2017, prohibiting the exploration and development of oil and gas on Anticosti Island. It also announced compensation settlements with corporations involved in oil and gas exploration on Anticosti Island, notably Junex inc., and Corridor Resources inc. and Saint-Aubin, two of the partners in AHLP.

Pétrolia and the Government of Quebec entered into the Anticosti Settlement, which sets out the principal terms and conditions of definitive agreements to be entered into between Pétrolia and the Government of Quebec with respect to the end of oil and gas exploration and development on Anticosti Island and further to which AHLP will eventually be liquidated and dissolved without further compensation, in exchange for a cash consideration of \$20,500,000 in favour of Pétrolia.

As part of the Anticosti Settlement, it is expected that the Government of Québec will also obtain the rights over certain of Pétrolia's properties on Anticosti Island and assume the financial obligations in connection with the restoration of such properties, for which a net liability of approximately \$150,000 was recorded.

From an accounting perspective, further to the Anticosti Settlement, an impairment charge will be recognized as of June 30, 2017, in order to reduce the book value of the investment in the Anticosti project to its recoverable amount of approximately \$20,650,000, being the amount of the negotiated settlement plus the net liability of \$150,000 assumed by the Government of Québec.

Furthermore, the content of the third amendment to the Arrangement Agreement dated August 24, 2017, which includes a new basis for the determination of Pétrolia's value, demonstrate that the recoverable value of Pétrolia has increased since March 31, 2017 considering the change to the estimates based on the new event that occurred during the third quarter of this financial year, being the Antocisti Settlement. Consequently, if the Arrangement is completed, approximately \$14,000,000, net of taxes, of the previously accounted loss of value on Pétrolia's exploration and

evaluation assets and tangible assets shall be reversed subsequently to the second quarter of this financial year.

Further to the Anticosti Settlement, it is expected that Investissements PEA inc. will be dissolved immediately prior to the signature of the definitive agreements pertaining to the Anticosti Settlement, and that all of its rights and obligations will automatically become those of Pétrolia at the time of such dissolution.

On Anticosti Island, 38 underground reservoir (RS) exploration licences are held by AHLP (in which Amalco will hold a 21.7% interest, prior to AHLP's anticipated liquidation and dissolution in accordance with the Anticosti Settlement) covering an area of 619,564 hectares.

Table 11 Anticosti Island Block Permits		
PERMITS	ACQUISITION DATE	GROSS AREA (ha)
2009RS237	28/04/2009	11570
2009RS238	28/04/2009	17129
2009RS239	28/04/2009	11919
2009RS240	28/04/2009	17175
2009RS241	28/04/2009	23661
2009RS242	28/04/2009	12528
2009RS243	28/04/2009	14744
2009RS244	28/04/2009	23134
2009RS245	28/04/2009	14079
2009RS246	28/04/2009	12141
2009RS247	28/04/2009	17609
2009RS248	28/04/2009	17955
2009RS249	28/04/2009	18314
2009RS250	28/04/2009	17133
2009RS251	28/04/2009	19059
2009RS252	28/04/2009	20559
2009RS253	28/04/2009	20005
2009RS254	28/04/2009	17122
2009RS255	28/04/2009	17815
2009RS256	28/04/2009	11660
2009RS257	28/04/2009	9253
2009RS258	28/04/2009	19570
2009RS259	28/04/2009	10198
2009RS260	09/01/2009	18901
2009RS261	09/01/2009	14854
2009RS262	09/01/2009	14316
2009RS263	09/01/2009	21374
2009RS264	09/01/2009	22094
2009RS265	09/01/2009	22135
2009RS266	09/01/2009	6202
2009RS267	09/01/2009	18275

2009RS268	09/01/2009	16808
2009RS269	09/01/2009	10007
2009RS270	09/01/2009	17791
2009RS271	09/01/2009	17824
2009RS272	09/01/2009	15596
2009RS273	09/01/2009	13819
2009RS274	09/01/2009	15236
TOTAL		619,564

Summary of Petrolia wells

Well Name	Code	Operator	Surface Geographic Coordinates	Well Permit/ Area License	Target Formation/ Top Target	Total Depth		Spud Date / Rig Release Date	Status
						MD/K B	TVD/K B		
Pétrolia, Le Ber No 1	C129	Petrolia Inc.	48° 50' 08,40" 64° 52' 05,30"	2005FD129 2002PG660	York River Sandstone 405-410 m	823.7 m	823.7 m	Aug. 30 2005 Nov. 02 2005	Suspended with plugs
Pétrolia, Haldimand No 1	C131	Petrolia Inc.	48° 48' 18,90" 64° 25' 22,20"	2005FD131 2001PG572	York River Sandstone 945 m	1436.0 m	1417.1 m	Nov 05 2005 March 31 2006	Suspended for evaluation with tubing completion
Pétrolia, Haldimand No 2	C134	Petrolia Inc.	48° 48' 33.71" 64° 26' 06.18"	2009FD134 2005RS123	York River Sandstone 686 m MD / 685 m TVD	1200.0 m	1191.3 m	Sept 18 2009 Oct. 15 2009	Suspended for evaluation with tubing completion
Pétrolia, Tar Point No 1	C135	Petrolia Inc.	48° 43' 21.72" 64° 18' 28.54"	2009FD135 2005RS123	Indian Cove Carbonates 1794 m MD / 1682 m TVD	2434.0 m	2178.8 m	Oct 23 2009 Dec 07 2009	Suspended for evaluation with tubing completion
Pétrolia/Corridor, Anticosti, Chaloupe No 1	D020	Petrolia Inc.	49° 22' 03,94" 62° 32' 25,54"	2010FD020 2009RS252	Black River Carbonates 1078 m MD / 958 m TVD	1639.2 m	1278.2 m	Aug 01, 2010 Aug 25, 2010	Suspended with plugs
Corridor/Pétrolia, Anticosti, Saumon No 1	D021	Corridor	49° 23' 44,48" 62° 22' 30,82"	2010FD021 2009RS268	Black River Carbonates 1226 m MD / 1138 m TVD	1223.0 m	1015.0 m	July 22, 2010 Sept 1st, 2010	Suspended with plugs
Pétrolia, Bourque No 1	C141	Petrolia Inc.	49° 00' 59,15" 65° 06' 34,83"	2012FC141 2005PG497	Forillon Carbonates 1465 m MD / 1457 m TVD	3140.0 m	2928.0 m	July 07 2012 Oct 25 2012	Plugged & Abandoned in 2016
Pétrolia, Bourque No 2	C142	Petrolia Inc.	49° 02' 08,90" 65° 05' 38,00"	2012FC142 2005PG497	Forillon Carbonates 1757 m MD / 1756 m TVD	2680.0 m	2678.6 m	Oct 31 2012 Dec 13 2012	Suspended for evaluation with tubing completion
Pétrolia, Haldimand No 4	C143	Petrolia Inc.	48° 48' 47,60" 64° 26' 40,50"	2005RS123 2005RS123	York River Sandstone 620.5 m MD / 601 m TVD	2630.0 m	1095.0 m	Nov 25 2014 Feb 15 2015	Suspended for evaluation with tubing completion
Pétrolia, Bourque HZ	C141	Petrolia Inc.	49° 00' 59,15"	2016RC141 2005PG497	Forillon Carbonates	3450.0 m	1492.5 m	Sept 19 2016 Oct 21 2016	Suspended for evaluation with

No 1 R1			65° 06' 34.83"		1635 m MD / 1505 m TVD				tubing completion
Pétrolia, Bourque HZ No 3	C146	Pétrolia Inc.	49° 00' 57.61" 65° 06' 33.73"	2016FC146 2005PG497	Forillon Carbonates 1578 m MD / 1298 m TVD	3075.0 m	1288.6 m	Oct 28 2016 Nov 28 2016	Suspended for evaluation with tubing completion

Summary of Petrolia Coreholes

Coreholes Name	Operator	Surface Geographic Coordinates	Region	Area License	Target Top Target (m)	Total Depth (m GL)	Spud Date / Rig Release Date	Status
Pétrolia Princeton Lake 2012	Pétrolia Inc.	49° 53' 38.1" 64° 15' 57.5"	Anticosti	2009RS238	Macasty Fm 850.0 m	984.0 m	Aug 16 2012 Sept 15 2012	Plugged & Abandoned
Pétrolia HighCliff 2012	Pétrolia Inc.	49° 46' 43.8" 63° 52' 59.7"	Anticosti	2009RS240	Macasty Fm 1132.0 m	1197.0 m	Sept 19 2012 Oct 17 2012	Plugged & Abandoned
Pétrolia Oil River 2012	Pétrolia Inc.	49° 46' 48.2" 63° 20' 28.7"	Anticosti	2009RS243	Macasty Fm 577.5 m	750.0 m	Oct 19 2012 Nov 16 2012	Plugged & Abandoned
Pétrolia La Vérendrye 2013	Pétrolia Inc.	48° 26' 17.85" 65° 56' 53.29"	Matapedia	2009PG579	Val Brillant SS 1130.0 m	1416.0 m	Sept 18 2013 Nov 17 2013	Plugged & Abandoned
AHLP, Canard No 1	Pétrolia Anticosti Inc.	49° 40' 59.36" 63° 54' 50.62"	Anticosti	2009RS242	Macasty Fm Not reached	171.0 m	July 20 2014 Aug 13 2014	Plugged & Abandoned
AHLP, Lac Martin No 1	Pétrolia Anticosti Inc.	49° 21' 29.61" 62° 52' 33.89"	Anticosti	2009RS251	Macasty Fm 1278.0 m	1351.0 m	Aug 10 2014 Oct 16 2014	Plugged & Abandoned
AHLP, Bell No 1	Pétrolia Anticosti Inc.	49° 09' 14.90" 62° 12' 05.36"	Anticosti	2009RS273	Macasty Fm 1206.5 m	1249.0 m	Aug 19 2014 Oct 21 2014	Plugged & Abandoned
Hydrocarbures Anticosti SEC, Chicotte No 1	Pétrolia Anticosti Inc.	49° 26' 57.81" 63° 88' 39.50"	Anticosti	2009RS266	Macasty Fm 1631.0 m	1726.0 m	Aug 14 2014 Oct 30 2014	Plugged & Abandoned
AHLP, Jupiter-South No 1	Pétrolia Anticosti Inc.	49° 34' 35.14" 63° 26' 03.41"	Anticosti	2009RS264	Macasty Fm 1571.5 m	1684.0 m	Sept 12 2014 Nov 14 2014	Plugged & Abandoned
AHLP, Cerf- Sau No 1	Pétrolia Anticosti Inc.	49° 14' 17.48" 62° 28' 38.67"	Anticosti	2009RS271	Macasty Fm 1204.0 m	1275.0 m	Aug 09 2014 Nov 16 2014	Plugged & Abandoned
AHLP, Sainte-Marie No 1	Pétrolia Anticosti Inc.	49° 45' 19.86" 63° 52' 59.20"	Anticosti	2009RS240	Macasty Fm 1175.5 m	1273.0 m	July 16 2014 May 25 2015	Plugged & Abandoned
AHLP, Caribou No 1	Pétrolia Anticosti Inc.	49° 43' 27.15" 63° 54' 30.06"	Anticosti	2009RS242	Macasty Fm 1432.5 m	1558.0 m	July 16 2014 June 21 2015	Plugged & Abandoned
AHLP, Canard No 2	Pétrolia Anticosti Inc.	49° 40' 59.02" 63° 54' 52.18"	Anticosti	2009RS242	Macasty Fm 1544.4 m	1675.0 m	May 25 2015 July 17 2015	Plugged & Abandoned
AHLP, Roliff- Graben No 1	Pétrolia Anticosti Inc.	49° 32' 39.95" 63° 20' 40.00"	Anticosti	2009RS264	Macasty Fm 1674.3 m	1810.0 m	Aug 30 2014 Aug 09 2015	Plugged & Abandoned
AHLP, Martin-la-Mer No 1	Pétrolia Anticosti Inc.	49° 17' 00.90" 63° 47' 45.67"	Anticosti	2009RS270	Macasty Fm 1452.5 m	1540.0 m	Oct 23 2014 Oct 02 2015	Plugged & Abandoned

AHLP, La Loutre No 1	Pétrolia Anticosti Inc.	49° 35' 17.76" 63° 38' 13.53"	Anticosti	2009RS263	Macasty Fm 1691.0	1765.0 m	June 30 2015 Sept 05 2015	Plugged & Abandoned
AHLP, NACP West No 1	Pétrolia Anticosti Inc.	49° 38' 36.46" 63° 33' 27.04"	Anticosti	2009RS263	Macasty Fm 1397.0 m	1468.0 m	May 30 2015 July 08 2015	Plugged & Abandoned

Exploration Costs

In the last fiscal year, Pétrolia expended \$10,020,957 on exploration activities on its permits less exploration subsidies and a partner contribution of \$6,305,580. As of December 31, 2016, Pétrolia had cumulative gross exploration expenditures on its oil and gas properties of \$73,209,287.

Pieridae Interest in Natural Gas Resource Properties

Pieridae holds a 20% interest in Production LP, which owns certain natural gas resource properties situated in New Brunswick. Under certain circumstances it is possible for Pieridae to increase this interest to 50%. However, there is presently a government imposed moratorium on the use of hydraulic fracturing in New Brunswick which effectively prevents any further exploration and development by Production LP of its natural gas resource properties in that province. The other partner in Production LP is ORLEN Upstream Canada Ltd., an affiliate of Polski Koncern Naftowy Orlen Spółka Akcyjna which is a public corporation listed on the Warsaw stock exchange and is a major Polish oil refiner and petrol retailer with operations in Poland as well as the Czech Republic, Germany and the Baltic States.

See "*Part III - Information Concerning Pétrolia - Narrative Description of the Business*" and "*Part IV - Information Concerning Pieridae - Narrative Description of the Business*".

DESCRIPTION OF THE SECURITIES

Share Capital

Amalco will be authorized to issue an unlimited number of Amalco Shares.

The holders of Amalco Shares will be entitled to vote at all meetings of shareholders of Amalco, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any other class of shares of Amalco entitled to receive the assets of Amalco in priority to or rateably with the holders of Amalco Shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Amalco.

Options

Under the Arrangement, each issued and outstanding Replacement Pétrolia Option shall be exchanged for an Amalco Pétrolia Option entitling the holder to receive from Amalco, upon the exercise thereof, the number of Amalco Shares equal to the number of Pétrolia Shares subject to the Replacement Pétrolia Option immediately before the Effective Time. Each issued and outstanding Pieridae Option shall be exchanged for Amalco Pieridae Options entitling the holder to receive from Amalco, upon the exercise thereof, the number of Amalco Shares equal to the number of Pieridae Shares subject to the Pieridae Options immediately before the Effective Time as adjusted in accordance with the Exchange Ratio.

Following the completion of the Arrangement, it is anticipated that Amalco will have 4,257,044

outstanding options to purchase Amalco Shares.

Warrants

Under the Arrangement, each issued and outstanding Post-consolidation Pétrolia Warrant shall be cancelled, and former holders of Post-consolidation Pétrolia Warrants shall receive one Amalco Pétrolia Warrant in respect of each Post-consolidation Pétrolia Warrant so cancelled. Following the completion of the Arrangement, Amalco will have 343,747 Amalco Pétrolia Warrants outstanding. Each Amalco Pétrolia Warrant shall entitle the holder to purchase one (1) Amalco Share at a price of \$6.48 per Amalco Share until the expiry date of the Amalco Pétrolia Warrants of November 5, 2018.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Capitalization

The following table sets forth the pro forma capitalization of Amalco as at the Closing Date based on the assumptions set out in the above “Notice to Reader” regarding this Part V, and assuming completion of the Arrangement.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding after giving effect to the Arrangement
Amalco Shares ⁽¹⁾⁽²⁾	Unlimited	\$127,009,000 ⁽³⁾ (49,132,684 shares)
Amalco bank loan ⁽⁴⁾	\$3,200,000	\$3,200,000

Notes:

- (1) As at the date hereof, there are 1,625,000 Pieridae Options outstanding, 8,072,500 (pre-consolidation) Pétrolia Options outstanding and 4,125,000 (pre-consolidation) Pétrolia Warrants outstanding. For information regarding the Pieridae Options see "Part IV - Information Concerning Pieridae - Description of the Securities". For information regarding the Pétrolia Options see "Part III - Information Concerning Pétrolia - Description of the Securities". For information concerning Amalco Shares issuable pursuant to Amalco Pieridae Options and Amalco Pétrolia Options see "Part V - Information Concerning Amalco - Options and other Rights to Purchase Securities". See "Part V - Information Concerning Amalco - Escrowed Securities" for information regarding Amalco Shares, Amalco Pétrolia Options, Amalco Pieridae Options and Amalco Pétrolia Warrants subject to escrow conditions upon the completion of the Arrangement.
- (2) As at March 31, 2017 based on the assumptions set out in the above “Notice to Reader” regarding this Part V, and assuming completion of the Arrangement, Amalco had a deficit of \$73,788,000.
- (3) Based on the assumptions set out in the above “Notice to Reader” regarding this Part V, and assuming completion of the Arrangement.
- (4) Secured by a mortgage on the Project Site.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the fully diluted share capital of Amalco based on the assumptions set out in the above “Notice to Reader” regarding this Part V, and assuming completion of the Arrangement.

	Number of Amalco Shares	Percentage of Total
Amalco Shares issued and outstanding	49,132,684	91.44%
Total Number of Securities (undiluted)	49,132,684	91.44%
Amalco Shares reserved for issuance pursuant to options of Amalco ⁽²⁾	4,257,044 ⁽¹⁾⁽⁴⁾	7.92%
Amalco Shares reserved for issuance pursuant to warrants of Amalco	343,747 ⁽³⁾	0.64%
Total Number of Securities (fully diluted)	53,733,475	100%

Notes:

- (1) See "Part V - Information Concerning Amalco - Options and Other Rights to Purchase Securities".
- (2) An additional 656,224 Amalco Shares will be available for future grants of stock options under the stock option plan of Amalco. See "Information Concerning Amalco - Options and Other Rights to Purchase Securities".
- (3) Each Amalco Pétrolia Warrant shall entitle the holder to purchase one (1) Amalco Share at a price of \$6.48 per Amalco Share until the expiry date of the Amalco Pétrolia Warrants of November 5, 2018. See "Information Concerning Amalco - Options and Other Rights to Purchase Securities".
- (4) For details regarding the applicable exercise prices and expiry dates of the Amalco Pieridae Options and Amalco Pétrolia Options, see "Information Concerning Amalco - Options and Other Rights to Purchase Securities - Options".

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

The total estimated consolidated funds available to Amalco based on the assumptions set out in the above "Notice to Reader" regarding this Part V, and assuming completion of the Arrangement are derived from the following sources:

Sources of Funds	Amount
Estimated Working Capital as of July 31, 2017 ⁽¹⁾	\$4,430,412
Net Proceeds from the sale of Subscription Receipts	\$24,632,500
Other Funds Available	\$-
Total	\$29,062,912

Notes:

- (1) Estimated Working Capital as per ProForma after adjustments and before proceeds from the sale of Subscription Receipts.

Principal Purposes of Funds

Amalco intends to use the available funds for the purposes presented in the table set forth below in the estimated amounts set forth opposite the purposes. See “*Part V – Information Concerning Amalco – General Description of the Business – Stated Business Objectives*” and “*Part V – Information Concerning Amalco – General Description of the Business – Milestones*” for more information regarding the principal purposes and estimated costs to achieve Amalco's business objectives.

Use of Funds	Amount of Funds
Legal, accounting and other expenses relating to the Arrangement	\$1,250,000
Administrative expenses for the following 12 months ⁽¹⁾	\$4,994,000
Operating expenses for the following 12 months ⁽²⁾⁽⁴⁾	\$896,000
Total Goldboro LNG Facility Expenses for the following 12 months	\$10,210,000
Exploration and Development ⁽³⁾	\$1,500,000
Unallocated working capital ⁽⁴⁾	\$10,212,912
Total	\$29,062,912

Notes:

- (1) Pétroliia currently has consulting agreements in place with Mr. Myron A. Tétreault (Executive Chairman of the Board and Director) and Mr. Martin Bélanger (Interim Chief Executive Officer and Director) in connection with the services rendered by these individuals in their respective roles of Executive Chairman and Interim Chief Executive Officer (see the “Summary Compensation Table in “*Part III – Executive Compensation*” of the Information Circular). In light of their continuing role with Amalco, it is expected that such contracts will continue following the closing of the Arrangement, subject to any amendments that may be agreed by the applicable parties.
- (2) This amount is comprised solely of the costs related to employees carrying out exploration and development activities.
- (3) This amount is comprised of estimated expenditures for the Haldimand and the Gaspesia projects. Expenditures for the Bourque project is funded by project partners. As noted above, as of July 28, 2017, the Government of Québec has prohibited exploration and exploitation of oil and gas activities on Anticosti Island, and as it has entered into the Anticosti Settlement with Pétroliia, therefore, no expenses for the Anticosti project are included in this amount.
- (4) A portion of the unallocated working capital and operating expenses will be used to pay salaries and other compensation to executive officers and employees of Amalco.

Amalco will spend the estimated funds available to it on completion of the Arrangement for the principal purposes as indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for Amalco to achieve these objectives. Until required for Amalco's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or Territory of Canada, in certificates of deposit or interest bearing accounts of Canadian chartered banks, trust companies or credit unions.

Amalco may also require additional funds in order to fulfill all of Amalco's future expenditure requirements or obligations, in which case Amalco may raise additional funds either through the issuance of equity or by incurring debt to satisfy such requirements or obligations. There is no assurance that any additional funding required by Amalco will be available.

While actual expenditures may in fact differ from the amounts and allocations indicated above, the net proceeds will be used in furtherance of Amalco's business.

Dividends

Following the completion of the Arrangement, Amalco's ability to make dividend payments to holders of its shares is dependent upon the operations and business of Amalco and its Affiliates. There is no assurance regarding the amounts of cash that may be available from Amalco's

operations and business that could be available to fund future dividends or if dividends will be declared at all. The actual amount of any dividends will depend on a variety of factors, including without limitation, the current performance, historical and future trends in the business, the expected sustainability of those trends and enacted tax legislation which will affect future taxes payable as well as required long-term debt repayments, maintenance capital expenditures required to sustain performance, future growth capital expenditures, effect of acquisitions or dispositions on Amalco's business, and other factors that may be beyond the control of Amalco or not anticipated by its management. Any declaration and payment in the future of any cash dividends or distributions will be at the discretion of the directors of Amalco. It is not anticipated that any cash dividends or distributions will be paid on the shares of Amalco in the foreseeable future. Any declaration and payment in the future of any cash dividends or distributions will be at the discretion of the directors of Amalco.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and executive officers of Pieridae and Pétrolia, as of the date hereof, no person or company is anticipated to beneficially own, or control or direct, directly or indirectly, voting securities of Amalco carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of Amalco other than as set forth below:

Name	Number of Amalco Shares	Percentage of Amalco Shares	Of Record or Beneficially
Alfred Sorensen Holdings Ltd. ⁽¹⁾	9,784,235 ⁽²⁾	19.91% ⁽³⁾	Of record and beneficially

Notes:

- (1) Alfred Sorensen Holdings Ltd. is private company controlled by Alfred Sorensen, the President, Chief Executive Officer and a director of Pieridae and proposed Chief Executive Officer and director of Amalco.
- (2) Including the issuance of 340,000 Pieridae Shares as a result of participation in the Pieridae Private Placement, and assuming the issuance of 504,000 Pieridae Shares upon conversion of the Pieridae Debenture held by Alfred Sorensen Holdings Ltd. The actual number of Pieridae Shares issued upon conversion will depend on the daily exchange rate published by the Bank of Canada on the day prior to the conversion.
- (3) On a fully diluted basis, Alfred Sorensen Holdings Ltd. will hold 9,784,235 Amalco Shares representing 18.22% of the Amalco Shares.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address, Occupation and Security Holdings

Each proposed director of Amalco will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the provisions of the CBCA or the constating documents of Amalco. The information set forth below relating to the proposed directors and officers is based on information received by Pieridae and Pétrolia from said directors and officers. The information below sets forth the director's or officer's name, residence and position to be held with Amalco, the director's or officer's principal occupation during the last five years and the number and percentage of Amalco Shares expected to be beneficially owned, directly or indirectly, or over which control or direction is expected to be exercised by the director or officer based on the assumptions set out in the above "Notice to Reader" regarding this Part V, and assuming completion of the Arrangement.

Name, Position Held with Amalco and Municipality of Residence ⁽⁴⁾	Principal Occupation for Past Five Years	Director or Officer of Pieridae or Pétrolia Since	Number and Percentage of Amalco Shares Expected to be Beneficially Owned or Controlled, Directly or Indirectly
Myron A. Tétreault <i>Director</i> <i>Calgary, Alberta</i>	Chairman of Calafate Holdings Ltd. since 1999. Director of Fitzroy Developments Ltd. and Northern Vision Development Corp. (private real estate companies) since 2004. Lead Director of PHX Energy Services Corp. since 2012 (and director or officer of PHX Energy Services Corp. and its predecessors since 1997), a TSX-listed horizontal and directional drilling company.	Pétrolia March 20, 2009	72,500 (0.15%)
Alfred Sorensen <i>Director and Chief Executive Officer</i> <i>Calgary, Alberta</i>	President and CEO of Pieridae since its founding in 2012. Prior thereto, a principle founder of Galveston LNG, Inc.	Pieridae May 29, 2012	9,784,235 ⁽³⁾ (19.91%)
Charles Boulanger ^{(1) (2)} <i>Director</i> <i>Québec, Québec</i>	President and Chief Executive Officer of LeddarTech Inc., a private company with a unique, patented solidstate LiDAR technology, and President of Moody Management Inc., a private investment firm.	Pétrolia December 11, 2012	19,458 (0.04%)
Andrew Judson ^{(1) (2)} <i>Director</i> <i>Calgary, Alberta</i>	Managing Director of Camcor Partners Inc. since 2013, a general partner and investment manager for a series of limited partnerships mandated to invest in the Canadian upstream energy industry. Prior thereto, a Managing Director with FirstEnergy Capital Corp. since September 2007.	Pieridae June 12, 2015	Nil (0.00%)
Matthew Rees ^{(1) (2)} <i>Director</i> <i>Calgary, Alberta</i>	President and Chief Executive Officer of ORLEN Upstream Canada Ltd. since June, 2015. ORLEN Upstream Canada Ltd. is an oil and natural resource development company in Canada, with a particular focus on its	Pieridae December 17, 2015	Nil (0.00%)

Name, Position Held with Amalco and Municipality of Residence ⁽⁴⁾	Principal Occupation for Past Five Years	Director or Officer of Pieridae or Pétrolia Since	Number and Percentage of Amalco Shares Expected to be Beneficially Owned or Controlled, Directly or Indirectly
	properties in Alberta. Prior thereto, held positions with Talisman Energy Inc. and Petro-Canada Oil & Gas in the U.K., Colombia, and Canada.		
Martin Bélanger <i>Production President Calgary, Alberta</i>	Interim President and Chief Executive Officer of Pétrolia (since September 2016) and Director of Pétrolia since March 26, 2015. Prior thereto, Director of Business Development, Natural Resources Solution Centre for IBM Canada Ltd. (September 2015 to August 2016); Director, Oil Pipelines, Commercial Operations Engineering, TransCanada Pipelines Ltd. (September 2013 to May 2015); Director, Production Operations, Laricina Energy Ltd. (May 2011 – September 2013).	Pétrolia March 26, 2015	3,167 (0.01%)
Thomas Dawson <i>LNG President Airdrie, Alberta</i>	Chief Operating Officer of Pieridae since May 2012. Prior thereto, a principle founder of Galveston LNG, Inc.	Pieridae May 29, 2012	2,602,788 (5.30%)
Mario Racicot <i>Chief Financial Officer Boucherville, Québec</i>	Chief Financial Officer of Pétrolia since May 2016. Prior thereto, he held several management positions at the National Bank of Canada and at its subsidiary, Innocap Investment Management inc.	Pétrolia May 26, 2016	Nil (0.00%)
Thomas Ciz <i>Corporate Secretary Vancouver, British Columbia</i>	General counsel to Pieridae since August 1, 2015. Prior thereto, he provided legal services to Pieridae and other clients as Associate Counsel at Farris, Vaughan, Wills & Murphy LLP.	Closing Date	695,337 ⁽⁵⁾ (1.42%)

Notes:

- (1) Anticipated member of the Audit Committee, the Chairman of which will be determined by the members of the Audit Committee.
- (2) Anticipated member of the Compensation Committee, the Chairman of which will be determined by the members of the Compensation Committee.
- (3) Held by Alfred Sorensen Holdings Ltd., a private company controlled by Mr. Sorensen. Including the issuance of 340,000 Pieridae Shares as a result of participation in the Pieridae Private Placement, and assuming the issuance of 504,000 Pieridae Shares upon conversion of the Pieridae Debenture held by Alfred Sorensen Holdings Ltd. The actual number of Pieridae Shares issued upon conversion will depend on the daily exchange rate published by the Bank of Canada on the day prior to the conversion.
- (4) Steve Harding is a current director of Pieridae and has been a director since July 16, 2013. Mr. Harding is not a proposed director or officer of Amalco.
- (5) Assuming the issuance of 7,238 Pieridae Shares to Mr. Ciz prior to the completion of the Arrangement as partial payment of a bonus earned by Mr. Ciz, and including the issuance of 8,000 Pieridae Shares as a result of Mr. Ciz's participation in the Pieridae Private Placement.

Upon the completion of the Arrangement, the directors and executive officers of Amalco, as a group, are expected to beneficially own, or control or direct, directly or indirectly, 13,177,485 Amalco Shares being approximately 27% of the issued and outstanding Amalco Shares (on a non-diluted basis) based on the assumptions set out in the above “*Notice to Reader*” regarding this Part V, and assuming completion of the Arrangement.

Management

Alfred Sorensen (age 55) – Director and Chief Executive Officer (full time, employee)

Mr. Sorensen is the CEO of Pieridae since its founding in 2012. He is a chartered professional accountant and a leader in the energy industry with over 30 years of Canadian and international experience. Mr. Sorensen served as the CEO of Canadian Spirit Resources from 2013 to 2015. From 2003 to 2010 Mr. Sorensen was the CEO and a founder of Galveston LNG. Galveston LNG's Kitimat LNG project was the first new liquefaction facility permitted in North America in 40 years and is now owned by Chevron and Woodside Petroleum. Prior to Galveston LNG, he was President of Duke Energy Europe and before that President at Duke Energy Canada.

Mario Racicot (age 49) - Chief Financial Officer (full time, employee)

Mario Racicot has been the Chief Financial Officer and Corporate Secretary of Pétrolia since May 26, 2016. Mr. Racicot has 15 years of experience as a financial professional. Since 2001, he held several management positions at the National Bank of Canada and at its subsidiary, Innocap Investment Management inc. A University du Québec à Montréal graduate, he completed a MBA with a specialization in financial management.

Martin Bélanger (age 50) - Production President (full time, independent contractor)

Mr. Bélanger has been the interim president and chief executive officer of Pétrolia since September 2016 and director of Pétrolia since March 26, 2015. Mr. Bélanger has more than 24 years of experience in the oil and gas industry. He began his career as a junior field engineer before progressively moving up the hierarchy to become a senior manager. Over the years, he has served several large and small companies, including Talisman Energy, PrimeWest Energy, TAQA NORTH, Laricina Energy and TransCanada Pipelines. He has gained valuable expertise in all facets of engineering, project management, field operations, maintenance, and regulatory compliance. Mr. Bélanger has an extensive experience in the management of upstream and downstream oil and gas facilities, as well as gas pipelines. Mr. Bélanger has worked internationally, including in the United Kingdom and the United States. Mr. Bélanger completed his bachelor's degree in chemical engineering at the University of Ottawa in 1991 and is an accredited member of the Association of

Professional Engineers & Geoscientists of Alberta.

Thomas Dawson (age 54) - LNG President (full time, employee)

Mr. Dawson has been active in the energy industry for 30 years and has been the Chief Operating Officer of Pieridae since its founding in 2012. He has been involved in the LNG industry for 15 years, including projects in Canada, Australia and the Middle East. Mr. Dawson was one of the principle founders of Galveston LNG. Galveston LNG's Kitimat LNG project was the first new liquefaction facility permitted in North America in 40 years and is now owned by Chevron and Woodside Petroleum. He has been involved in trading for natural gas, crude oil, electricity and currency markets with several large energy-trading companies from 1992 to 2002. He has served on utility risk management committees of a number of Canadian energy utilities. Mr. Dawson has also sat on the boards of several Canadian junior oil and gas companies.

Thomas Ciz (age 57) - Corporate Secretary (full time, employee)

Mr. Ciz has been General Counsel to Pieridae Energy Limited since August 1, 2015. Mr. Ciz has extensive experience in corporate, commercial and taxation law which was gained through over 20 years of practice including nine years as an associate and partner of a national Canadian law firm. Thomas is a member of the Law Society of British Columbia as well as being a Chartered Professional Accountant (Chartered Accountant).

Myron A. Tétreault (age 50) - Director (part time independent contractor (proportion of time expected to be devoted to Amalco: 25%))

Mr. Tétreault has been President since 1999 of Calafate Holdings Ltd., a private investment management and venture capital company. Mr. Tétreault serves as the Lead Director of PHX Energy Services Corp. a TSX-listed horizontal and directional drilling company. He is also a co-founder and director of Fitzroy Developments Ltd. (a private real estate company), Northern Vision Development Corp. (a private real estate company) and of Webber Academy Foundation (a non-profit company that operates a private school in Calgary, Alberta). From August 1993 to December 1997, Mr. Tétreault was a corporate and securities lawyer with the law firm Bennett Jones Verchere (now Bennett Jones, LLP). Mr. Tétreault has over twenty years of experience as a director and officer of numerous companies in the oil & gas and oilfield services sector. Mr. Tétreault obtained his Juris Doctor degree (with distinction) from the University of Saskatchewan in 1992 and his Bachelor of Business Administration degree (cum laude) from the University of Ottawa in 1988. He is a member of the Law Society of Alberta and was a member of the Entrepreneurs' Organization for 10 years.

Charles Boulanger (age 60) - Director (proportion of time expected to be devoted to Amalco: less than 10%)

Mr. Boulanger is the Chief Executive Officer of Leddartech Inc., a private company with a unique, patented solidstate LiDAR technology. He is also the President of Moody Management Inc., a private investment firm. Mr. Boulanger has over 30 years of experience in senior management positions in several industrial sectors with companies such as Shell Canada, Irving Oil, GSI Environment and Prolab Technologies. In 2008, he was the Founder, President and Chief Executive Officer of Groupe Unipex SAS, and President of the Active Ingredients and Specialty Chemicals Division of Atrium Innovations (TSX: ATB) from 2004 to 2008. Before joining Atrium, he was the Founder and President of Quebec International (formerly Pôle Quebec Chaudière-Appalaches) further to a partnership with Phenix Capital. Mr. Boulanger has over fifteen years of experience as a

director and officer of numerous companies in the industrial and oil sectors; he currently sits on the boards of Chimie Parachem, Pétrolia and LeddarTech. Mr. Boulanger earned a degree in mechanical engineering from Université Laval in 1981 and graduated from the senior management program at the International Center for Research and Studies in Management (CIREM) in 1990.

Andrew Judson (age 49) - Director (proportion of time expected to be devoted to Amalco: less than 10%)

Since 2013, Mr. Judson has been a Managing Director of Camcor Partners Inc., a general partner and investment manager for a series of limited partnerships mandated to invest in the Canadian upstream energy industry. Previously he was a Managing Director with energy focused boutique investment dealer FirstEnergy Capital Corp. with offices in Calgary and London, helping lead the capital markets group. Mr. Judson was responsible for covering some of the largest institutional investors in Canada, the United States and Europe, and advising on their energy related investments. Mr. Judson has extensive board governance experience and serves on several boards of directors of Camcor portfolio companies.

Matthew Rees (age 45) - Director (proportion of time expected to be devoted to Amalco: less than 10%)

Mr. Rees is the President and Chief Executive Officer of ORLEN Upstream Canada Ltd., an oil and gas exploration and production company based in Calgary. Mr. Rees is a Professional Engineer with extensive experience in Western Canadian and international onshore and offshore oil and gas operations. He holds a Mechanical Engineering degree from University of Victoria and a Master's in Business Administration, from University of Calgary. Mr. Rees has a broad range of experience including Reservoir and Production Engineering, Business Development, Commercial Transactions and Corporate Planning in Canada, Latin America and the United Kingdom. Mr. Rees previously held positions with Talisman Energy and Petro-Canada Oil & Gas in the U.K., Colombia and Canada.

Promoter Consideration

Alfred Sorensen and Alfred Sorensen Holdings Ltd. are each a Promoter of Pieridae. See "*Part V - Information Concerning Amalco - Principal Securityholders*", "*Part V - Information Concerning Amalco - Directors and Executive Officers*" and "*Part V - Information Concerning Amalco - Executive Compensation*" for information in respect of the municipality of residence of the Promoters and number and percentage of class of securities of Amalco owned or controlled by the Promoters.

Cease Trade Orders

To the knowledge of Pieridae and Pétrolia, no director or executive officer of Amalco is, as of the date of the Information Circular, or was, within the ten (10) years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Pieridae and Pétrolia) that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued: (i) while such person was acting in that capacity; or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

To the knowledge of Pieridae and Pétrolia, no director or executive officer of Amalco, or shareholder holding a sufficient number of securities to affect materially the control of Amalco is, as of the date of the Information Circular, or has been, within ten (10) years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of Pieridae and Pétrolia, no director or executive officer of Amalco, or shareholder holding a sufficient number of securities to affect materially the control of Amalco has, within the ten (10) years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of Pieridae and Pétrolia, no director or executive officer of Amalco, or shareholder holding a sufficient number of securities to affect materially the control of Amalco (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making a decision about an investment in Amalco Shares or the Arrangement.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Amalco will be subject in connection with the operations of Amalco. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of Amalco that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Alfred Sorensen	Canadian Spirit Resources Inc. (Alberta)	TSX-V	Director	January 2012	present
			Chief Executive	April 2012	September 2014

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
			Officer		
Myron A. Tétreault	PHX Energy Services Corp.	TSX	Lead Director	Director since May 2007 Lead Director since June 2008	present

EXECUTIVE COMPENSATION

Set forth below is certain information in respect of the anticipated compensation of Amalco's Chief Executive Officer, Chief Financial Officer, and Amalco's three (3) most highly compensated executive officers, for the twelve (12) month period after the closing of the Arrangement.

Compensation Committee

Amalco Board anticipates that it will establish a Compensation Committee to review compensation policies of Amalco including the compensation paid to its employees, executive officers and directors. The Compensation Committee is anticipated currently comprised of Charles Boulanger, Andrew Judson and Matthew Rees. All members of the Compensation Committee are anticipated to be independent directors of Amalco within the meaning of National Instrument 52-110 *Audit Committees* ("NI 52-110").

Certain of the anticipated members of the Compensation Committee have direct experience that is relevant to their responsibilities regarding executive compensation of Amalco. Charles Boulanger has been a member of the Compensation and Governance Committee of Pétrolia since May 2014 and has over 30 years of experience in senior management positions during the course of which he has had direct responsibility for implementing and overseeing compensation programs. Specifically, Andrew Judson has experience acting as Chairman of the Compensation Committee of another private oil and gas company, and contributes to compensation reviews on all of the portfolio investments held by Camcor Partners Inc.

The Compensation Committee will be responsible for reviewing all proposed agreements between executives and Amalco and providing recommendations to Amalco Board. All of the members of the Compensation Committee are anticipated to be eligible to receive options of Amalco. The Compensation Committee will be responsible for determining the total compensation of executive officers of Amalco.

Meetings of the Compensation Committee are anticipated to be held periodically to review compensation policies and to consider the overall compensation to be paid by Amalco to its employees, executive officers and directors.

Compensation Discussion and Analysis

Following the completion of the Arrangement, Amalco is anticipated to adopt compensation policies and practices substantially similar to the compensation policies and practices of Pieridae. See "*Part IV - Information Concerning Pieridae - Executive Compensation*".] It is anticipated that the Amalco Board, together with the Compensation Committee of Amalco, will convene following the completion of the Arrangement to establish Amalco's compensation structure.

Anticipated Compensation

The following table sets forth the anticipated total compensation to be paid to Amalco's executive officers for the twelve month period after giving effect to the Arrangement and the Pieridae Private Placement.

Name	Salary (\$)	Share Based Awards (\$) ⁽¹⁾	Option Based Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Alfred Sorensen <i>President and Chief Executive Officer</i>	300,000	-	-	-	-	-	300,000
Mario Racicot <i>Chief Financial Officer</i>	145,000	-	To be determined	Up to 50% of Salary based on attainment of targets.	-	-	To be determined based on amount of Option Based Awards and Non-Equity Incentive Plan Compensation, if any.
Thomas Dawson <i>Chief Operating Officer</i>	250,000	-	-	-	-	-	250,000
Martin Bélanger ⁽²⁾ <i>Production President</i>	222,000	-	To be determined	Up to 50% of Salary based on attainment of targets.	-	-	To be determined based on amount of Option Based Awards and Non-Equity Incentive Plan Compensation, if any.

Notes:

- (1) Based on the Amalco Share value of \$5.667, as determined by Pétrolia and Pieridae in the Plan of Arrangement, such value having been confirmed by the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion. See the Plan of Arrangement attached as Schedule "H" of the Information Circular as well as its "Part II – The Arrangement – Fairness Opinions
- (2) The services of Mr. Bélanger, as Production President will be provided by Mr. Bélanger under the terms of a consulting agreement.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

Amalco will have outstanding an aggregate of 622,203 options and 1,041 warrants to executive officers of Amalco upon the completion of the Arrangement. Stock options will be granted to provide an incentive to the directors, officers, employees and consultants of Amalco to achieve the longer-term objectives of Amalco; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Amalco; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in Amalco.

The number of anticipated options and common share purchase warrants to be granted to Amalco's executive officers to purchase or acquire securities of Amalco for the twelve-month period after giving effect to the Arrangement is not known at this time. Under Amalco's stock option plan, and assuming no issuances from treasury, 656,224 Amalco Shares will be available for stock options.

The following table sets forth the option-based awards and share-based awards granted to executive officers of Amalco which are anticipated to be outstanding upon the completion of the Arrangement. See "*Information Concerning Amalco - Options and Other Rights to Purchase Securities.*".

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽¹⁾ (\$)	Market or payout value of share-based awards that have vested (not paid or distributed) ⁽¹⁾ (\$)
Martin Bélanger	6,250	6.84	March 25, 2020	-	N/A	N/A	N/A
	6,250	6.60	May 27, 2020	-	N/A	N/A	N/A
	4,166	4.08	November 24, 2020	6,611.44	N/A	N/A	N/A
	12,500	2.52	August 25, 2021	39,337.50	N/A	N/A	N/A
	6,250	1.98	November 16, 2021	23,043.75	N/A	N/A	N/A
Mario Racicot	8,333	4.08	November 24, 2020	13,224.47	N/A	N/A	N/A
	8,333	2.64	May 25, 2021	25,223.99	N/A	N/A	N/A
	6,250	2.52	August 25, 2021	19,668.75	N/A	N/A	N/A
	15,625	1.98	November 16, 2021	57,609.38	N/A	N/A	N/A

Notes:

- (1) Based on an Amalco Share value of \$5.667, as determined by Pétrolia and Pieridae in the Plan of Arrangement, such value having been confirmed by the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion. See the Plan of Arrangement attached as Schedule "H" of the Information Circular as well as its "*Part II – The Arrangement – Fairness Opinions*".

Termination and Change of Control Benefits

Pétrolia has entered into an employment agreement with its Chief Financial Officer with a view to compensating him in the event of termination of his employment or a change of responsibilities following a change in control. See "*Part III - Information Concerning Pétrolia - Executive Compensation*". Such agreement will remain outstanding for Amalco after giving effect to the Arrangement.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Following the completion of the Arrangement and the Pieridae Private Placement, it is expected that there will exist no indebtedness of the directors or executive officers of Amalco, or any of their associates, to Amalco, nor any indebtedness of any of such persons to another entity which will be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Amalco.

INVESTOR RELATIONS ARRANGEMENTS

Amalco has not entered into, and does not currently intend to enter into, any investor relations arrangements.

CORPORATE GOVERNANCE AND COMMITTEES

Following the completion of the Arrangement, Amalco expects to adopt audit committee and corporate governance policies and practices substantially similar to the audit committee and corporate governance policies and practices of Pétrolia, subject to any changes that may be adopted by the board of Amalco. See "*Part III - Information Concerning Pétrolia - Information Concerning Governance*". It is anticipated that the Amalco Board and the applicable committees of the Amalco Board will convene following the completion of the Arrangement to formally adopt such policies and consider whether any amendments should be made thereto.

Mr. Myron A. Tétréault, Mr. Charles Boulanger, Mr. Andrew Judson and Mr. Matthew Rees will be independent directors of Amalco.

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

Options

Under the Arrangement, each issued and outstanding Replacement Pétrolia Option shall be exchanged for an Amalco Pétrolia Option entitling the holder to receive from Amalco, upon the exercise thereof, the number of Amalco Shares equal to the number of Pétrolia Shares subject to the Replacement Pétrolia Option immediately before the Effective Time. Each issued and outstanding Pieridae Option shall be exchanged for Amalco Pieridae Options entitling the holder to receive from Amalco, upon the exercise thereof, the number of Amalco Shares equal to the number of Pieridae Shares subject to the Pieridae Options immediately before the Effective Time as adjusted in accordance with the Exchange Ratio.

Following the completion of the Arrangement, it is anticipated that Amalco will have 4,257,044 outstanding options to purchase Amalco Shares.

As at August 24, 2017, the following options to purchase securities of Amalco will be held upon completion of the Arrangement:

Name⁽²⁾⁽³⁾⁽⁴⁾	Number of Amalco Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of shares underlying unexercised options at the date of grant (\$)	Value of unexercised in-the-money options⁽¹⁾ (\$)
Martin Bélanger <i>Interim President and Chief Executive Officer of Pétrolia</i> <i>Proposed President, Production of Amalco</i>	6,250	6.84	March 25, 2020	42,750	-
	6,250	6.60	May 27, 2020	41,250	-
	4,166	4.08	November 24, 2020	16,997.28	6,611.44
	12,500	2.52	August 25, 2021	31,500	39,337.50
	6,250	1.98	November 16, 2022	12,375	23,043.75
Mario Racicot <i>Chief Financial Officer and Corporate Secretary of Pétrolia</i> <i>Proposed Chief Financial Officer of Amalco</i>	8,333	4.08	November 24, 2020	33,998.64	13,224.47
	8,333	2.64	May 25, 2021	21,999.12	25,223.99
	6,250	2.52	August 25, 2021	15,750	19,668.75
	15,625	1.98	November 16, 2022	30,937.50	57,609.38
Charles Boulanger <i>Director of Pétrolia</i> <i>Proposed Director of Amalco</i>	6,250	12.24	December 10, 2017	76,500	-
	6,250	13.68	February 28, 2018	85,500	-
	4,166	8.04	December 5, 2018	33,494.64	-
	2,500	5.88	May 27, 2019	14,700	-
	3,750	4.08	November 25, 2019	15,300	5,951.25
	4,166	1.98	November 24, 2020	8,248.68	15,360.04
	8,333	1.98	November 16, 2022	16,499.34	30,723.77
Andrew Judson <i>Director of Pieridae</i> <i>Proposed Director of Amalco</i>	441,150	4.08	June 13, 2021	1,799,892	700,105
Myron A. Tétreault <i>Executive Chairman and Director of Pétrolia</i>	10,416	12.24	December 10, 2017	127,491.84	-
	33,333	11.76	September 14, 2018	391,996.08	-
	12,500	8.04	May 27, 2019	100,500	-
	8,333	5.88	November 25, 2019	48,998.04	-

Name ⁽²⁾⁽³⁾⁽⁴⁾	Number of Amalco Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiry date	Value of shares underlying unexercised options at the date of grant (\$)	Value of unexercised in-the-money options ⁽¹⁾ (\$)
<i>Proposed Director of Amalco</i>	12,500	4.08	November 24, 2020	51,000	19,837.50
	8,333	2.52	August 25, 2021	20,999.16	26,223.95
	15,625	1.98	November 16, 2022	30,937.50	57,609.38
Other Employees ⁽⁵⁾ <i>(formerly Pieridae employees)</i>	672,753	0.45	February 1, 2018	305,000	3,509,752.40
	441,150	5.667	October 19, 2021	2,500,000	-
	441,150	5.667	August 2, 2021	2,500,000	-
Independent Contractors ⁽⁵⁾ <i>(formerly Pieridae independent contractors)</i>	44,115	0.01	June 9, 2021	180,000	249,558.56
	661,725	0.45	January 19, 2018	300,000	3,452,219.34
	441,150	4.08	June 9, 2021	1,800,000	700,105.05
Other Employees <i>(formerly Pétrolia employees)</i>	17,500	12.24	December 10, 2017	214,200	-
	11,666	8.04	December 5, 2018	93,794.64	-
	26,250	5.88	November 25, 2019	154,350	-
	61,250	4.08	November 24, 2020	249,900	97,203.75
	4,166	2.64	May 25, 2021	10,998.24	12,610.48
	10,416	2.52	August 25, 2021	26,248.32	32,779.15
	90,625	1.98	November 16, 2022	179,437.50	334,134.37

Notes:

- (1) Based on an Amalco Share value of \$5.667, as determined by Pétrolia and Pieridae in the Plan of Arrangement, such value having been confirmed by the Pétrolia Fairness Opinion and the Pieridae Fairness Opinion. See the Plan of Arrangement attached as Schedule "H" of the Information Circular as well as its "Part II – The Arrangement – Fairness Opinions".
- (2) An aggregate of 193,750 Amalco Pétrolia Options will be held, after giving effect to the Arrangement, by André Proulx, Karl Mc Lellan and Alexandre Gagnon past officers of Pétrolia.
- (3) An aggregate of 46,666 Amalco Pétrolia Options will be held, after giving effect to the Arrangement, by David Mc Callum, director of Pétrolia, and Jacques Bourgeois, past directors of Pétrolia.
- (4) An aggregate of 441,150 Amalco Pieridae Options will be held, after giving effect to the Arrangement, by Steve Harding, a current director of Pieridae who will be resigning upon the completion of the Arrangement.
- (5) Employees or independent contracts, as applicable, of Pieridae Energy (Canada) Ltd., a subsidiary of Pieridae.

Warrants

Under the Arrangement, each issued and outstanding Post-consolidation Pétrolia Warrant shall be cancelled, and former holders of Post-consolidation Pétrolia Warrants shall receive one Amalco Pétrolia Warrant in respect of each Post-consolidation Pétrolia Warrant so cancelled. Following the completion of the Arrangement, Amalco will have 343,747 Amalco Pétrolia Warrants outstanding. Each Amalco Pétrolia Warrant shall entitle the holder to purchase one (1) Amalco Share at a price of \$6.48 per Amalco Share until the expiry date of the Amalco Pétrolia Warrants of November 5, 2018.

Stock Option Plan

Pursuant to the Arrangement, the Pétrolia Stock Option Plan will be the Amalco Stock Option Plan. See "*Part III - Information Concerning Pétrolia - Description of the Securities – Stock Option Plan*".

RISK FACTORS

Risk factors related to the businesses of each of Pieridae and Pétrolia will generally continue to apply to Amalco following the completion of the Arrangement and will not be affected by the Arrangement. See "*Part III – Information Concerning Pétrolia – Risk Factors*" and "*Part IV – Information Concerning Pieridae – Risk Factors*" in this Information Circular. On completion of the Arrangement, the business and operations of, and investment in Amalco will be subject to various risk factors described under "*Part II – The Arrangement – Risk Factors Related to the Arrangement*", "*Part II – The Arrangement – Risk Factors Related to the Operations of Amalco Following the Arrangement*" in this Information Circular.

MATERIAL CONTRACTS

The material contracts of each of Pieridae and Pétrolia will be the material contracts of Amalco or its subsidiaries on completion of the Arrangement. See "*Part IV - Information Concerning Pieridae - Material Contracts*" and "*Part III - Information Concerning Pétrolia - Material Contracts*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Pieridae and Pétrolia are not aware of any penalties or sanctions imposed against Pieridae or Pétrolia or their respective subsidiaries by a court relating to securities legislation or by a securities regulatory authority within the three years preceding the date of this Information Circular, or any other penalties or sanctions imposed by a court or regulatory body against Pieridae or Pétrolia or their respective subsidiaries that would likely be considered important to a reasonable investor in making an investment decision. Notwithstanding the preceding, see "*Part III - Information Concerning Pétrolia - Legal Proceedings*" for a summary of current legal proceedings involving Pétrolia and/or its subsidiaries.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

Except as disclosed in this Information Circular, none of the proposed directors or executive officers of Amalco, or any person or company that will be the direct or indirect owner of, or will exercise control or direction of, more than 10% of Amalco Shares, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction within the three years before the date of the Information Circular or any proposed transaction that will materially affect Amalco.

MANAGEMENT CONTRACTS

Management functions of Amalco are expected performed by the directors and executive officers of Amalco and are not expected to any substantial degree to be performed by any other person.

ESCROWED SECURITIES

The current escrow agent of Pétrolia is Computershare Trust Company of Canada, through its principal offices at 650, de Maisonneuve West, 7th Floor, Montreal, Quebec, H3A 3T2. Computershare Trust Company of Canada will be the escrow agent of Amalco.

As required by the Exchange, the shareholders listed below will enter into a Tier 2 surplus security escrow agreement (the “**TSXV Surplus Escrow Agreement**”), pursuant to which they will deposit 13,964,660 Amalco securities described below (the “**Amalco Surplus Escrowed Securities**”) into escrow with Computershare Trust Company of Canada. The TSXV Surplus Escrow Agreement will provide for a release of 5% of the Amalco Surplus Escrowed Securities at the time of the final Exchange notice accepting completion of the Arrangement (the “**Exchange Notice**”), 5% six months after the time of the Exchange Notice, 10% 12 months after the time of the Exchange Notice, 10% 18 months after the time of the Exchange Notice, 15% 24 months after the time of the Exchange Notice, 15% 30 months after the time of the Exchange Notice, and 40% 36 months after the time of the Exchange Notice. Pursuant to the TSXV Surplus Escrow Agreement, the Amalco Surplus Escrowed Securities can only be transferred in accordance with the policies of the Exchange.

The following table provides details of all securities of Amalco to be held in escrow under the TSXV Surplus Escrow Agreement after giving effect to the Arrangement.

Name and Municipality of Residence of Security Holder ⁽¹⁾	Designation of Class	Number of Amalco Securities Held in Escrow	Percentage of Class
Alfred Sorensen Holdings Ltd. ⁽²⁾ <i>Calgary, Alberta</i>	Amalco Shares	9,034,279	18.39%
Thomas Dawson Holdings Ltd. ⁽³⁾ <i>Airdrie, Alberta</i>	Amalco Shares	2,602,788	5.30%
Thomas Ciz <i>Vancouver, British Columbia</i>	Amalco Shares	677,691	1.38%
	Amalco Pieridae Options	441,150	10.36%
Andrew Judson <i>Calgary, Alberta</i>	Amalco Pieridae Options	441,150	10.36%

Notes:

- (1) As required by the Exchange, the shareholders listed above will enter into the TSXV Surplus Escrow Agreement providing for a release of the Amalco Surplus Escrowed Securities as set forth above. Pursuant to TSXV Surplus Escrow Agreement, the Amalco Surplus Escrowed Securities can only be transferred in accordance with the Exchange’s policies.
- (2) Alfred Sorensen Holdings Ltd. is a private company controlled by Alfred Sorensen.
- (3) Thomas Dawson Holdings Ltd. is a private company controlled by Thomas Dawson.

As required by the Exchange, the shareholders listed below will enter into Tier 1 value security escrow agreements (the “**TSXV Tier 1 Value Escrow Agreements**”), pursuant to which they will deposit 318,662 Amalco securities described below (the “**Amalco Tier 1 Value Escrowed Securities**”) into escrow with Computershare Trust Company of Canada. The TSXV Value

Escrow Agreement provides for a release of 25% of the Amalco Tier 1 Value Escrowed Securities at the time of the issuance of the Exchange Notice and 25% every six months thereafter.

Pursuant to the TSXV Tier 1 Value Escrow Agreement, the Amalco Tier 1 Value Escrowed Securities can only be transferred in accordance with the policies of the Exchange.

The following table provides details of all securities of Amalco to be held in escrow pursuant to the TSXV Tier 1 Value Escrow Agreement after giving effect to the Arrangement.

		Prior to Giving Effect to the Arrangement (on a Pre Pétrolia Consolidation basis)		After Giving Effect to the Arrangement	
Name and Municipality of Residence of Security Holder	Designation of Class	Number of Securities Held in Escrow ⁽¹⁾	Percentage of Class	Number of Amalco Securities Held in Escrow ⁽²⁾	Percentage of Class
Myron A. Tétreault <i>Calgary, Alberta</i>					
Direct ownership	Amalco Shares	45,000		3,750	
RBC RRSP	Amalco Shares	85,000		7,083	
TD RRSP	Amalco Shares	540,000		45,000	
Catherine Tétreault RRSP	Amalco Shares	200,000		16,667	
TOTAL	Amalco Shares	870,000	0.80%	72,500	0.15%
Direct ownership	Amalco Pétrolia Warrants	22,500		1,875	
Catherine Tétreault RRSP	Amalco Pétrolia Warrants	27,500		2,291	
TOTAL	Amalco Pétrolia Warrants	50,000	1.21%	4,166	1.21%
Direct ownership	Amalco Pétrolia	925,000	10.86%	77,083	1.81%

	Options				
Charles Boulanger					
<i>Québec, Québec</i>					
Direct ownership	Amalco Shares	233,500	0.21%	19,458	0.04%
Direct ownership	Amalco Pétrolia Warrants	50,000	1.21%	4,166	1.21%
Direct ownership	Amalco Pétrolia Options	325,000	3.82%	27,083	0.64%
Martin Bélanger					
<i>Calgary, Alberta</i>					
Direct ownership	Amalco Shares	38,000	0.03%	3,167	0.006%
Direct ownership	Amalco Pétrolia Warrants	12,500	0.30%	1,041	0.30%
Direct ownership	Amalco Pétrolia Options	200,000	2.35%	16,666	0.39%
Mario Racicot					
<i>Boucherville, Québec</i>					
Direct ownership	Amalco Pétrolia Options	200,000	2.35%	16,666	0.39%

Notes:

- (1) The shareholders listed above will enter into pooling agreements which provide for the escrow of such securities prior to the completion of the Arrangement as a condition for the resumption of trading on Pétrolia Shares.
- (2) As required by the Exchange, the shareholders listed above will enter into the TSXV Tier 1 Value Escrow Agreement, which provides for a release of the Amalco Tier 1 Value Escrowed Securities as set forth above. Pursuant to the TSXV Tier 1 Value Escrow Agreement, the Amalco Tier 1 Value Escrowed Securities can only be transferred in accordance with the Exchange's policies.

As required by the Exchange, the shareholders listed below will enter into Tier 2 value security escrow agreements (the "**TSXV Tier 2 Value Escrow Agreements**"), pursuant to which they will deposit 72,916 Amalco securities described below (the "**Amalco Tier 2 Value Escrowed Securities**") into escrow with Computershare Trust Company of Canada. The TSXV Value Escrow Agreement provides for a release of 10% of the Amalco Tier 2 Value Escrowed Securities at the time of the issuance of the Exchange Notice and 15% every six months thereafter. Pursuant to the TSXV Tier 2 Value Escrow Agreement, the Amalco Tier 2 Value Escrowed Securities can only be transferred in accordance with the policies of the Exchange.

The following table provides details of all securities of Amalco to be held in escrow pursuant to the TSXV Tier 2 Value Escrow Agreement after giving effect to the Arrangement.

		Prior to Giving Effect to the Arrangement		After Giving Effect to the Arrangement	
Name and Municipality of Residence of Security Holder	Designation of Class	Number of Securities Held in Escrow ⁽¹⁾	Percentage of Class	Number of Amalco Securities Held in Escrow ⁽²⁾	Percentage of Class
Myron A. Tétreault <i>Calgary, Alberta</i>					
Direct ownership	Amalco Pétrolia Options	287,500	3.38%	23,958	0.56%
Charles Boulanger <i>Québec, Québec</i>					
Direct ownership	Amalco Pétrolia Options	100,000	1.18%	8,333	0.20%
Martin Bélanger <i>Calgary, Alberta</i>					
Direct ownership	Amalco Pétrolia Options	225,000	2.65%	18,750	0.44%
Mario Racicot <i>Boucherville, Québec</i>					
Direct ownership	Amalco Pétrolia Options	262,500	3.09%	21,875	0.51%

Notes:

- (1) The shareholders listed above will enter into pooling agreements which provide for the escrow of such securities prior to the completion of the Arrangement as a condition for the resumption of trading on Pétrolia Shares.
- (2) As required by the Exchange, the shareholders listed above will enter into the TSXV Tier 2 Value Escrow Agreement, which provides for a release of the Amalco Tier 2 Value Escrowed Securities as set forth above. Pursuant to the TSXV Tier 2 Value Escrow Agreement, the Amalco Tier 2 Value Escrowed Securities can only be transferred in accordance with the Exchange's policies.

As required by the Exchange, an aggregate of 2,678,153 Amalco Securities issued to certain non-principal seed shareholders of Pieridae will be subject to hold periods following the closing of the Arrangement. An aggregate of 2,580,732 Amalco Shares and 44,115 Amalco Pieridae Options will be held in escrow for 36 months, with 10% released upon issuance of the Exchange Notice

and 15% released every six months thereafter, in accordance with a Tier 2 Value Security Agreement. An aggregate of 53,306 Amalco Shares will be subject to a four month hold period, with 20% released upon the issuance of the Exchange Notice and 20% released every four months thereafter. The certificates representing such Amalco securities will be legended with the applicable hold period.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Amalco will be Ernst & Young LLP, Chartered Accountants, at 2200 – 215, 2nd Street SW, Calgary, AB T2P 1M4.

Computershare Trust Company of Canada, at its principal offices at 1500 Robert-Bourassa Boulevard, 7th Floor, Montreal, QC, H3A 3S8, will be the registrar and transfer agent for Amalco Shares.

PART VI – GENERAL MATTERS

SPONSORSHIP AND AGENT RELATIONSHIP

Pieridae has applied to the Exchange for an exemption to the sponsorship requirement for the Arrangement.

Relationships

Pieridae has engaged the Agents for services in connection with the Pieridae Private Placement. See "*Part II - The Arrangement - Pieridae Private Placement.*"

EXPERTS

Ernst & Young LLP, Chartered Accountants, are the auditors of Pieridae and prepared the auditor's report for the audited annual consolidated financial statements of Pieridae for the years ended December 31, 2016, 2015 and 2014. Ernst & Young LLP has confirmed that they are independent with respect to Pieridae within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Ernst & Young LLP are the auditors of Pétrolia and prepared the auditor's report for the audited consolidated financial statements of Pétrolia for the years ended December 31, 2016 and December 31, 2015. Ernst & Young LLP has confirmed that they are independent with respect to Pétrolia within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

MNP LLP provided the Pétrolia Fairness Opinion and has confirmed that such report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuations, and that in the preparation of the Pétrolia Fairness Opinion, MNP LLP has acted independently and objectively. MNP LLP confirmed that it is independent of Pétrolia and Pieridae for the purpose of preparing the Pétrolia Fairness Opinion.

LBS provided the Pieridae Fairness Opinion and has confirmed that such report was prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada, and that in the preparation of the Pieridae Fairness Opinion, LBS has acted independently and objectively. LBS confirmed that it is independent of Pétrolia and Pieridae for the purpose of preparing the Pieridae Fairness Opinion.

Sproule Associates Limited is the petroleum consulting firm who has prepared the technical report on the properties of Pétrolia as at December 31, 2016, and which is referred to in "*Part III - Information Concerning Pétrolia*" of this Information Circular. At the time of preparation of such report, Sproule Associates Limited did not own any securities of Pétrolia or Pieridae, or their respective associates or Affiliates.

EXPERTISED REPORTS

See "*Part II – The Arrangement – Fairness Opinions*".

OTHER MATERIAL FACTS

To the knowledge of management of Pieridae and Pétrolia, there are no other material facts relating to Pieridae, Pétroila or the Arrangement that are not otherwise disclosed herein or are necessary in order for this Information Circular to contain full, true and plain disclosure of all material facts relating to Pieridae, Pétroila or the Arrangement.

APPROVAL OF THE PÉTROLIA BOARD

The contents and sending of this Information Circular have been approved by the Pétrolia Board.

Québec, Québec, August 29, 2017.

(signed) Myron A. Tétreault

Myron A. Tétreault, Executive Chairman of the Board

APPROVAL OF THE PIERIDAE BOARD

The contents and sending of this Information Circular have been approved by the Pieridae Board.

Calgary, Alberta, August 29, 2017.

(signed) Alfred Sorensen

Alfred Sorensen, President, Chief Executive Officer and Director

CERTIFICATES

CERTIFICATE OF PÉTROLIA

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Pétrolia Inc. assuming completion of the amalgamation of Pétrolia Inc. and Pieridae Energy Limited in accordance with the terms of the Arrangement Agreement dated May 15, 2017, as amended on June 28, 2017, July 21, 2017 and August 24, 2017 entered into by Pétrolia Inc. and Pieridae Energy Inc. and the Plan of Arrangement under the *Canada Business Corporations Act* attached thereto as Schedule "A".

Signed August 29, 2017.

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

(signed) Mario Racicot
Mario Racicot
Chief Financial Officer

(signed) Myron A. Tétreault
Myron A. Tétreault
Executive Chairman of the Board

(signed) Charles Boulanger
Charles Boulanger
Director

CERTIFICATE OF PIERIDAE ENERGY LIMITED

The foregoing document as it relates to Pieridae Energy Limited constitutes full, true and plain disclosure of all material facts relating to the securities of Pieridae Energy Limited.

Dated August 29, 2017

(signed) Alfred Sorensen
Alfred Sorensen
President and Chief Executive Officer

(signed) Thomas Dawson
Thomas Dawson
Chief Operating Officer

(signed) Andrew Judson
Andrew Judson
Director

(signed) Matthew Rees
Matthew Rees
Director

SCHEDULE “A-1”

PÉTROLIA CONTINUANCE RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF PÉTROLIA INC. (“PÉTROLIA”) THAT:

1. The continuance of Pétrolia Inc. (“Pétrolia”), corporation existing under the laws of the Province of Quebec pursuant to the *Business Corporations Act* (Quebec) (the “QBCA”), to the *Canada Business Corporations Act* (the “CBCA”), all as more particularly described and set forth in the joint information circular (the “**Information Circular**”) of Pétrolia accompanying the notice of annual general and special meeting, is hereby authorized, approved and passed and Pétrolia is hereby authorized to apply to the Québec Enterprise Registrar under the QBCA for authorization to continue as if it had been constituted under the CBCA, and to continue its existence under the CBCA (the “**Continuance**”).
2. The form of articles of continuance, the full text of which is attached as Appendix 1 to this Schedule “A-1” to the Information Circular (the “**Articles of Continuance**”) is hereby approved, and following receipt of authorization to continue pursuant to the QBCA, Pétrolia is hereby authorized to file the Articles of Continuance with the Director together with any notices and other documents prescribed by the CBCA necessary to continue Pétrolia under the CBCA.
3. Pétrolia's authorized capital be amended in conformity with the Articles of Continuance.
4. Subject to the Continuance becoming effective, and without affecting the validity of any act of Pétrolia under its existing by-laws (the “**Existing By-Laws**”), the Existing By-Laws are hereby repealed and replaced with the new By-Law No. 1 of Pétrolia, which complies with the requirements of the CBCA, the full text of which is attached as Appendix 2 to this Schedule “A-1”, which by-laws (the “**New By-Laws**”), together with such changes or amendments thereto as any director or officer of Pétrolia determines appropriate, the conclusive evidence of such determination being the execution of the New By-Laws by a director or officer of Pétrolia.
5. Notwithstanding that this special resolution has been duly passed (and the Continuance approved) by the shareholders of Pétrolia, the directors of Pétrolia are hereby authorized and empowered without further notice to or approval of the shareholders of Pétrolia (i) to amend the Articles of Continuance to the extent permitted by law, and (ii) not to proceed with the Continuance.
6. Any one officer or director of Pétrolia be and is hereby authorized and directed for and on behalf of Pétrolia to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE "A-1"

APPENDIX 1

FORM OF ARTICLES OF CONTINUANCE

[See the following page(s)]



**Canada Business Corporations Act (CBCA)
FORM 11
ARTICLES OF CONTINUANCE
(Section 187)**

1 - Corporate name

Pétrolia inc.

2 - The province or territory in Canada where the registered office is situated (do not indicate the full address)

Quebec

3 - The classes and any maximum number of shares that the corporation is authorized to issue

Annexed as Schedule 1 hereto

4 - Restrictions, if any, on share transfers

None

5 - Minimum and maximum number of directors (for a fixed number of directors, indicate the same number in both boxes)

Minimum number Maximum number

6 - Restrictions, if any, on the business the corporation may carry on

None

7 a) - If change of name effected, previous name

N/A

7 b) - Details of incorporation

Annexed as Schedule 2 hereto

8 - Other provisions, if any

Annexed as Schedule 3 hereto

9 - Declaration

I hereby certify that I am a director or an authorized officer of the corporation continuing into the CBCA.

Print name	Signature
Mario Racicot	

Note: Misrepresentation constitutes an offence and, on summary conviction, a person is liable to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding six months or to both (subsection 250(1) of the CBCA).

SCHEDULE 1
ARTICLES OF CONTINUANCE
PÉTROLIA INC.

Pétrolia inc. (the “**Corporation**”) is authorized to issue an unlimited number of Common Shares.

I. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the common shares (the “**Common Shares**”) are as follows:

1. Payment of Dividends

The holders of the Common Shares shall have the right to receive such dividends, if any, as the board in its discretion may declare.

2. Participation upon Liquidation, Dissolution or Winding-up

The registered holders of the Common Shares shall have the right to receive, equally on a share-for-share basis, the remaining assets of the Corporation in the event of liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

3. Voting Rights

The holders of the Common Shares shall be entitled to receive notice of, to attend and to cast one vote per Common Share held at all meetings of shareholders of the Corporation except meetings at which only registered holders of some other specified class or series are, at law or pursuant to the articles, entitled to vote.

SCHEDULE 2
ARTICLES OF CONTINUANCE
PÉTROLIA INC.

Details of Incorporation:

1. Incorporated under Business Corporations Act (Quebec) on January 22, 2002 as 9112-6094 Québec Inc.
2. Certificat de Modification registered on September 10, 2002 as Pérolia Inc.

SCHEDULE 3
ARTICLES OF CONTINUANCE
PÉTROLIA INC.

Other Provisions:

1. The actual number of directors within the minimum and maximum number set out in the Articles of Continuance may be determined from time to time by resolution of the board of directors of the Corporation.

2. The directors of the Corporation may appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

SCHEDULE “A-1”

APPENDIX 2

NEW BY-LAWS

[See the following page(s)]

INDEX OF BY-LAWS

By-law Number	Description	Directors' Approval (Date)	Shareholders' Approval (Date)
1	General by-law relating to the transaction of the business and affairs of the Corporation	●	☐ ●

BY LAW NUMBER 1

**A BY LAW RELATING GENERALLY TO THE
TRANSACTION OF THE BUSINESS AND AFFAIRS OF**

PÉTROLIA INC.
(the "Corporation")

CONTENTS

ONE	-	INTERPRETATION
TWO	-	BUSINESS OF THE CORPORATION
THREE	-	BORROWING AND SECURITIES
FOUR	-	DIRECTORS
FIVE	-	COMMITTEES
SIX	-	OFFICERS
SEVEN	-	PROTECTION OF DIRECTORS, OFFICERS AND OTHERS
EIGHT	-	SHARES AND OTHER SECURITIES
NINE	-	DIVIDENDS AND RIGHTS
TEN	-	MEETINGS OF SHAREHOLDERS
ELEVEN	-	DIVISIONS AND DEPARTMENTS
TWELVE	-	NOTICES
THIRTEEN	-	DOCUMENTS IN ELECTRONIC OR OTHER FORM
FOURTEEN	-	EFFECTIVE DATE

SECTION ONE
INTERPRETATION

1.01 DEFINITIONS

In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Canada Business Corporations Act*, and any statute that may be substituted therefore, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement, articles of dissolution, articles of revival of the Corporation and includes an amendment to any of them;

"board" means the board of directors of the Corporation;

"by-laws" means this by law and all other by laws of the Corporation from time to time in force and effect;

"corporation" means a body corporate incorporated or continued under the Act and not discontinued under the Act;

"electronic document" means, subject to the Act, any form of representation of information or of concepts fixed in any medium in or by electronic, optical or other similar means and that can be read or perceived by a person or by any means;

"information system" means a system used to generate, send, receive, store or otherwise process an electronic document;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"non business day" means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada);

"prescribed" means prescribed by the Act or the regulations, as the case may be;

"recorded address" means in the case of a shareholder, the shareholder's latest address as shown in the records of the Corporation or its transfer agent; and in the case of a director, at the director's latest address as shown in the records of the Corporation or in the last notice filed under the Act; and in the case of an officer, an auditor or a member of a committee of the board, such person's latest address as recorded in the records of the Corporation;

"regulations" means the regulations to the Act and any regulations that may be substituted therefore, as from time to time amended;

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.04 or by a resolution passed pursuant thereto;

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, associations, unincorporated organizations and personal representatives.

SECTION TWO

BUSINESS OF THE CORPORATION

2.01 REGISTERED OFFICE

Until changed in accordance with the Act, the registered office of the Corporation shall be in the province specified in the articles, and at such location therein as the board may from time to time determine.

2.02 CORPORATE SEAL

The Corporation may, but need not, adopt a corporate seal, and may change a corporate seal that is adopted. A document executed on behalf of the Corporation is not invalid merely because a corporate seal is not affixed to it.

2.03 FINANCIAL YEAR

The financial year of the Corporation shall be determined by the board from time to time.

2.04 EXECUTION OF INSTRUMENTS

Any officer or any director may sign certificates and similar instruments (other than share certificates) on the Corporation's behalf with respect to any factual matters relating to the Corporation's business and affairs, including certificates certifying copies of the articles, by laws, resolutions and minutes of meetings of the Corporation. Subject to the foregoing:

- (a) Deeds, transfers, assignments, contracts, obligations and other instruments shall be signed on behalf of the Corporation by one or more persons who hold the office of director, chairman of the board, president, managing director, vice president, secretary, treasurer, assistant secretary or assistant treasurer or any other office created by by-law or by resolution of the board. When there is only one director and that director is the only officer of the Corporation, deeds, transfers, assignments, contracts, obligations and other instruments may be signed by that person alone, as director or officer, on behalf of the Corporation;
- (b) Security certificates (including share certificates) shall be signed by at least one director or officer of the Corporation, or by a registrar, transfer agent or branch transfer agent of

the Corporation or an individual on their behalf, or by a trustee who certifies it in accordance with a trust indenture. Any signatures required on a security certificate (including share certificates) may be printed or otherwise mechanically reproduced on it.

In addition, the board may from time to time direct the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer or director may affix the corporate seal to any instrument requiring the same.

Any resolutions of the directors or shareholders of the Corporation and any documents and other instruments in writing requiring execution on behalf of the Corporation may be executed in separate counterparts, and all such executed counterparts when taken together shall constitute one resolution, document or other instrument in writing as the case may be. The Corporation and the directors and shareholders shall be entitled to rely on delivery of a facsimile copy of any executed resolution of the directors or shareholders of the Corporation or any executed document or other instrument in writing and such facsimile copy shall be legally effective to create a valid and binding resolution, document or other instrument in writing as the case may be.

2.05 BANKING ARRANGEMENTS

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 VOTING RIGHTS IN OTHER BODIES CORPORATE

The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

SECTION THREE

BORROWING AND SECURITIES

3.01 BORROWING POWER

Without limiting the borrowing powers of the Corporation as set forth in the Act and subject to the articles, the board may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell, pledge or hypothecate debt obligations of the Corporation, whether secured or unsecured;

- (c) give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 DELEGATION

Subject to the articles, the board may from time to time delegate to such one or more of the directors and officers of the Corporation or a committee of directors as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

SECTION FOUR

DIRECTORS

4.01 NUMBER OF DIRECTORS AND QUORUM

Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum of directors provided in the articles. Subject to section 4.09, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater or lesser number of directors as the board may from time to time determine.

4.02 QUALIFICATION

No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder.

4.03 RESIDENCY

Subject to the Act, at least 25% of the directors of the Corporation must be resident Canadians. However, if the Corporation has less than four directors, at least one director must be a resident Canadian.

4.04 ELECTION AND TERM

The election of directors shall take place at the first meeting of the shareholders and at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re election. The number of directors to be elected at any such meeting shall, if a maximum or minimum number of directors is authorized, be the number of directors then in office unless the directors or the shareholders otherwise determine or shall, if a fixed number of directors is authorized, be such fixed number. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.05 REMOVAL OF DIRECTORS

Subject to the provisions of the Act, the shareholders may by resolution passed at a meeting specially called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting failing which it may be filled by the directors.

4.06 VACATION OF OFFICE

A director ceases to hold office when: he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director, or his written resignation is sent or delivered to the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.

Subject to the Act, if all of the directors of the Corporation have resigned or have been removed without replacement, a person who manages or supervises the management of the business and affairs of the Corporation is deemed to be a director for the purposes of the Act.

4.07 VACANCIES

Subject to the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the minimum number of directors or from a failure of the shareholders to elect the minimum number of directors provided for in the articles. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareholders to elect the minimum number of directors provided for in the articles, the board shall forthwith call a special meeting of shareholders to fill the vacancy. If the board fails to call such meeting or if there are no directors then in office, any shareholder may call the meeting.

4.08 ACTION BY THE BOARD

The board shall manage, or supervise the management of, the business and affairs of the Corporation. Subject to sections 4.09 and 4.10, the powers of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.09 CANADIAN DIRECTORS PRESENT AT MEETINGS

Subject to the Act, the board shall not transact business at a meeting unless,

- (a) if the Corporation is subject to subsection 105(3) of the Act, at least 25% of the directors present are resident Canadians, or if the Corporation has less than four directors, at least one of the directors present is a resident Canadian; or
- (b) if the Corporation is subject to subsection 105(3.1) of the Act, a majority of the directors present are resident Canadians or if the Corporation has only two directors, at least one of the directors present is a resident Canadian.

Despite the foregoing but subject to the Act, directors may transact business at a meeting of directors where the number of resident Canadian directors required is not present if

- (a) a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting, or
- (b) the required number of resident Canadian directors would have been present had that director been present at the meeting.

4.10 PARTICIPATION

A director may, in accordance with the regulations, if any, and if all the directors of the Corporation consent, participate in a meeting of directors or of a committee of directors by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. A director participating in such a meeting by such means is deemed for the purposes of the Act, to be present at that meeting.

4.11 PLACE OF MEETINGS

Meetings of the board may be held at any place in or outside Canada.

4.12 CALLING OF MEETINGS

Meetings of the board shall be held from time to time at such place, on such date and at such time as the board, the chairman of the board, the managing director, the president or any two directors may determine.

4.13 NOTICE OF MEETING

Notice of the time and place of each meeting of the board shall be given in the manner provided in section 12.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including, if required by the Act, any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) issue securities except as authorized by the directors;
- (d) issue shares of a series under the Act except as authorized by the directors;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (g) pay a commission referred to in the Act except as authorized by the directors;
- (h) approve a management proxy circular;
- (i) approve a take-over bid circular or directors' circular;

- (j) approve any annual financial statements; or
- (k) adopt, amend or repeal by laws.

A director may in any manner waive notice of or otherwise consent to a meeting of the board.

4.14 FIRST MEETING OF NEW BOARD

Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.15 ADJOURNED MEETING

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.16 REGULAR MEETINGS

The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.17 CHAIRMAN

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director, president, or a vice president. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the directors present shall choose one of their number to be chairman.

4.18 VOTES TO GOVERN

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.

4.19 CONFLICT OF INTEREST

A director or officer who is a party to; or who is a director or officer, or an individual acting in a similar capacity, of a party to; or has a material interest in any person who is a party to, a material contract or material transaction, whether made or proposed, with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act. Any such contract or proposed contract shall be referred to the board or, in the event that all of the directors are so interested in such contract or the directors determine that it is advisable, to the shareholders for approval even if such contract is one that in the ordinary course of the Corporation's business would not require approval by the board or shareholders. A director interested in a contract so referred to the board shall not vote on any resolution to approve the same except as provided by the Act.

4.20 REMUNERATION AND EXPENSES

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefore.

4.21 VALIDITY OF ACTS OF DIRECTORS AND OFFICERS

An act of a director or officer is valid notwithstanding an irregularity in their election or appointment or a defect in their qualification.

SECTION FIVE

COMMITTEES

5.01 COMMITTEE OF DIRECTORS

The board may appoint a committee of directors, however designated, and delegate to such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of directors has no authority to exercise.

5.02 TRANSACTION OF BUSINESS

Subject to the provisions of section 4.10, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

5.03 ADVISORY COMMITTEES

The board may from time to time appoint such other committees as it may deem advisable, but the functions of any such other committees shall be advisory only.

5.04 PROCEDURE

Unless otherwise determined by the board, each committee shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

SECTION SIX

OFFICERS

6.01 APPOINTMENT

The board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to

sections 6.02 and 6.03, an officer may but need not be a director and one person may hold more than one office.

6.02 CHAIRMAN OF THE BOARD

The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by law assigned to the managing director or to the president, and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

6.03 MANAGING DIRECTOR

The board may from time to time also appoint a managing director who shall be a resident Canadian and a director. If appointed, he shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

6.04 PRESIDENT

The board may from time to time also appoint a president. If appointed, the president shall, subject to the discretion of the board, be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation, and he shall have such other powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office.

6.05 VICE PRESIDENT

The board may from time to time also appoint a vice-president. If appointed, the vice president shall have such powers and duties as the board or the chief executive officer may specify.

6.06 SECRETARY

The board may from time to time also appoint a secretary. If appointed, the secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.07 TREASURER

The board may from time to time also appoint a treasurer. If appointed, the treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money,

the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.08 POWERS AND DUTIES OF OTHER OFFICERS

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.09 VARIATION OF POWERS AND DUTIES

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.10 TERM OF OFFICE

The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract or otherwise at law. Otherwise each officer appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

6.11 TERMS OF EMPLOYMENT AND REMUNERATION

The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.

6.12 CONFLICT OF INTEREST

An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.19.

6.13 AGENTS AND ATTORNEYS

The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the powers to subdelegate) as may be thought fit.

6.14 FIDELITY BONDS

The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

SECTION SEVEN

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 LIMITATION OF LIABILITY

Every director and officer of the Corporation in exercising his powers and discharging his duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations or from liability for any breach thereof.

7.02 INDEMNITY

Subject to the Act, the Corporation shall indemnify a director or officer of the Corporation; a former director or officer of the Corporation; or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.

The Corporation shall not indemnify an individual under the foregoing unless the individual

- (a) acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request, and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

The Corporation shall also indemnify an individual in such other circumstances as the Act permits or requires.

7.03 INSURANCE

Subject to the Act, the Corporation may purchase and maintain insurance for the benefit of an individual referred to in section 7.02 against any liability incurred by the individual

- (a) in the individual's capacity as a director or officer of the Corporation, or
- (b) in the individual's capacity as a director or officer, or similar capacity, of another entity, if the individual acts or acted in that capacity at the Corporation's request,

in such amounts as the board may from time to time determine.

SECTION EIGHT**SHARES AND OTHER SECURITIES****8.01 ALLOTMENT**

The Board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 COMMISSIONS

The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 REGISTRATION OF TRANSFERS

Subject to the provisions of the Act, no transfer of securities shall be registered in a securities register except upon presentation of the certificate representing such securities with an endorsement, which complies with the Act, made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.05.

8.04 TRANSFER AGENTS AND REGISTRARS

The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

8.05 LIEN FOR INDEBTEDNESS

If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder or the shareholder's personal representative for a debt of that shareholder to the Corporation, such lien may be enforced, subject to any other provisions of the articles, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.06 NON RECOGNITION OF TRUSTS

Subject to the provisions of the Act, the Corporation may treat as absolute owner of any security the person in whose name the security is registered in the securities register as if that person had full legal

capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice of description in the Corporation's records or on the security certificate.

8.07 SECURITY CERTIFICATES

Every holder of securities of the Corporation shall be entitled, at his option, to a security certificate that complies with the Act, or to a non transferable written acknowledgment of his right to obtain a security certificate, stating the number and class or series of securities held by him as shown on the securities register. Security certificates and acknowledgments of a shareholder's right to a security certificate, respectively, shall be in such form as the board shall from time to time approve. Any security certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal; provided that, unless the board otherwise determines, certificates representing securities in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of security certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon security certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A security certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.08 REPLACEMENT OF SECURITY CERTIFICATES

The board or any officer or agent designated by the board shall direct the issue of a new security certificate in lieu of and upon cancellation of a security certificate that has been mutilated or in substitution for a security certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding the prescribed amount, if any, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.09 JOINT HOLDERS

If two or more persons are registered as joint holders of any security, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such security.

8.10 DECEASED SECURITY HOLDERS

In the event of the death of a holder, or of one of the joint holders, of any security, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

SECTION NINE

DIVIDENDS AND RIGHTS

9.01 DIVIDENDS

Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

9.02 DIVIDEND CHEQUES

A dividend payable in cash shall be paid by cheque or other comparable form of payment to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders, the cheque or other comparable form of payment shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque or other comparable form of payment as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 NON RECEIPT OF CHEQUES

In the event of non receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non receipt and of title as the board may from time to time prescribe whether generally or in any particular case.

9.04 RECORD DATE FOR DIVIDENDS AND RIGHTS

The board may, within the prescribed period, fix in advance a date, as a record date for determining shareholders entitled to receive payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation and, unless notice of the record date is waived in writing, notice of any such record date shall be given within the prescribed period. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or for the issue of any warrant or other evidence of or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 UNCLAIMED DIVIDENDS

Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

SECTION TEN

MEETINGS OF SHAREHOLDERS

10.01 ANNUAL MEETINGS

Subject to the Act, the annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and for the transaction of such other business as may properly be brought before the meeting.

10.02 SPECIAL MEETINGS

The board shall have power to call a special meeting of shareholders at any time.

10.03 PLACE OF MEETINGS

Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situated or, if the board shall so determine, at some other place in Canada. Subject to the Act, a meeting of shareholders of the Corporation may be held at a place outside Canada if the place is specified in the articles or if all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

10.04 PARTICIPATION

Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the regulations, if any, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Act to be present at the meeting.

10.05 MEETING HELD BY ELECTRONIC MEANS

If the directors or shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the regulations, if any, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

10.06 NOTICE OF MEETINGS

Notice of the time and place of each meeting of shareholders shall be given, within the prescribed period, in the manner provided in section 12.01, to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's or accountant's report, election of directors and reappointment of the incumbent auditor or accountant shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders.

10.07 LISTS OF SHAREHOLDERS ENTITLED TO NOTICE AND TO VOTE

For every meeting of shareholders, the Corporation shall, within the time period prescribed by the Act, prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to receive notice of the meeting, as of the record date for notice of the meeting as fixed by the directors, or, if no record date is fixed by the directors, as deemed by the Act.

For every meeting of shareholders, the Corporation shall, within the time period prescribed by the Act, prepare a list of shareholders entitled to vote at the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting, as of the record date for voting at the meeting as fixed by the directors, or, if no record date is fixed by the directors, as deemed by the Act.

10.08 RECORD DATE FOR NOTICE AND VOTING

- (a) The board may, within the prescribed period, fix in advance a date, as a record date for determining shareholders entitled to receive notice of a meeting of shareholders.

If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is so given or, if no notice is given, the day on which the meeting is held.

- (b) The board may, within the prescribed period, fix in advance a date, as a record date for determining shareholders entitled to vote at a meeting of shareholders.
- (c) If a record date is fixed, unless notice of the record date is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the day the directors fix the record date, notice of the record date shall be given within the prescribed period and in the manner set out in the Act.

10.09 MEETINGS WITHOUT NOTICE

A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.10 CHAIRMAN, SECRETARY AND SCRUTINEERS

The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairman of the board, president, managing director or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be a shareholder, may be appointed by a resolution or by the chairman with the consent of the meeting.

10.11 PERSONS ENTITLED TO BE PRESENT

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote are entitled or required under any provision of the Act or the articles or by laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10.12 QUORUM

A quorum for the transaction of business at any meeting of shareholders shall be at least two person present in person or, if authorized by resolution of the Corporation's board of directors and in accordance with regulation, if any, by telephonic, electronic or other communication facility, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled and representing in the aggregate not less than 5% of the outstanding shares of the Corporation carrying voting rights at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholder(s) present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholder(s) present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.13 RIGHT TO VOTE

Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation has prepared the list referred to in section 10.07, every person who is named in such list shall be entitled to vote the shares shown opposite his name at the meeting to which the list relates.

10.14 PROXIES

Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. A proxy is valid only at the meeting in respect of which it is given or any adjournment thereof.

10.15 TIME FOR DEPOSIT OF PROXIES

The board may specify in a notice calling a meeting of shareholders a time, not exceeding 48 hours excluding Saturdays and holidays, preceding the meeting or an adjournment thereof, before which time proxies to be used at such meeting must be deposited with the Corporation or its agent. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

10.16 JOINT SHAREHOLDERS

If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one the shares jointly held by them.

10.17 VOTES TO GOVERN

At any meeting of shareholders every question shall, unless otherwise required by the articles or by laws or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

10.18 SHOW OF HANDS

Subject to the provisions of the Act any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried, an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.19 BALLOTS

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.20 ELECTRONIC VOTING

Despite section 10.18, any vote referred to in such section may be held in accordance with the regulations, if any, entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility.

Any person participating in a meeting of shareholders under sections 10.04 or 10.05 and entitled to vote at that meeting may vote, in accordance with the regulations, if any, by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

10.21 ADJOURNMENT

If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.22 RESOLUTION IN WRITING

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a

written statement with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

10.23 ONLY ONE SHAREHOLDER

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

SECTION ELEVEN

DIVISIONS AND DEPARTMENTS

11.01 CREATION AND CONSOLIDATION OF DIVISIONS

The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub units and the business and operations of any such divisions or sub units to be consolidated upon such basis as the board may consider appropriate in each case.

11.02 NAME OF DIVISION

Any division or its sub units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

11.03 OFFICERS OF DIVISIONS

From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub units shall not, as such, be officers of the Corporation.

SECTION TWELVE

NOTICES

12.01 METHOD OF GIVING NOTICES

Any notice, document or other information (which term includes any communication or documents) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid

ordinary or air mail or if sent to him pursuant to Section 13 hereof. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent pursuant to Section 13 hereof shall be deemed to have been given when it is sent or otherwise forwarded via the relevant information system. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

12.02 NOTICE TO JOINT SHAREHOLDERS

If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

12.03 COMPUTATION OF TIME

In computing the date when notice must be given under any provision requiring a specified number of days notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall also be excluded.

12.04 UNDELIVERED NOTICES

If any notice given to a shareholder pursuant to section 12.01 is returned on two consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

12.05 OMISSIONS AND ERRORS

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

12.06 PERSONS ENTITLED BY DEATH OR OPERATION OF LAW

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

12.07 WAIVER OF NOTICE

Any shareholder (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations, the articles, the by-laws or otherwise and such waiver or abridgment, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgment shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

SECTION THIRTEEN

DOCUMENTS IN ELECTRONIC OR OTHER FORM

13.01 CREATION AND PROVISION OF INFORMATION

Subject to the Act and the regulations, a notice, document or other information may be created or provided in the form of an electronic document and such electronic document may be generated, sent, received, stored or otherwise processed by means of an information system.

SECTION FOURTEEN

EFFECTIVE DATE

14.01 EFFECTIVE DATE

This by law shall come into force when made by the board in accordance with the Act.

MADE AND ADOPTED by the board of directors the ● day of ●.

President

CONFIRMED by the shareholders in accordance with the Act the ● day of ●.

President

SCHEDULE "A-2"

REDUCTION OF STATED CAPITAL OF PÉTROLIA SHARES RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF PÉTROLIA INC. ("**PÉTROLIA**") THAT:

1. The stated capital of all of the common shares of Pétrolia Inc. ("**Pétrolia**"), shall be reduced by the amount necessary to meet the particular solvency test in subsection 192(2) of the *Canada Business Corporations Act*, all as more particularly described and set forth in the joint information circular (the "**Information Circular**") of Pétrolia accompanying the notice of annual general and special meeting, and no amount shall be paid or distributed to holders of the common shares of Pétrolia in respect of such reduction of stated capital.
2. Notwithstanding that this special resolution has been duly passed (and the reduction of the stated capital of the Pétrolia common shares passed) by the shareholders of Pétrolia, the board of directors of Pétrolia is authorized, without further notice to or approval of the shareholders of Pétrolia, not to reduce the stated capital of the Pétrolia common shares by the amount necessary to meet the particular solvency test in subsection 192(2) of the *Canada Business Corporations Act*.
3. Any one officer or director of Pétrolia be and is hereby authorized and directed for and on behalf of Pétrolia to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE "B"

PÉTROLIA ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF PÉTROLIA INC. ("PÉTROLIA") THAT:

1. the arrangement under section 192 of the *Canada Business Corporations Act* (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule "H" to the joint information circular of Pétrolia and Pieridae Energy Limited dated August 29, 2017 (the "**Joint Information Circular**") accompanying the notice of meeting of Pétrolia dated on or about the same date (the "**Pétrolia Notice**") is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement between Pétrolia and Pieridae Energy Limited dated May 15, 2017, as may be amended and restated from time to time (the "**Arrangement Agreement**"), a summary of which is included in the Joint Information Circular accompanying the Pétrolia Notice and a copy of which has been filed on SEDAR, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Superior Court of Québec, the board of directors of Pétrolia may, without further notice to or approval of the securityholders of Pétrolia, subject to the terms of the Arrangement and the Interim Order: (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement or both of them or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of Pétrolia is hereby authorized, for and on behalf of Pétrolia, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of Pétrolia in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.

SCHEDULE "C"

PIERIDAE ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF PIERIDAE ENERGY LIMITED ("**PIERIDAE**") THAT:

1. the arrangement under section 192 of the *Canada Business Corporations Act* (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule H to the joint information circular of Pieridae and Pétrolia Inc. dated August 29, 2017 (the "**Joint Information Circular**") accompanying the notice of meeting of Pieridae dated on or about the same date (the "**Pieridae Notice**") is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement between Pieridae and Pétrolia Inc. dated May 15, 2017, as amended and restated from time to time (the "**Arrangement Agreement**"), a summary of which is included in the Joint Information Circular accompanying the Pieridae Notice and a copy of which has been filed on SEDAR, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Superior Court of Québec, the board of directors of Pieridae may, without further notice to or approval of the securityholders of Pieridae, subject to the terms of the Arrangement and the Interim Order: (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement or both of them or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of Pieridae is hereby authorized, for and on behalf of Pieridae, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of Pieridae in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.

SCHEDULE “D”

PÉTROLIA FAIRNESS OPINION

[See the following page(s)]

August 21, 2017

PRIVATE AND CONFIDENTIAL

Board of Directors of Pétrolia Inc.
Pétrolia Inc.
304, 3rd Floor, 511 St-Joseph East
Quebec City, Quebec G1K 3B7

To the Board of Directors:

RE: PÉTROLIA INC. – FAIRNESS OPINION

MNP LLP (“MNP”, “we”, or “our”) understands that Pétrolia Inc. (“Pétrolia”) and Pieridae Energy Ltd. (“Pieridae”) have entered into an arrangement agreement (the “Agreement”) dated May 15, 2017. Under the terms of the Agreement, Pétrolia and Pieridae will enter into a business combination (the “Merger”) to form a combined company under the name of Pieridae Energy Ltd. (the “Resulting Issuer”) with the common shares of the Resulting Issuer being listed on the TSX Venture Exchange. The acquisition is structured as a reverse takeover of Pétrolia by Pieridae.

The Merger is based on an exchange ratio (the “Exchange Ratio”) which represents the number of shares that will be issued in consideration for each common share in the capital of Pieridae. In calculating the Exchange Ratio, Pétrolia’s shares have been valued at \$0.4723 per share, which includes the retained portion of the Anticosti Island settlement, and represents a 186% premium to the closing price of Pétrolia’s common shares on the TSX Venture Exchange on May 12, 2017 of \$0.165. In addition, as stipulated by the Agreement, a dividend will be declared to Pétrolia shareholders (the “Dividend”) in the after-tax aggregate amount of \$9,012,002 or \$0.0831 per Pétrolia share relating to the settlement award in connection with the termination of oil and gas exploration on Anticosti Island, Quebec.

MNP understands that concurrent with the Merger, Pieridae has raised gross proceeds of \$25.7 million by way of a private placement (the “Concurrent Financing”) at a price of \$12.50 per subscription receipt, which will be converted to Pieridae shares immediately before the Merger. Completion of the Concurrent Financing is a condition to closing of the Merger.

We understand that the material terms and conditions of the Agreement will be fully described in a joint management information circular to be prepared by Pétrolia and Pieridae and mailed to shareholders of Pétrolia and Pieridae in connection with shareholders’ meetings to be called by each of Pétrolia and Pieridae to seek shareholder approval of the Merger, respectively.

The Board of Directors of Pétrolia (the “Board”) has retained MNP to provide a fairness opinion (the “Fairness Opinion”) setting out our opinion as to whether the Agreement is fair, from a financial point of view, to Pétrolia shareholders.

DESCRIPTION OF PÉTROLIA INC.

Pétrolia is an oil and gas exploration company based in Quebec, Canada. Pétrolia’s oil and gas properties are located in Quebec, Canada and are all in the exploration stage. Pétrolia has yet to determine whether its oil and gas properties contain economically feasible reserves. Pétrolia’s most significant oil and gas interests are located on the Gaspé Peninsula and on Anticosti Island.

DESCRIPTION OF PIERIDAE ENERGY LTD.

Pieridae is an energy infrastructure development company focused on liquefied natural gas (“LNG”) opportunities. Founded in 2011, Pieridae is developing a fully integrated LNG infrastructure business (the “Goldboro Project”). The Goldboro Project consists of an LNG processing facility, storage tanks and marine works. The facility will be located at the Goldboro Industrial Park in Guysborough County, Nova Scotia, Canada. The target markets for the LNG processed at the Goldboro Project are Europe, South America and Asia.

ENGAGEMENT OF MNP

Mr. Mario Racicot, CFO of Pétrolia, first contacted MNP on behalf of the Board regarding the Merger on March 10, 2017. Pétrolia retained MNP pursuant to an engagement letter dated March 14, 2017. The terms of the engagement letter provide that MNP will receive a fee from Pétrolia for rendering the Fairness Opinion. The fee is based on the professional time required to render the Fairness Opinion. MNP’s compensation for rendering the Fairness Opinion is not contingent on the result of, or on any action or event resulting from the use of, the Fairness Opinion. The effective date of our Fairness Opinion is August 21, 2017 (the “Effective Date”).

CREDENTIALS OF MNP

Founded in 1945, MNP has more than 70 locations across Canada. MNP’s valuation practitioners have professional designations including Chartered Professional Accountant, Chartered Business Valuator, Chartered Financial Analyst and Accredited Senior Appraiser. MNP’s valuation practice has been engaged exclusively in the valuation of businesses, business interests, securities and intangible assets, in connection with business combinations, distributions of listed and unlisted securities, private placements, exchanges of shares, corporate and financial reorganizations, going-private transactions, shareholder dissent and oppression, leveraged buy-outs, fair value measurement for financial reporting purposes and valuations for various other purposes such as income tax and transfer pricing, financing and financial structuring.

INDEPENDENCE OF MNP

This report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators (“CICBV”), and in doing so the author has acted independently and objectively.

MNP completed an internal search of its records and determined that MNP is independent of Pétrolia and Pieridae for the purposes of preparing a Fairness Opinion. MNP has informed the Board that, based on our independence procedures performed, MNP is not aware of any conflict that would affect our ability to act impartially. Our search concluded that neither MNP, nor any of our affiliates, is an insider, associate, or affiliate of Pétrolia, Pieridae or any of their respective associations or affiliates.

There are no understandings, agreements or commitments between MNP, Pétrolia, Pieridae or any of their respective associates, subsidiaries or affiliates with respect to any future business dealings.

SCOPE OF REVIEW

The Scope of Review describes the extent of and the process of collecting, confirming and reporting data. In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out, among other things, those items listed in Appendix A. We were provided full access to records and personnel, with no restrictions to information requested.

ASSUMPTIONS AND LIMITATIONS

In arriving at our Fairness Opinion, we have relied upon the following statements:

- MNP has relied upon the completeness, accuracy and fair presentation of all the financial and other factual information, data, advice, opinions or representations obtained from public sources and management of Pétrolia (“Management”). Our conclusions are conditional upon the completeness, accuracy and fair presentation of such information. Subject to the exercise of professional judgment, MNP has not attempted to verify independently the accuracy, completeness or fair presentation of the information obtained. The Fairness Opinion is conditional upon such completeness and accuracy.

- As at the Effective Date there were no contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened, other than in the ordinary course of business, or contained in the public record, as they would apply to Pétrolia and Pieridae.
- We have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of MNP and parties to the Agreement. We have rendered our Fairness Opinion on the basis of prevailing market and industry conditions and expectations, and on the condition that prospects, financial and otherwise, have been represented to MNP in discussions with Management and their representatives and factored into information and analysis provided.
- The preparation of a fairness opinion is a complex process and our opinion was arrived at giving consideration to our analyses viewed as a whole and is not susceptible to partial analysis.
- We understand that our Fairness Opinion may influence the Board's decision to proceed with the Merger. Our Fairness Opinion has been prepared to provide our opinion as to whether the Agreement is fair, from a financial point of view, to Pétrolia shareholders. Our Fairness Opinion is to be used in contemplation of this stated purpose only and may not be used or relied upon by any other person or for any other purpose without our prior written consent. We do not assume any responsibility or liability for losses occasioned by Pétrolia, Pétrolia's Board of Directors, the Pétrolia shareholders, or any other parties as a result of the circulation, reproduction, or use of our Fairness Opinion, or its contents, in a manner contrary to the provisions of this paragraph.
- The Fairness Opinion does not constitute a recommendation as to how any Board member should vote or act on any matter relating to the Agreement.
- MNP has not been engaged to provide a Valuation Report as defined by the practice standards of the CICBV or a Formal Valuation as defined in Multilateral Instrument 61-101. In preparing the Fairness Opinion, we were guided by CICBV Practice Standards No. 510, 520, and 530.
- No opinion, advice or interpretation is intended in matters that require legal or other appropriate professional advice, and we have not provided such advice to the Board of Directors of Pétrolia. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.
- The Fairness Opinion is not to be interpreted as a recommendation to any directors or shareholder of Pétrolia to accept or reject the Agreement. The Fairness Opinion does not provide assurance that the best possible price was obtained. MNP has not been retained to comment on the relative merits of the Agreement as compared to any other strategic alternatives that may be available to Pétrolia.
- MNP disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which would have been known or expected to be known as at the date of the Fairness Opinion, but which may come to our attention after the Effective Date. We reserve the right (but will be under no obligation) to review our Fairness Opinion and, if we consider it necessary, to revise, modify, or withdraw our conclusion in light of any information existing at our Effective Date that becomes subsequently known to us, or if we learn that any information we relied upon in preparing our conclusions was inaccurate, incomplete or misleading in any material respect.

METHODOLOGY APPLIED AND FACTORS CONSIDERED IN PERFORMING FAIRNESS ANALYSIS

The assessment of the fairness of the Agreement to Pétrolia shareholders, from a financial point of view, must be determined in the context of the Agreement. Briefly described, in considering the fairness of the Agreement, from a financial point of view to the shareholders of Pétrolia, we have considered a number of matters including, but not limited to, the following:

- Reviewed and analysed the Agreement dated May 15, 2017 between Pétrolia and Pieridae;
- Reviewed and analysed the subsequent amendments to the Agreement between May 15, 2017 and the Effective Date;
- Reviewed the Exchange Ratio calculations and the implied valuations of Pétrolia and Pieridae used in calculating the Exchange Ratio;

- Compared the Pétrolia valuation implied by the Exchange Ratio and Dividend to the book value of equity and Pétrolia's historical market capitalization;
- Reviewed and analysed information found in public filings and in documents provided to us by Management related to Pétrolia and Pieridae;
- Reviewed valuation metrics of guideline public companies and transactions involving comparable companies and compared them to those implied in the Agreement;
- Researched the oil and gas industry in Quebec and assessed the impact of economic trends and outlook on the performance of Pétrolia's oil and gas assets;
- Researched the LNG industry and assessed the impact of economic trends and outlook on the performance of the Goldboro Project;
- Reviewed the present value of the expected future cash flows of the Goldboro Project based on Management's business model for the Goldboro Project's future operations;
- Calculated the projected internal rate of return under various scenarios and compared it to the Goldboro Project's weighted average cost of capital;
- Reviewed, from a qualitative and quantitative standpoint, the results of a feasibility study completed by industry experts on the Goldboro Project;
- Reviewed and analyzed Pétrolia's market liquidity as indicated by historical trading prices and volumes, and the resultant impact on the fairness of the Agreement to Pétrolia shareholders, from a financial point of view;
- Reviewed historical trading volumes to assess the potential time required by the Pétrolia shareholders to sell their shares on the open market without causing downward pressure on the share price; and,
- Our experience in valuing businesses similar to Pétrolia and Pieridae.

CONCLUSION

Based upon and subject to the foregoing, MNP is of the opinion, as at the date hereof, that the consideration to be received by Pétrolia shareholders pursuant to the Agreement is fair, from a financial point of view, to the Pétrolia shareholders.

Yours sincerely,

MNP_{LLP}

MNP LLP

August 21, 2017
Date Prepared

APPENDIX A – SCOPE OF REVIEW

In arriving at our opinion, we reviewed, considered and relied upon, the following information. Our opinion is dependent on such information being complete and accurate in all material respects.

Financial Documents

- Pétrolia's audited financial statements for the years ended December 31, 2012 – 2016 inclusive;
- Pétrolia's interim financial statements for the quarter ended March 31, 2017;
- Pieridae's audited financial statements for the years ended December 31, 2013 – 2016 inclusive;
- Pétrolia's management discussion and analysis for the years ended December 31, 2012 – 2016 inclusive;
- Pétrolia's management discussion and analysis for the quarter ended March 31, 2017;
- Pétrolia's corporate tax return for the year ended December 31, 2016;
- Pieridae's corporate tax return for the year ended December 31, 2016;
- Certain internal financial models prepared by Management of Pétrolia and Pieridae;
- Certain non-public documents regarding Pétrolia and Pieridae made available to MNP, including financial and technical information;

Corporate and Legal Documents

- Arrangement Agreement and supporting schedules, between Pétrolia and Pieridae, dated May 15, 2017;
- Subsequent amendments to the Arrangement Agreement between May 15, 2017 and the Effective Date;
- Various corporate legal documents for Pétrolia and Pieridae;

Industry and Economic Data

- Pieridae Investor Presentation, February 24, 2017;
- "Audit of Certain P&NG Holdings of Pétrolia Inc. in Quebec as of December 31, 2016," as prepared by Sproule;
- Report prepared by IHS Markit Ltd. on the Goldboro Project dated April 2017;
- Various equity research reports for companies operating in similar industries;
- Publicly filed documents relating to comparable companies, including financial statements and disclosures of corporate acquisitions;
- Information gathered through research databases and internet research on factors we believe to be relevant to economic, industry, and other environmental factors that could have a bearing on the Agreement;
- Capital IQ Financial Database;

Other Information Sources

- Pétrolia website at <http://www.pétrolia-inc.com/>;
- Pieridae website at <http://pieridaeenergy.com/>;
- Meetings and discussions with Mr. Mario Racicot, CFO of Pétrolia; and, Mr. Myron Tetreault, Chairman of Pétrolia, to gain an understanding of Pétrolia and Pieridae and to supplement information provided;
- Meetings and discussions with Senior Executives of Pieridae regarding the status of the Goldboro Project, as well as opportunities and risks for the Goldboro Project;
- Discussions with a representative from Sproule;
- Discussions with a representative from Laurentian Bank of Canada;

- Such other corporate, financial and market information and analysis as considered appropriate in the circumstances; and,
- A letter of representation from Mr. Mario Racicot and Mr. Myron Tetreault wherein they confirmed certain representations and warranties that they have made to us, including a general representation that they have no information or knowledge of any facts or material information not specifically noted in this report which, in their view, would reasonably be expected to affect the conclusions expressed herein.

SCHEDULE "E"

PIERIDAE FAIRNESS OPINION

[See the following page(s)]



August 21, 2017

The Board of Directors
Pieridae Energy Limited
1718, Argyle Street, Suite 730
Halifax, NS, B3J 2N6

Dear Sirs:

Laurentian Bank Securities Inc. ("Laurentian") understands that the arrangement agreement dated May 15, 2017 (the "Arrangement Agreement" or the "Arrangement") among Pieridae Energy Limited. ("Pieridae" or the "Corporation") and Pétrolia Inc. ("Pétrolia"), as amended, provides for, among other things, the amalgamation of Pétrolia and Pieridae (the "Amalgamation"). As a consequence of the Amalgamation, the resulting amalgamated company ("Amalco") will continue the operations of Pétrolia and Pieridae on a combined basis.

The terms and the conditions of the Arrangement will be more fully described in a joint management information circular of Pétrolia and Pieridae (the "Information Circular") each in respect of an annual general and special meeting of the Pétrolia Shareholders (the "Pétrolia Meeting") and an annual general and special meeting of the Pieridae Shareholders (the "Pieridae Meeting"), each to be held in order to, among other things, seek shareholder approval of the Arrangement. The Arrangement will be subject to a number of conditions which must be satisfied or waived in order for the Arrangement to become effective, all as set forth in the Arrangement Agreement. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Information Circular.

Engagement of Laurentian

Pieridae, in considering a potential transaction with Pétrolia and then the terms of the Arrangement, engaged Laurentian on March 29, 2017 ("Pieridae Advisory Agreement") to provide the requisite financial advice. Subsequently, the Pieridae Board sought Laurentian's opinion (the "Pieridae Fairness Opinion") as to whether the consideration to be received by the Pieridae Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pieridae Shareholders. The Fairness Opinion engagement ("the Fairness Opinion Agreement") was signed on June 15, 2017.

Laurentian has not been requested to prepare (and has not prepared) a valuation or appraisal of Pieridae, Pétrolia, or Amalco or of any of the respective assets, liabilities or securities of Pieridae, Pétrolia or Amalco, or to express an opinion with respect to the form of the Arrangement itself, and the Pieridae Fairness Opinion should not be construed as such. Laurentian was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement. Laurentian has assumed, with Pieridae's agreement, that the Arrangement is not subject to the valuation requirements under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and similar securities regulatory policies.

The Pieridae Advisory Agreement and the Fairness Opinion Agreement (the "Engagements") provide for Laurentian to receive from Pieridae, in consideration for the services provided, a success fee upon completion of the Arrangement and a fee upon delivery of the Pieridae Fairness Opinion, respectively. The fees received by Laurentian in connection with these Engagements are not material to Laurentian. In addition, Pieridae has agreed to indemnify

Laurentian from and against certain liabilities arising out of the performance of professional services rendered to Pieridae by Laurentian and its personnel under these Engagements.

The Pieridae Fairness Opinion is provided in an impartial and objective fashion to assist the Pieridae Board in discharging its fiduciary duties and does not constitute a recommendation to Pieridae Shareholders. Laurentian has received no instructions from Pieridae in connection with the conclusions reached in the Pieridae Fairness Opinion.

Credentials of Laurentian

Laurentian is an integrated full-service institutional securities and investment banking firm and a division of Laurentian Bank of Canada, Canada's seventh largest Schedule 1 bank. Laurentian provides advisory and capital market related services to Canadian oil and gas, mining, technology and other various industries. Laurentian's services include investment research and the trading of equity securities for major Canadian and foreign financial institutions and corporate advisory services in the areas of mergers, acquisitions, divestments, restructurings, valuations and fairness opinions. Laurentian and its principals have been involved in a significant number of transactions involving valuations of private and publicly-traded Canadian companies and in providing fairness opinions in respect of such transactions.

The opinion expressed herein is the opinion of Laurentian as an entity, and the form and content hereof have been approved for release by a group of professionals of Laurentian, each of whom is experienced in mergers, acquisitions, divestitures, restructurings, valuation, fairness opinion and capital markets matters.

Relationship with Interested Parties

Neither Laurentian nor any of its associates or affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Alberta)) of Pieridae, Pétrolia or Amalco, or any of their respective associates or affiliates (collectively, the "Interested Parties"). Laurentian is currently acting as an advisor and agent to Pieridae and may in the future, in the ordinary course of business, perform financial advisory or investment banking related services for the Interested Parties or their successors. Laurentian does not believe that any of these relationships affect Laurentian's independence with respect to this Fairness Opinion. Laurentian acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of the Interested Parties, and, from time to time, may have executed or may execute transactions on behalf of such companies or other clients for which Laurentian may have received or may receive compensation. As an investment dealer, Laurentian conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Arrangement, Pieridae, Pétrolia or Amalco.

Scope of Review Conducted by Laurentian

The Pieridae Board has requested this Pieridae Fairness Opinion pursuant to the Fairness Opinion Agreement. In that regard, Laurentian has, among other things, analyzed publicly available documents relating to Pieridae and Pétrolia, along with confidential financial, operational and other information relating to Pieridae and Pétrolia, including information derived from meetings and discussions with the management of Pieridae and Pétrolia, as described below. Except as expressly described herein, Laurentian has not conducted any independent investigations to verify the accuracy and completeness thereof.

In arriving at the Pieridae Fairness Opinion, Laurentian has reviewed and relied upon, among other things:

- i) the Arrangement Agreement dated May 15, 2017 (as amended on June 28, 2017, July 21, 2017 and August 21, 2017);

- ii) the Plan of Arrangement (and associated documents, including the documents filed with the Court pertaining to the Interim Order);
- iii) management provided financial estimates, corporate models, corporate presentations, asset overviews, and operating statements for Pétrolia;
- iv) the draft Information Circular;
- v) the audited financial statements for Pieridae and Pétrolia for the year ending December 31, 2016, together with the notes thereto and the auditor's report thereon;
- vi) management's discussion and analysis of Pieridae and Pétrolia for the year ending December 31, 2016;
- vii) the unaudited consolidated financial statements of Pétrolia for the three and nine months ended September 30, 2016, three and six months ended June 30, 2016, and three months ended March 31, 2017;
- viii) the unaudited consolidated financial statements of Pieridae for the three months ended March 31, 2017;
- ix) Pétrolia's annual information form for the fiscal year ended December 31, 2015;
- x) Pétrolia's NI 51-101, Disclosure of Resources prepared by Sproule Associates Limited for the year ended December 31, 2016;
- xi) a certificate of representations provided by senior officers of each of Pieridae and Pétrolia and addressed to Laurentian as to certain factual matters and the completeness and accuracy of the information upon which the Pieridae Fairness Opinion is based (the "Officers' Certificates");
- xii) public information relating to the business, operations, financial performance and stock trading history of Pétrolia and other selected public companies Laurentian considered relevant;
- xiii) all available correspondences, public and non-public, with various divisions of the Government of Quebec with respect to fracking, partnership contractual obligations, Bill 106, the Anticosti UNESCO nomination and others;
- xiv) a schedule of issued and outstanding securities of Pieridae and Pétrolia;
- xv) certain non-public information regarding Pieridae and Pétrolia, and each of its business and projects;
- xvi) discussions with senior management of Pieridae and Pétrolia with respect to, among other things, the past and future operations of Pieridae and Pétrolia, Pieridae and Pétrolia's competitive position in the market, its prospects, the information referred to above and other issues deemed relevant; and
- xvii) Laurentian's internal financial models and various other methods of analytical valuation.

Laurentian also conducted such other analyses, investigations, research and testing of assumptions as were deemed by Laurentian to be appropriate or necessary in the circumstances. Pieridae and Pétrolia granted Laurentian access to its management group and, to its knowledge, Laurentian was not denied any information requested. A significant component of Laurentian's review consisted of discussions with management of Pieridae and Pétrolia.

Laurentian did not meet with the auditors of Pieridae or Pétrolia and has assumed the accuracy and fair presentation of the audited financial statements of Pieridae and Pétrolia and the reports of the auditors thereon. In addition,

Laurentian did not meet with the independent reserve engineers of Pétrolia and has assumed the accuracy and fair presentation of the reserve reports of Pétrolia.

The Pieridae Fairness Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada (the "Organization") but the Organization has not been involved in the preparation or review of the Pieridae Fairness Opinion.

Key Assumptions and Limitations

Laurentian has assumed and relied upon, with the acknowledgement of the Pieridae Board and subject to the exercise of its professional judgment, but has not independently verified the accuracy, completeness and fair representation of any of the data, advice, opinions, materials, information, representations, reports and discussions, including the Officers' Certificates (collectively, the "Information") referred to above and the Pieridae Fairness Opinion is conditional upon such accuracy, completeness and fair representation and Laurentian has assumed that since the date of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Pieridae or Pétrolia or any of their subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Pieridae Fairness Opinion. Laurentian's assumptions, the procedures Laurentian adopted and the conclusions and opinions reached by Laurentian are dependent, in part, upon all such facts and Information. With respect to operating and financial forecasts and budgets provided to Laurentian and relied upon in its analysis, Laurentian has assumed that they have been reasonably prepared on bases reflecting reasonable assumptions, estimates and judgments of Pétrolia, having regard to the plans, financial condition and prospects of Pieridae and Pétrolia, and in rendering the Pieridae Fairness Opinion, Laurentian expresses no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

Laurentian believes that the analyses and factors considered in arriving at the Pieridae Fairness Opinion must be considered as a whole and are not necessarily amenable to partial analysis or summary description and that selecting portions of the analyses and the factors considered by Laurentian, without considering all factors and analyses together, could create a misleading view of the process underlying the Pieridae Fairness Opinion employed by Laurentian and the conclusions reached in the Pieridae Fairness Opinion. In arriving at its opinion, in addition to the facts and conclusions contained in the Information, Laurentian has assumed, among other things, the validity and efficacy of the procedures being followed to implement the Arrangement and Laurentian expresses no opinion on such procedures.

Laurentian has, with respect to all accounting, legal and tax matters relating to the Arrangement and the implementation thereof, relied on the advice of accounting advisors and legal and tax counsel to Pieridae and Pétrolia, including information disclosed in the Information Circular, and expresses no opinion thereon.

The Arrangement is subject to a number of conditions outside the control of Pieridae or Pétrolia and Laurentian has assumed that the Arrangement will be completed in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement thereof and in accordance with all applicable laws, that all conditions precedent to the completion of the Arrangement can and will be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification.

In rendering the Pieridae Fairness Opinion, Laurentian expresses no view as to the likelihood that the conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be implemented within the time frame indicated in the Information Circular. Laurentian has also assumed that all of the representations and warranties contained in the Arrangement Agreement are true and correct in all material respects as of the date hereof.

In Laurentian's analysis in connection with the preparation of the Pieridae Fairness Opinion, Laurentian made numerous assumptions which it believes to be reasonable with respect to the industry performance, general business and economic conditions and other matters, many of which are beyond the control of Laurentian, Pieridae or Pétrolia.

The Pieridae Fairness Opinion is rendered as of August 21, 2017 on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of Pieridae and Pétrolia, as it was reflected in the Information provided to Laurentian and as it was represented to Laurentian in its discussions with the senior management of Pieridae and Pétrolia. Any material changes therein may affect the Pieridae Fairness Opinion and, although it reserves the right to change or withdraw the Pieridae Fairness Opinion in such event, Laurentian disclaims any undertaking or obligation to advise any person of any such change that may come to Laurentian's attention, or to update the Pieridae Fairness Opinion after the date hereof.

The Pieridae Fairness Opinion has been provided solely for the use of the Pieridae Board and is not intended to be, and does not constitute, a recommendation to purchase securities nor should it be construed as a recommendation to vote in favour of the Arrangement. Laurentian's conclusion as to the fairness, from a financial point of view, of the consideration to be received under the Arrangement by Pieridae Shareholders is based on Laurentian's review of the Arrangement taken as a whole, rather than on any particular element of the Arrangement, and this Fairness Opinion should be read in its entirety. The Pieridae Fairness Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to Pieridae, nor does it address the underlying business decision to enter into the Arrangement. Laurentian considered the Arrangement from the perspective of all Pieridae Shareholders generally and did not consider the specific circumstances of any particular Pieridae Shareholder.

While in the opinion of Laurentian the assumptions used in preparing this Fairness Opinion are appropriate in the circumstances, some or all of these assumptions may prove to be incorrect.

Conclusion and Fairness Opinion

Based upon and subject to all of the foregoing and such other matters as Laurentian considered relevant, Laurentian is of the opinion that, as of the date hereof, the consideration to be received by the Pieridae Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Pieridae Shareholders.

The Pieridae Fairness Opinion may be relied upon by the Pieridae Board for the purpose of considering the Arrangement and making recommendations to Pieridae Shareholders, but may not be published, reproduced, disseminated, quoted from or referred to, in whole or in part at any time, or be used or relied upon by any other person for any other purpose without Laurentian's express prior written consent in each specific instance. Laurentian expressly consents to the duplication and inclusion of the Pieridae Fairness Opinion in the Information Circular, as well as a summary thereof (in a form acceptable to Laurentian) and to the filing thereof, as necessary, by Pieridae, Pétrolia and/or Amalco with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Janet F. Smith", is written over the typed name "Janet F. Smith".

Laurentian Bank Securities Inc.

SCHEDULE “F”

**PÉTROLIA’S FINANCIAL STATEMENTS AND MANAGEMENT’S DISCUSSION AND
ANALYSIS**

[See the following page(s)]



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIODS ENDED MARCH 31, 2017 AND 2016**



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

[unaudited]

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

Going concern [Restated [note 1]]

Subsequent events [note 4]

Contingencies [note 18]

See accompanying notes

On behalf of the Board of Directors,

(signed) Myron Tétrault

On behalf of the Board of Directors,

(signed) Charles Boulanger



CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[in Canadian dollars]

[unaudited]

For the periods ended March 31

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

See accompanying notes



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]
[unaudited]

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

[unaudited]

For the periods ended March 31

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

See accompanying notes



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

Incorporation and nature of business

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

Going concern uncertainty

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the period ended March 31, 2017.

Since the Company is still at the exploration stage for all its oil and gas properties, including the investment in Anticosti Hydrocarbons L.P., it has yet to determine whether its oil and gas properties contain economically feasible reserves. Accordingly, the Company does not expect to generate significant revenues from its properties over the next twelve months. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing obligations and commitments under exploration and evaluation programs and pay general and administrative expenses. Management considers it does not have adequate financial resources to meet the Company's obligations and anticipated expenditures through to March 31, 2018. Therefore, there is material uncertainty related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

If management is unable to secure new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than the amounts reflected in these consolidated financial statements. These condensed interim consolidated financial statements do not include any adjustments to the carrying amounts of assets, liabilities, revenues and expenses and to classifications in the consolidated statements of financial position that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

Condensed interim consolidated financial information

The financial information as at March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 is unaudited. However, it is management's view that all adjustments required to present fairly the results for these periods have been made. The adjustments made were of a normal recurring nature. The interim consolidated operating results do not necessarily reflect the operating results anticipated for the full fiscal year.

Approval date and restatements

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

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

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

These condensed interim consolidated financial statements were prepared in accordance with applicable IFRS and IAS 34, *Interim Financial Reporting*, published by the International Accounting Standards Board (IASB) and set out in the *CPA Canada Handbook*. The accounting policies and the methods of computation applied in these condensed interim consolidated financial statements are the same as those in the most recent annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the fiscal year ended December 31, 2016, including the notes thereto.

All amounts are expressed in Canadian dollars.

3. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Actual results may differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most impact on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

3.1 Judgments

Impairment of interests in associates

The Company applies IAS 39 to assess whether there is evidence of impairment that could lead to the recognition of an impairment loss for its interest in associates relating to the Anticosti project (see note 7). This assessment requires significant judgment to determine whether the decline in fair value is significant or prolonged, triggering an impairment loss.

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

3.2 Estimates and assumptions

Impairment of exploration and evaluation assets

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

4. SUBSEQUENT EVENTS

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

5. CASH AND CASH EQUIVALENTS

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

¹ Cash and cash equivalents held for exploration purposes related to flow-through shares represent the unexpended proceeds of financing related to flow-through shares. According to restrictions imposed under financing arrangements, the Company must allocate these funds to the exploration of oil and natural gas properties.

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

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

6. RECEIVABLES

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

7. INTERESTS IN ASSOCIATES

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

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

The partnership's Board of Directors is made up of a representative of each partner and an independent director.

The Board of Directors has set up an Operations Committee to supervise the partnership's work, as well as an advisory Technical Committee. Committees on health, safety and security, the environment and social acceptability have also been created. These committees are made of an equal number of representatives from each partner.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

8. PROPERTY, PLANT AND EQUIPMENT [RESTATED]

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

9. EXPLORATION AND EVALUATION ASSETS [RESTATED]

Oil and gas properties

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

Exploration expenses

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

Summary as at March 31, 2017

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

¹ These properties are subject to royalties should they become productive. To date, the Company has satisfied all required obligations, and only its future or potential obligations and special transactions during the year are described below.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

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

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

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

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

Impairment loss estimate

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

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

11. TRADE AND OTHER PAYABLES

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

12. PARTNER ADVANCES FOR PLANNED EXPLORATION WORK

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

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

13. PROVISIONS

Provision for site restoration

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

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

Provision for contingent liability

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

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

14. SHARE CAPITAL

Authorized

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

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

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

Share-based payments

On October 22, 2004, the Company adopted a stock option plan under which it can grant a maximum of 10% of the number of shares outstanding to its directors, officers, key employees and suppliers on a continuous basis. The exercise price of each option equals the market price on the day prior to the grant of the option. All options must be exercised no later than five years after the date of the grant. The options granted to directors vest immediately and for other participants, over a period of three years.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

The Company's stock options are detailed as follows for the reporting periods presented:

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

15. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the fiscal period by the weighted average number of common shares outstanding during the period. In calculating diluted loss per share for the periods ended March 31, 2017 and 2016, potential common shares, such as certain options and warrants, were not included as they would have the effect of decreasing the loss per share, which would be antidilutive.

Both basic and diluted loss per share have been calculated using net loss for the period as the numerator, therefore no adjustment to loss was necessary.

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

16. RELATED PARTY TRANSACTIONS

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

None of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel compensation includes the following expenses:

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

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

Related companies and other parties

Transactions were carried out:

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

With Anticosti Hydrocarbons L.P.:

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

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

These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value or amortized cost. The classification of financial instruments as well as their carrying amounts and fair values are presented in the table below:

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

¹ Fair value of cash and cash equivalents is equal to the carrying amount.

² Excluding tax credits and commodity taxes as these amounts do not represent a contractual right to receive or pay an amount.

18. CONTINGENCIES

Financing

The Company is financed in part by the issue of flow-through shares. However, although it has taken all the necessary measures in this regard, there is no guarantee that the funds spent by the Company regarding these shares will be deemed eligible by tax authorities in the event of an audit. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. During the three-month period ended March 31, 2017, the Company received \$940,000 [December 30, 2016 – \$2,404,755] in private placements following the issuance of flow-through shares for which it renounced a tax deduction of \$104,444 [December 31, 2016 – \$199,667]. As at March 31, 2017, the balance of eligible expenses to be incurred amounted to \$2,218,632 [December 31, 2016 – \$1,308,793], an amount of \$1,278,632 is to be incurred by December 31, 2017 and an amount of \$940,000 is to be incurred by December 31, 2018.



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

Environment

The Company's operations are regulated by governmental laws relating to environmental protection. Environmental consequences are difficult to predict, whether in terms of their outcomes, timing or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation.

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

Anticosti Hydrocarbons L.P.

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

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



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

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

Litigation

The Company is subject to certain legal disputes in the normal course of business. Management believes that the Company has set aside sufficient provisions to cover potential losses in relation to such litigation.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	As at March 31, 2017 [3 months] \$	As at March 31, 2016 [3 months] \$
Additions to exploration costs	310,048	413,588
Non-cash acquisition		
Depreciation of property, plant and equipment	(14,940)	(15,426)
Amortization of deferred lease inducements	3,086	—
Recovered amounts		
Haldimand project	—	(100,031)
Oil reserve evaluation revenue	—	(10,924)
Change in non-cash working capital items	2,464,458	1,077,869
Increase in exploration and evaluation costs, net of recovered amounts	2,762,652	1,365,076
Other information:		
Interest paid	123	164
Interest received	8,031	17,979



NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended March 31, 2017 and 2016

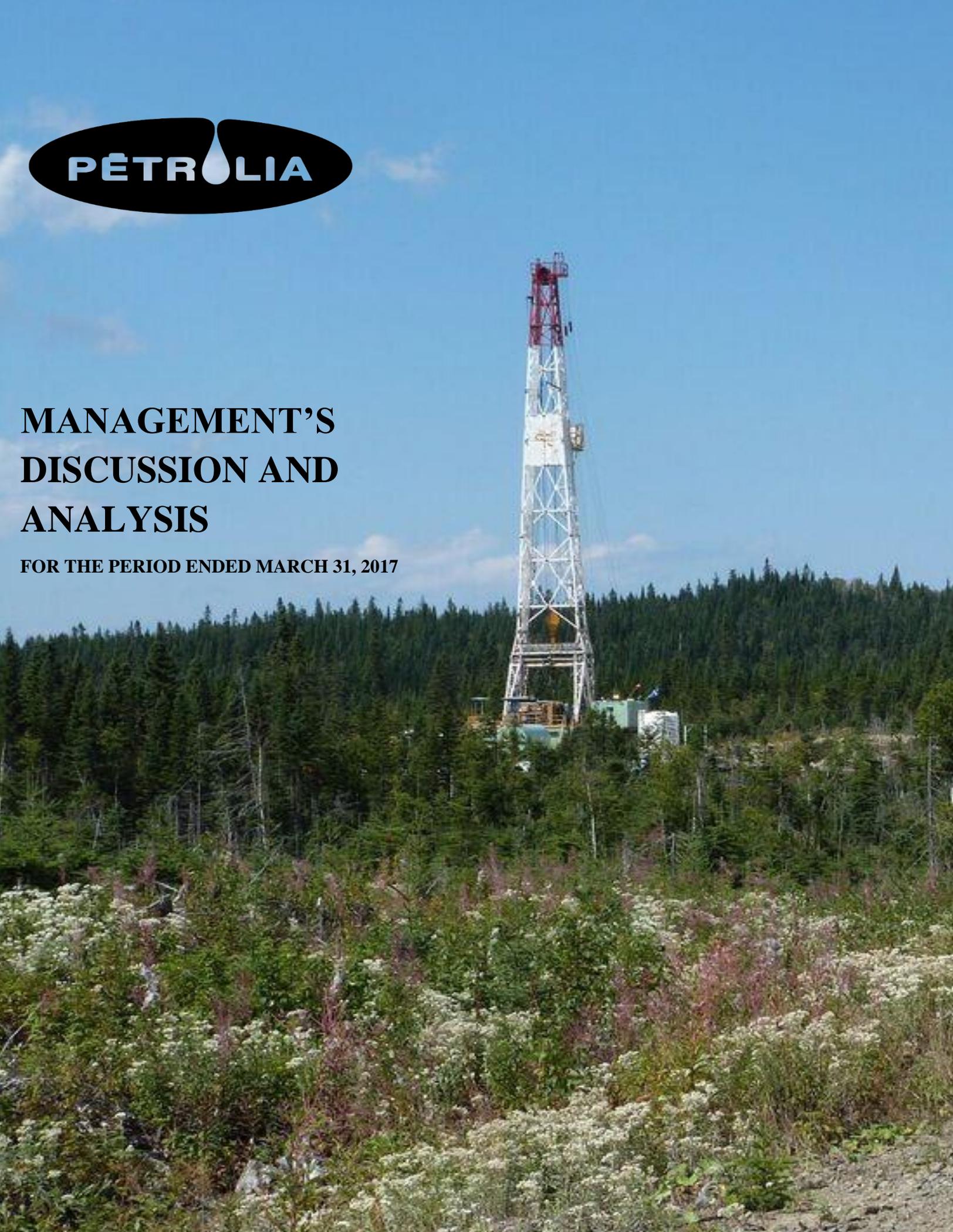
Cash and cash equivalents comprise:

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2017



This management's discussion and analysis ("MD&A") provides a review by management of the financial position and consolidated results of Pétrolia Inc. ("Pétrolia" or the "Company") for the three-month period ended March 31, 2017 compared with the three-month period ended March 31, 2016. This MD&A is dated July 5, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes for the three-month period ended March 31, 2017 well as the audited annual financial statements and the MD&A for the year ended December 31, 2016 available on the Company's website, www.petrolia-inc.com or on SEDAR, www.sedar.com. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar (C\$) and all amounts are presented in Canadian dollars.

Subsequent to the initial approval on May 29, 2017 of the condensed interim consolidated financial statements and management's discussion and analysis for the three-month periods ended March 31, 2017 and 2016, management reviewed a number of its judgments and estimates relating to the determination of indicators of impairment of exploration and evaluation assets and property, plant and equipment and to the going concern assumption. To take into account these changes and for the sake of transparency toward the users of the Company's financial statements and management's discussion and analysis, the condensed interim consolidated financial statements and management's discussion and analysis for the three-month periods ended March 31, 2017 and 2016 were restated, reapproved by the Board of Directors and refiled on SEDAR on July 5, 2017. The changes to the financial statements are explained in detail in notes 1, 3 and 10 to the condensed interim consolidated financial statements for the three-month periods ended March 31, 2017 and 2016.

1. 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 it owns and in which it has an interest. In pursuing its objectives, the Company is required to enter into partnership agreements specific to the oil and gas industry.

2. 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 and gas company with the goal of producing oil and natural gas in Québec.

3. HIGHLIGHTS AND RECENT DEVELOPMENTS

Amalgamation with Pieridae Energy

Arrangement

The Company announced on May 15, 2017 that it has entered into a definitive agreement with Pieridae Energy Limited (“Pieridae”), a private Canadian corporation, providing for an amalgamation by way of plan of arrangement (the “Arrangement”) pursuant to which Pétrolia and Pieridae will amalgamate to form a new entity to be named Pieridae Energy Limited (the amalgamated entity). The completion of the Arrangement will result in a reverse takeover of the Company as defined in the policies of the TSX Venture Exchange. Completion of the Arrangement is, in particular, subject to the closing of a \$50,000,000 private placement, approval of the Exchange, final court approval and Pétrolia and Pieridae shareholder approval.

This agreement will enable the amalgamated entity to strategically position itself in the North American equity markets as a developing fully integrated energy company, from upstream production to the sale of liquefied natural gas (LNG). Pieridae’s Goldboro LNG facility project, combined with the resource potential held by Pétrolia, constitutes an opportunity for investors to participate in the growth and development of Canada’s only integrated LNG facility holding key permits and approvals for its current stage of development. It is expected that the combined expertise and diversification of the two companies will provide the new entity with the potential of an effective and sustainable long-term growth plan.

The Arrangement will also allow Pétrolia shareholders an opportunity to participate in the LNG industry through the development of an integrated energy company and provide the means for an accelerated exploration of Pétrolia’s properties while offering a long-term market for any natural gas production. Pétrolia’s shareholders will receive an immediate premium and considerable potential upside when correlated against similar corporate situations in the North America equity markets this past year.

The amalgamated entity will maintain offices in Calgary, Québec City and Halifax. The Boards of Directors of each of Pieridae and Pétrolia have unanimously approved the Arrangement and determined it to be in the best interests of their respective shareholders.

In financial terms, under the agreement:

- The value of each Pétrolia share will be set at \$0.38, which amounts to a 230% premium over the closing share price on May 12, 2017.
- Each Pétrolia shareholder will receive, for each share held, one non-transferable, non-voting preferred share. The preferred shares are being issued for the purpose of allowing Pétrolia shareholders to receive their pro rata share based on shareholdings, of an amount equal to fifty percent (50%) of any cash amount that may be received by the amalgamated entity further to or arising from an agreement or undertaking by the Government of Québec no later than December 31, 2018, net of any taxes payable by the Company pursuant thereto, in connection with the termination of oil and natural gas exploration on Anticosti Island.
- Pieridae shareholders will receive, for each of their shares in Pieridae, 2.74 shares of the amalgamated entity.

Subsequently, the common shares and preferred shares will be consolidated on a twelve for one basis. Upon completion of the Arrangement, it is expected that Pétrolia shareholders will hold 14.75% of the outstanding common shares of the amalgamated entity and Pieridae shareholders will hold 85.25%.

Subject to the closing of the transaction, Mr. Alfred Sorensen will serve as Chief Executive Officer of the amalgamated entity while Mr. Thomas Dawson will serve as President of LNG. Mr. Martin Belanger, currently the Interim CEO of Pétrolia, will assume the role of Director, Production, and Mr. Mario Racicot, the current Chief Financial Officer and Corporate Secretary of Pétrolia will assume the role of Chief Financial Officer of the amalgamated entity.

Private placement

Pursuant to the agreement, Pieridae has agreed to use reasonable commercial efforts to complete, on or before closing of the Arrangement, a private placement (the "Private Placement") of Pieridae subscription receipts at a price of \$12.50 per Pieridae subscription receipt for minimum gross proceeds of \$50,000,000, of which approximately \$43,000,000 to be paid in cash and \$7,000,000 in consideration for the conversion of the Pieridae debenture, subject to any over-allotment. Each subscription receipt will be automatically converted into one Pieridae share immediately prior to the completion of the Arrangement. These Pieridae shares will be exchanged for common shares of the amalgamated entity when the arrangement is completed.

The net proceeds of the private placement will be used to fund certain activities to allow the amalgamated entity to reach the final investment decision with respect to the development of an integrated LNG project on Canada's East Coast as well as operational needs, its exploration work and its working capital.

Pieridae has engaged a syndicate of agents, to be co-led by Laurentian Bank Securities and National Bank Financial Inc. ("NBF"), and including Desjardins Capital Markets Canada for the private placement. Pieridae intends to pay the agents a cash commission equal to 5% of the gross proceeds of the private placement.

About Pieridae

Pieridae is a privately held Canadian corporation based in Calgary, Alberta. Focused on the development of the Goldboro LNG Project, Pieridae has embarked on a strategy to consolidate natural gas reserves in key natural gas basins to develop new international markets for Canadian and U.S. natural gas. With its first acquisition of resources in New Brunswick through to this merger with Pétrolia, Pieridae seeks to build a long-term portfolio of natural gas to supply the Goldboro LNG Project. Pieridae is on the leading edge of the re-integration of the LNG value chain in North America. The development of its own natural gas potential allows for a comprehensive risk management strategy. Pieridae is targeting the next wave of worldwide LNG production, post 2020, and has sold 50% of the initial capacity of the Goldboro LNG Project pursuant to a 20-year, take-or-pay contract with Uniper Global Commodities SE, a wholly owned subsidiary of Uniper SE, one of Europe's largest gas companies. Pieridae forecasts continuing significant growth in international and domestic markets for liquefied natural gas as consumers look to replace oil with cleaner burning natural gas in the electricity and transportation sectors.

The key principals of Pieridae were the founders of Galveston LNG, which created the Kitimat LNG project in British Columbia that was the first new liquefaction facility permitted in North America in 40 years and which is now owned by Chevron and Woodside Petroleum. Following the sale of Galveston LNG, Pieridae was incorporated under the *Canada Business Corporations Act* on May 29, 2012 to invest in the Goldboro LNG Project, which is

wholly owned by it. In addition, Pieridae is establishing a fully integrated LNG business by acquiring assets that will supply the Goldboro LNG Project. On March 4, 2013, Pieridae entered into a partnership agreement to create Pieridae Production Limited Partnership and Pieridae Production GP Ltd. in order to develop natural gas resources in New Brunswick, Nova Scotia and the Northeast United States. Pieridae had a 16.98% interest in the Partnership as at January 1, 2014, and made no further contributions to the Partnership during the year. During 2015, Pieridae invested an additional \$750,000 in the Partnership, increasing its ownership interest to 20%. Pieridae is entitled to contribute an additional \$14,125,000 to the Partnership prior to any further funding by the other partner, and thereby increase its ownership in the Partnership to 50%.

On December 3, 2015, Pieridae completed the purchase of approximately 107.5 hectares (265.5 acres) of land located in the Goldboro Industrial Park, Nova Scotia for a consideration of \$3,200,000. The Goldboro Property is the site for the proposed Goldboro LNG Project.

The Goldboro LNG Project

The Goldboro LNG Project is located on the Atlantic Ocean coast, approximately two kilometres from the communities of Goldboro in the west and Drum Head in the east, in Goldboro, Guysborough County, Nova Scotia. The Goldboro LNG Project being developed by Pieridae will include storage tanks, marine structures and gas processing equipment. Initial permits allow for up to 10 million metric tons per annum (MMTPA) of LNG production capacity and the facility will be equipped to handle LNG carriers of up to 250,000 m³. The Goldboro LNG Project has obtained its Environment Assessment Approval, National Energy Board of Canada LNG export licence, United States Department of Energy LNG Free Trade Agreement and Non-Free Trade Agreement licences and United States Department of Energy Statement on Energy in Transit between Canada and the United States.

The Goldboro LNG Project is the only project on the East Coast of Canada that has both key permits for its current stage of development and a creditworthy offtake customer. Pieridae, along with its strategic partners, namely General Electric, CB&I and ORLEN Upstream Canada, a wholly owned subsidiary of Poland's PKN ORLEN S.A., is well positioned to become the first LNG liquefaction project to be constructed in Canada.

Anticosti Project

During the quarter, the Québec government confirmed its support for Anticosti's designation as a UNESCO World Heritage Site. Following this announcement, the Québec government initiated negotiations with Pétrolia and its partners in Anticosti Hydrocarbons L.P. ("AHLP") with the aim of ending oil and natural gas exploration on Anticosti Island. Negotiations are still underway, however, and as at the date of this MD&A, no agreement has been reached between the Company and the Québec government.

Management would like to point out that the Québec government had determined the value of this project at \$200 million when the deal was announced in February 2014 and that, in the economic survey by the Ministère des Finances prepared within the framework of the Strategic Environmental Assessments ("SEA"), the government anticipated major economic gains. It is also relevant to note that Pétrolia holds 21.7% of AHLP and that it is also the project operator and that the results of exploration work carried out on Anticosti Island from 2014 to date have been positive. Nevertheless, in the event that the government is determined to put an end to this project, Pétrolia is open to negotiating a fair settlement. In the event that there is no settlement, we expect the government to respect the agreements signed in good faith and allow AHLP to carry out the planned work for which it had been mandated in the signed agreements.

Hearings took place in April and May 2017 in relation to the injunction filed by the Band Council of Innus of Ekuanitshit against, *inter alia*, AHLP, seeking to have the certificates of authorization for fracturing issued by MDDELCC in 2016 declared null and void. The judgment is expected during the third quarter of 2017.

Lastly, on June 14, 2017, the Company reached an agreement with its partners relating to safeguard measures for maintaining the status quo with respect to the project. This safeguard order acknowledges the obligation to cover certain financial expenses of the operator and, in particular, orders Ressources Québec to advance sufficient funds on a monthly basis to cover the essential needs of AHLP until September 1, 2017. The partners of AHLP also agreed to postpone the work planned for Anticosti Island this summer pending the result of the ongoing negotiations with the Québec government. In connection with the order, Pétrolia has committed to perform essential work only until the resumption of work.

Bourque Project

On June 22, 2017, the Company issued a [press release](#) to provide an update on the results of two horizontal wells drilled on the Bourque property.

The operations on these two wells have established the presence of oil and gas in the reservoir, but have also revealed that the reservoir is tight and will require some additional work to allow commercial production. To continue the assessment of the Bourque project, Pétrolia as the operator will propose to its partners (Ressources Québec and TUGLIQ Energy Corp.) the following exploration program in chronological order:

- Resume the production test on the Bourque HZ No. 1 R1 well by using a swabbing unit to better quantify reservoir productivity, take a depth sample (PVT) and check the pressure regime.
- Resume the production test on the Bourque HZ No. 3 well by using a swabbing unit.
- Re-evaluate project resources by integrating the data of these two wells and 3D seismic data (reprocessed after Sproule’s initial evaluation).
- Study the best options for stimulation and completion.

Financing

On March 17, 2017, the Company issued 5,222,223 flow-through shares at \$0.18 per share for gross proceeds of \$940,000. The proceeds of this private placement will be used by the Company to incur Canadian exploration expenses on various properties and such exploration expenses will be fully incurred on or before December 31, 2018 in accordance with the Company’s undertakings to the subscribers of this private placement.

4. FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A are forward-looking statements regarding in particular future events or anticipated economic results or outlooks or future business opportunities of the Company. All statements other than statements of historical fact may be considered forward-looking statements. Forward-looking statements often, but not always, contain words such as “seek,” “anticipate,” “plan,” “continue,” “estimate,” “expect,” “may,” “will,” “project,” “predict,” “potential,” “target,” “intend,” “understand,” “could,” “might”, “should”, “believe” and similar expressions.

The Company is of the view that the expectations set out in these forward-looking statements are reasonable but makes no warranties that they will materialize. These statements have been made as at the date of this MD&A and are based on a certain number of assumptions that might prove to be inaccurate, particularly those relating to:

- Completion of the Arrangement with Pieridae Energy Limited;
- The completion and results of the Company's future exploration work, including those of AHLP;
- The Company's capacity to secure financing;
- The scale of discoveries or production of hydrocarbons;
- The estimate of resources in place and/or reserves;
- The Company's capacity to sign new partnerships;
- The schedule and costs of the work planned by the Company and its partners;
- Oil and natural gas prices; and
- Regulatory impacts.

These forward-looking statements involve risks and uncertainties relating in particular to the Company's activities. Actual results may differ materially from those stated or implied in these forward-looking statements. The factors that may cause actual results to differ materially include, but are not limited to, the risk factors described under the Risk factors section in this MD&A, and which represent, according to the Company's knowledge, the risks known and unknown as well as the uncertainties facing us as at March 31, 2017.

Investors should not place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will materialize. Readers are cautioned that the foregoing list of important factors is not exhaustive. Investors who base their opinion on the Company's forward looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Readers are cautioned not to place undue reliance on the Company's forward-looking statements. Last, the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable law.

5. TERRITORIES UNDER LICENCE AND PARTNERSHIPS

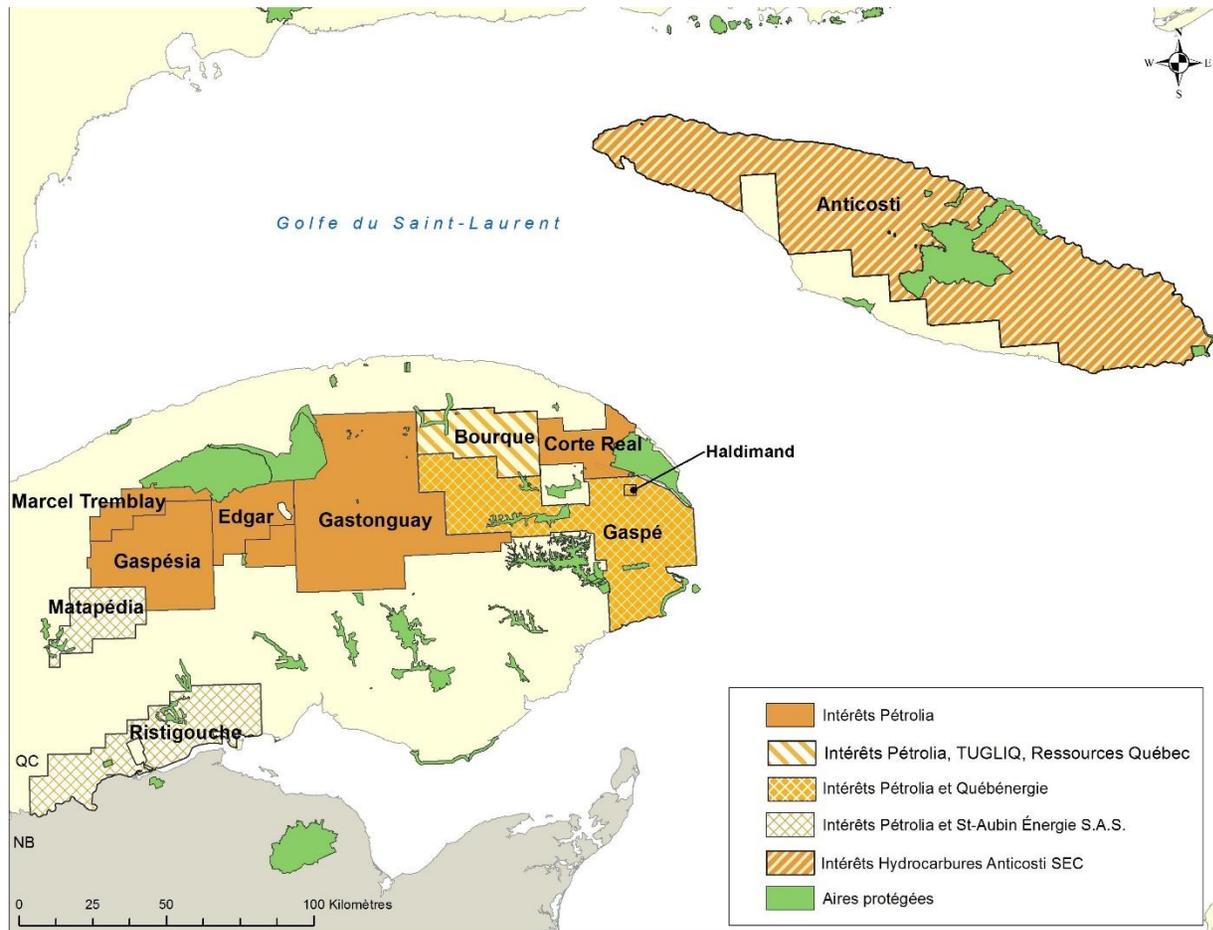
Pétrolia holds licences for and interests in an area of over 16,314.39 square kilometres (km²), amounting to nearly 23% of Québec's territory under licence. Located in Eastern Québec, these areas are largely known for their oil potential. Pétrolia's territories under licence also offer the potential 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%). The limited partnership so created by the four partners 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 hold 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 Corp. – 3.97%; and Ressources Québec inc. – 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.



6. PROJECTS, WORK PROGRAMS AND OUTLOOK

Haldimand project (Gaspé block)

Project background and potential

Discovered in 2006, Haldimand is a conventional deposit located in the York River Formation, which consists of naturally fractured sandstone. It is located on the Haldimand Peninsula outside the Town of Gaspé, in a forest in the Sandy Beach area. Pétrolia’s interest in this project currently amounts to 50% with Québénergie inc. holding the other 50%.

Over the years, a series of exploration work has been carried out on the property, including the drilling of Haldimand 1, 2 and 4, three-dimensional seismic, surface geochemical and magnetotelluric surveys, reprocessing

of data as well as well cleaning operations. As at March 31, 2017, Pétrolia and its partners had invested a total amount of over \$29 million in the property. Following the work carried out, Pétrolia confirmed the existence of a functional oil reservoir comprising natural fractures on the Haldimand property. The production test carried out in 2016 on Haldimand 4 allowed the natural production, without artificial aid, of high quality oil (API 53). During this test program, 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 reservoir.

As shown in the following table, an independent assessment by Sproule Associates Limited (“Sproule”), an oil industry consulting firm, calculated the best estimate of the oil initially in place, unadjusted for risk, at 69.7 million barrels and the contingent portion of that volume at 7.7 million barrels.

	Crude (100%) (millions of barrels)			Pétrolia’s share (50%) (millions of barrels)		
	Low estimate	Best estimate	High estimate	Low estimate	Best estimate	High estimate
Discovered oil resources (oil initially in place)	21.9	69.7	198.1	11.0	34.9	99.1
Contingent oil resources	1.9	7.7	28.4	1.0	3.9	14.2

Planned work for 2017

Pétrolia and its partner Québénergie Inc. are working on developing a stimulation program that would allow for optimal production of the Haldimand reservoir. Once the results of studies, analyses and programs are available, we will be in a position to deploy our resources to file the applications and obtain all the permits and authorizations necessary to carry out any stimulation programs.

Anticosti Project

Project background and potential

Anticosti Island is located in the Gulf of St. Lawrence 75 km from the Gaspé Peninsula coast. It is 220 km long and 48 km wide and covers a square area of approximately 8,000 km² (3,000 square miles). A total of 38 exploration licences for underground reservoirs on the Anticosti Island are held by Anticosti Hydrocarbons L.P. (in which Pétrolia holds an interest of 21.7%, indirectly, via its wholly owned subsidiary, Investissements PEA Inc.), covering a territory of 619,564 hectares.

On April 1, 2014, the Company announced the creation of Anticosti Hydrocarbons L.P., which holds and operates the interests in the Anticosti Island held by Corridor Resources Inc. and Pétrolia Inc. Pétrolia Anticosti Inc. is the operator for Anticosti Hydrocarbons L.P.’s activities. The limited partners and their percentage holdings are shown below:



Under the agreements signed in 2014, Saint-Aubin E&P and Ressources Québec undertook to assume the cost of the first two exploration program phases up to a maximum of \$100 million. The cost of the initial phase, which consists of a stratigraphic survey campaign as well as three horizontal exploration wells with fracturing, 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. Once the results of the initial phase are available, a second phase of work is scheduled, comprising the drilling of additional horizontal oil wells. Under the agreements, the first \$40 million–\$45 million of this second phase will be borne by Ressources Québec (56.7%) and Saint-Aubin E&P. After having incurred \$100 million in exploration expenses, subsequent costs will be assumed according to the four limited partners' proportionate interests. As at March 31, 2017, exploration expenses incurred on the property amounted to over \$27 million.

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. The first phase of operations on Anticosti Island having begun in July 2014, a total of 12 stratigraphic surveys were completed in summer 2014 and 2015. The results of these stratigraphic surveys provided a better understanding and a geological characterization of the Macasty Formation, and also helped determine the best drilling sites for the three horizontal oil wells with fracturing scheduled to finalize the initial phase. In 2016, following delays caused by the late issuance of certificates of authorization and disagreements between partners, certain subsidiaries of the Company, namely Investissements PEA inc. and Pétrolia Anticosti inc. have filed for an injunction with the Superior Court to require their partners, Ressources Québec and Saint-Aubin E&P (Québec) inc. (Saint-Aubin), to fulfil their contractual engagements relating to Anticosti Hydrocarbons L.P. In his judgment on the interim motions for a safeguard order, Justice Castonguay acknowledged the clear obligation of Ressources Québec and Saint-Aubin to finance the exploration program and issued orders to that effect. The judgment recognized the financial needs of the operator Pétrolia Anticosti Inc. and specifically ordered Ressources Québec and Saint-Aubin to fund the administrative and day-to-day expenses of the operator 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. Accordingly, in fall 2016, Pétrolia Anticosti, the project operator, prepared the well drilling platforms in anticipation of the exploration work scheduled for 2017. It should also be noted that the MDDELCC had issued all the necessary certificates of authorization, including that for hydraulic fracturing, making it possible to proceed with the exploration program set out in agreements between the partners.

According to Sproule, the best estimate of the total petroleum initially-in-place, unadjusted for risk, amounts to 30.7 billion barrels of oil within the perimeter of the permits held by Anticosti Hydrocarbons L.P. on Anticosti Island. The update indicates a 90% probability of a volume of 20.9 million barrels and 10% probability of the volume equalling or exceeding 45.2 billion barrels.

Work completed and status update - 2017

The personnel are still working on planning for the drilling of three horizontal wells with fracturing expected to take place this summer in the event no settlement is reached with the Québec government. If the negotiations between the Company and the Couillard government are deadlocked, the Company intends to enforce the contract and carry out the drilling and fracturing program in the shortest time period possible.

The Band Council of the Innus of Ekuanitshit have filed for an injunction, challenging the certificates of authorization for fracturing issued by MDDELCC in 2016. The matter was heard by the Court in April and May 2017, and judgment is expected during the third quarter of 2017.

As disclosed in the “Highlights and recent developments” section, the Québec government confirmed its support for Anticosti’s designation as a UNESCO World Heritage Site and initiated negotiations with Pétrolia and its partners in Anticosti Hydrocarbons L.P. with the aim of ending oil and natural gas exploration on Anticosti Island. In addition, on June 14, 2017, the Company reached an agreement with its partners relating to safeguard measures for maintaining the status quo with respect to the project and postponement until September 1, 2017 of the work planned for Anticosti Island this summer pending the result of the ongoing negotiations with the Québec government and the resolution of certain other issues.

Bourque project

Project background and potential

The Bourque project, which was launched in 2007, is located on the northwestern part of the Gaspé property, 30 km east of Murdochville and 50 km west of the Town of Gaspé. There are four licences related to this property. The Company’s interest in this project currently amounts to 51.03%, with the interests of Ressources Québec Inc. and TUGLIQ Energy Corp. in the licences amounting to 45% and 3.97%, respectively.

A number of exploration programs have been carried out in the property in recent years, including a three-dimensional seismic survey in 2008, the drilling of Bourque 1 and Bourque 2 in 2012 as well as the re-entry of Bourque 1 and the drilling of Bourque 3 in 2016. As at March 31, 2017, Pétrolia and its partners had invested a total amount of nearly \$30 million in the property. During the drilling, 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 work also made it possible to identify four geological prospects in the Forillon Formation for which Sproule estimated the average volume of undiscovered natural gas initially in place, unadjusted for risk, at 1 trillion cubic feet (1 Tcf) of wet natural gas.

	Crude (100%)			Pétrolia’s share (51.03%)	
	(trillion of cubic feet)			(trillion of cubic feet)	
	Low estimate	Best estimate	High estimate	Mean estimate	Mean estimate
Bourque North	125	367	1,099	524	262
Bourque Central	33	118	433	194	97
Bourque South	63	165	452	221	110,5
Bourque 2 Area	26	75	207	102	51
Total				1,041	520.5

Work completed and status update - 2017

Following the re-entry of Bourque 1 and the drilling of Bourque 3 carried out in fall 2016, the technical team analyzed the information collected during drilling and completed the end of well drilling reports during the quarter. The pressure data recorders installed in two wells in December 2016 were recovered on May 17, 2017 and the data were transmitted to Petro Management, which issued its final report on June 19, 2017.

The results from Bourque No. 1 well reveal the presence of an oil column that shows that the Forillon formation from that well is a reservoir containing light oil and associated gas. A specific depth sampling procedure will be required to determine whether it is light oil or gas condensate. The analyses of the pressure buildup data reveal that the initial reservoir pressure was 9,065 kPa and at the end of the closure period was 8,823 kPa. A diagnostic derivative analysis was performed on the pressure buildup data, and a good match was obtained by applying a horizontal well in a dual porosity reservoir model. The shape of the derivative suggests that the Bourque No. 1 well reservoir is mainly formed of carbonate in a naturally fractured formation and consists of matrix blocks feeding open fissures.

The results from Bourque No. 3 well show that the production tubing is filled with water up to the measured depth of 536 m, which corresponds to a water vertical column of 762 m. This water column is surmounted with non-pressurized gas. The analysis of pressure buildup data reveals that the initial reservoir pressure of the well is around 8,234 kPa.

As disclosed in the “Highlights and recent developments” section, the operations on these two wells have established the presence of oil and gas in the reservoir, but have also revealed that the reservoir is tight and will require some additional work to allow commercial production. To continue the assessment of the Bourque project, Pétrolia as the operator will propose to its partners (Ressources Québec and TUGLIQ Energy Corp.) the following exploration program in chronological order:

- Resume the production test on the Bourque HZ No. 1 R1 well by using a swabbing unit to better quantify reservoir productivity, take a depth sample (PVT) and check the pressure regime.
- Resume the production test on the Bourque HZ No. 3 well by using a swabbing unit.
- Re-evaluate project resources by integrating the data of these two wells and 3D seismic data (reprocessed after Sproule’s initial evaluation).
- Study the best options for stimulation and completion.

As at March 31, 2017, of the \$8.5 million obtained from Ressources Québec in July 2016 for the program for confirming property resources, a balance of \$1.9 million remains for the next stages.

Moreover, in recent months, meetings were held with players in political and economic circles in the Cote-Nord region to gauge the political and social support for the next phases of the contemplated exploration program for the property. The Citizens Committee will meet in 2017 when the next steps of the program are determined by Pétrolia and its partners.

Other properties

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.

7. COMPANY EXPERTISE

Pétrolia has a dynamic, motivated team, with highly skilled technical personnel, making the Company a major player in hydrocarbon exploration in Quebec.

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.

8. MANAGEMENT'S ANALYSIS OF FINANCIAL INFORMATION

Impairment of property, plant and equipment and exploration and evaluation assets

As at March 31, 2017, it is management's opinion that an indicator of impairment exists, namely the agreement with Pieridae Energy Limited, presenting a share exchange value indicating an observable value lower than the carrying amount of the Company's net assets. For more details, readers are referred to note 10 to the condensed interim consolidated financial statements for the periods ended March 31, 2017 and 2016 refiled on SEDAR on July 5, 2017. Consequently, impairment losses were recognized on property, plant and equipment and exploration and evaluation assets resulting in decreases in value amounting to \$228,172 in property, plant and equipment, \$19,207,595 in exploration and evaluation assets and \$5,118,115 in the deferred tax liability as at March 31, 2017, as well as an increase in net loss of \$14,317,652 with a corresponding decrease in retained earnings for the three-month period ended March 31, 2017. In addition, these adjustments resulted in a \$0.138 increase in net loss per share and diluted net loss per share for the same period. Lastly, as a result of the impairment losses recognized on the exploration and evaluation assets, management was required to review the valuation of the deferred tax asset relating to the Company's tax loss carryforwards. As at March 31, 2017, the deferred tax liability and net loss for the period were increased by \$1,832,128, with a corresponding decrease in retained earnings, whereas net loss per share increased by \$0.017.

Selected annual information

	2017 [3 months] \$	2016 [3 months] \$
STATEMENT OF LOSS		
Revenues	12,261	16,724
Net loss	(16,475,497)	(307,835)
Basic net loss per share	(0.158)	(0.003)
STATEMENT OF FINANCIAL POSITION		
Working capital	2,376,587	2,138,620
Total assets	69,100,151	87,485,348
Total liabilities	10,080,673	13,446,222
Equity	59,019,478	74,039,126
STATEMENT OF CASH FLOWS		
Cash flows related to operating activities	520,811	(581,510)
Cash flows related to investing activities	(2,842,868)	(1,790,789)
Cash flows related to financing activities	858,618	(86,667)

Operating results and cash position

For the three-month period ended March 31, 2017, the Company's revenues consisted of project management revenues totalling \$12,261 compared with \$16,724 for the period ended March 31, 2016. Project management revenues comprise management fees invoiced by the Company as a project operator for exploration work.

For the first quarter of 2017, the Company recognized a net loss of \$16,475,497, compared with a net loss of \$307,835 for the three-month period ended March 31, 2016. The significant difference resulted from the impairment losses recognized on the exploration and evaluation assets and property, plant and equipment and their tax impacts.

As at March 31, 2017, the Company had cash and cash equivalents of \$5,028,759, including \$4,137,137 held for exploration purposes, and \$2,376,587 in positive working capital.

Analysis of cash flows

For the three-month period ended March 31, 2017, the Company's operating activities generated cash totalling \$520,811, compared with cash used amounting to \$581,510 for the same period in 2016. The difference arose primarily from the net change in non-cash operating items.

Investing activities for the three-month period ended March 31, 2017 used cash totalling \$2,842,868, mainly as a result of increases of \$2,762,652 in exploration and evaluation costs, net of recovered amounts, \$52,462 in oil and natural gas property costs, net of recovered amounts, and \$26,443 in contributions made to associates. For the three-month period ended March 31, 2016, cash flows used in investing activities totalled \$1,790,789, owing mainly to a \$1,365,076 increase in exploration and evaluation expenses net of recovered amounts, \$300,000 in security deposits paid, \$90,002 in oil and gas property costs net of recovered amounts and \$29,757 in contributions made to associates.

Cash flows from financing activities for the first quarter of 2017 amounted to \$858,618, primarily from proceeds totalling \$860,296, net of share issue expenses, from the issue of 5,222,223 shares. During the same period in 2016, financing activities used cash totalling \$86,667, owing primarily to share issuance costs paid during the quarter for financing completed in November 2015.

Analysis of administrative expenses

Detail of administrative expenses:

	2017 [3 months] \$	2016 [3 months] \$
Salaries and employee benefits	113,295	226,573
Fees	91,650	21,450
Insurance	12,429	9,885
Maintenance and office supplies	16,497	20,400
Board of Directors fees	38,008	51,283
Shareholder reporting	15,594	6,415
Rent	2,799	14,888
Amortization of deferred lease inducements	(1,200)	(6,850)
Promotion and entertainment	—	1,559
Travel	22,491	12,272
Professional services	153,095	81,940
Telecommunications	5,797	5,920
Depreciation of property, plant and equipment	4,899	6,332
Gain on disposal of property, plant and equipment	—	(125)
Other expenses	2,091	18,704
Total administrative expenses before re-invoicing	477,445	470,646
Re-invoicing of expenses	(70,687)	(84,784)
	406,758	385,862

For the three-month period ended March 31, 2017, administrative expenses net of re-invoiced expenses were up \$20,986 from the three-month period ended March 31, 2016. The key differences in administrative expenses were salaries and employee benefits, and professional fees and services. Salaries and employees benefits were down, whereas professional fees were up year-over-year due to various changes made to the Company's management team in 2016. Professional services increased in the 2017 period, owing primarily to non-recurring professional fees incurred during the quarter.

Analysis of share of associates

The Company's share in the net losses of associates for the first quarter of 2017 totalled \$32,628, compared with \$32,217 for the first quarter of 2016.

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 Investissements PEA inc. is as follows:

	As at March 31, 2017 \$	As at March 31, 2016 \$
Assets	128,578,554	124,918,405
Liabilities	712,958	714,714
Partners' equity	127,865,596	124,203,691
Revenues	—	—
Net loss and comprehensive loss	(150,590)	(148,695)
Share of Pétrolia [21.7%]	(32,628)	(32,217)

Summary of quarterly results

The Company's quarterly results may fluctuate significantly from quarter to quarter owing to various non-recurring items, but in general, management expects the quarterly loss to range from \$300,000 to \$500,000. As previously discussed, the significant net loss for the quarter ended March 31, 2017 resulted from the impairment losses recognized on the exploration and evaluation assets and property, plant and equipment and their tax impacts in connection with the agreement entered into with Pieridae Energy Limited on May 15, 2017. During the quarter ended September 30, 2015, the abnormally low net loss resulted from a revised deferred tax recovery calculation for the first two quarters of fiscal 2015, as shown below. The increase in net loss in December 2016 and 2015 resulted from the recognition of share-based payments and annual bonuses as well as the June 2016 increase in net loss owing in large part to \$150,000 termination benefit granted during the quarter.

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

	March 2017	December 2016	September 2016	June 2016
	\$	\$	\$	\$
Revenues (including financial income)	18,104	67,066	18,732	23,272
Net loss	(16,475,497)	(607,055)	(393,719)	(631,901)
Net loss per share				
Basic	(0.158)	(0.006)	(0.004)	(0.007)
Diluted	(0.158)	(0.006)	(0.004)	(0.007)

	March 2016	December 2015	September 2015	June 2015
	\$	\$	\$	\$
Revenues (including financial income)	23,167	51,627	27,912	55,442
Net loss	(307,835)	(697,221)	(187,096) ¹	(362,795) ¹
Net loss per share				
Basic	(0.003)	(0.008)	(0.002)	(0.005)
Diluted	(0.003)	(0.008)	(0.002)	(0.005)

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

Related party transactions totalling \$14,973 were entered into during the first quarter of 2017, consisting of \$6,000 in maintenance and office supply expenses, with an entity whose majority shareholder is a director of the Company and \$8,973 in project management revenues with Anticosti Hydrocarbons L.P. These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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, March 31, 2017.

Credit risk

The assets that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, receivables and security deposits. The Company's cash and cash equivalents are held with or are issued by established Canadian financial institutions, while security deposits are made directly to the Government of Québec. Receivables are mostly amounts related to commodity taxes and partners. Management considers the risk of non-recovery to be low.

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 operations by issuing shares, selling interests in some of its oil and natural gas 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.

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 3 to the condensed interim consolidated financial statements as at March 31, 2017 for a complete description of the judgments, estimates and assumptions made by management in the preparation of its 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, 2016.

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, 2016.

9. RISK FACTORS

The Company operates in an industry exposed to a variety of risk factors and uncertainties. The risks disclosed below reflect, to its knowledge, the risks and uncertainties to which the Company is exposed as at March 31, 2017.

Risks inherent to the industry

Oil and natural gas exploration involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There can be no assurance that oil and gas reserves will be discovered by the Company or that, once discovered, they can be extracted at a reasonable cost.

Additional financing

The Company will require additional financing to support operations. A source of future funds available to the Company is the issuance of additional shares. The Company's operations may also be financed in whole or in part with debt, a partnership agreement or a sale of an interest in an oil or natural gas property. Debt financing may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or available on favourable terms. The level of the Company's indebtedness that may occur from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Financing by way of a partnership or sale of an interest may reduce the interest held by the Company in the properties in respect of which the financing is obtained. There can be no assurance that such financing will be available to the Company. Furthermore, even if such financing is successfully secured, there can be no assurance it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. If financing is obtained by issuing additional equity, control of the Company may be affected.

Competition

The oil and natural gas industry is extremely competitive. The Company competes with other companies that have greater financial resources than the Company in the context of business opportunities to participate in promising projects. Competition may affect the Company's ability to acquire properties or its future exploration plans.

Environmental issues

Oil and natural gas operations involve natural risks that could cause damage to the environment, eruptions or other unforeseen conditions that could result in damage to the properties of the Company or to properties owned by third parties which could lead to potential liability toward third parties. The oil and natural gas industry is subject to extensive environmental legislation providing restrictions and prohibitions on the emissions or release of certain substances produced in various activities within the oil and natural gas industry. In addition, the legislation requires that land, wells and facility sites that are abandoned be reclaimed to the satisfaction of government authorities at the end of the licence validity period. A breach of such legislation may result in the imposition of fines and penalties and decontamination orders.

Oil and natural gas prices

The Company's operating results and financial position are dependent on the prices obtained for its eventual oil and natural gas production. There have been significant fluctuations in oil and natural gas prices in recent years. These prices are based on international supply and demand, as well as other factors, such as climate, general economic conditions and conditions in other oil and natural gas producing regions, which are beyond the Company's control. Any change in oil and natural gas prices could have material adverse effects on the Company's business and financial position.

Development of reserves

The future success of the Company will depend on its ability to find or acquire oil and natural gas reserves that are economically recoverable. The Company will find or acquire reserves only if it conducts successful exploration or development activities and/or acquires properties containing proven reserves. There can be no assurance that the development projects and exploration activities that may be implemented in the future will result in reserves or that the Company will succeed in drilling productive wells at low exploration costs. If prevailing oil and natural gas prices were to increase significantly, the Company's exploration costs to find or acquire reserves would be expected to increase. Drilling oil wells involves a high degree of risk especially the risk of a dry hole or of a well that is not sufficiently productive to provide a return on the capital expended to drill the well.

Insurable risks

Where possible, the Company will purchase liability insurance that will insure against risks and provide coverage in accordance with industry standards. The Company or the other entities in which the Company will invest can suffer damages resulting from incidents such as fires, blowouts, eruptions, geological formation damage, oil spills as well as personal injury, against which they may not be insured or they may choose not to be insured in light of high premium costs or other reasons. In addition, indemnities could exceed the policy limits. The costs of repairing such damages or paying such indemnities could cause the ongoing operation of the Company's business to become unprofitable and/or impossible.

Conflict of interest

Certain directors of the Company serve on the boards of other corporations engaged in natural resource exploration and development operations. Such ties could give rise to conflicts of interest. In making any decisions involving the Company, these directors will satisfy their duties and obligations to deal fairly and in good faith with the Company and the other entities. In addition, these directors will disclose their interest and refrain from voting on any matter that could give rise to a conflict of interest.

Permits, licences and approvals

The Company's business requires permits and licences from government authorities. There can be no assurance that the Company will obtain all the permits and licences required to continue exploration operations. In addition, if the Company commences commercial operation of an exploration property, it must obtain and comply with all the necessary permits and licences. There can be no assurance that the Company will be able to obtain or comply with the requirements of such permits and licences.

Title to property

While the Company has taken reasonable steps to ensure it has good and valid title over its properties, there can be no assurance that title to such properties will not be disputed or challenged. Third parties may have valid claims with respect to the Company's properties.

Litigation

The Company may be held liable for pollution or for other risks for which it cannot be insured or for risks it may choose not to insure in light of high premium costs or other reasons. Payments of amounts in respect thereof may result in the loss of assets of the Company.

Regulatory impact

The oil and natural gas industry is subject to controls and regulations established by the various levels of government with respect to prices, royalties, land tenure, production quotas, imports and exports of oil and natural gas, and environmental protection.

Nothing allows us to plan with certainty the impact these control measures and regulations and their amendments will have on the Company's operations.

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. This legislation provides restrictions and prohibitions on the emission or release of various substances produced or used in association with certain production activities within the oil and natural gas industry and which affect the costs and location of wells and facilities and the extent to which exploration and development activities are authorized. In addition, the legislation requires land, wells and facility sites that are abandoned to be reclaimed to the satisfaction of provincial authorities. Any breach of such legislation may result in the imposition of fines and penalties, suspension or revocation of necessary licences, permits and authorizations to operate a business and enforcement of civil liabilities for pollution damages. In Québec, environmental issues are governed mainly by the *Environment Quality Act* (Québec). The act imposes obligations with respect to the environment, disclosure and monitoring. Furthermore, the law sets forth an impact study and broader public consultation process regarding environmental assessment and law enforcement issues.

The royalty program implemented by each province is a significant factor in the profitability of oil and natural gas production. Royalties payable on output are determined by government regulation; they are calculated as a percentage of the gross value of output and, typically, the rate of royalties payable depends in part on the prescribed benchmark price, well productivity, geographical location, field discovery date and the type or quality of the resource produced.

Hydraulic fracturing

The hydraulic fracturing process gives rise to concerns in communities particularly with respect to the drilling fluids used in the fracturing process and their effects on the aquifer, water use in connection with operations, the capability to recycle such water and the seismic effects associated with the process. A number of Canadian provincial governments are currently reviewing aspects of the scientific, regulatory and political framework in which the hydraulic fracturing operations are carried out. At present, most of these governments are taking part in the collection, review and assessment of technical information regarding the hydraulic fracturing process. Pursuant to the new hydrocarbon legislative framework adopted in December 2016, Québec legislation requires that wells and facility sites be built, operated, maintained, abandoned and restored to the satisfaction of the applicable regulatory authorities. The Ministère de l'Énergie et des Ressources naturelles will shortly be issuing regulations governing how hydraulic fracturing is to be carried out under the new legislation.

Although the Company has no way of predicting the impact of any potential regulations on its business, the implementation of new laws, regulations, permits or licences regarding the use or disposal of water, or hydraulic fracturing in general, could increase the Company's compliance costs and the operating and exploration costs of its properties, the litigation risk and environmental liability of the Company and, in turn, adversely impact the future prospects of the Company and its financial position.

Political and social risk

Oil and natural gas exploration and development activities in the Province of Québec may be subject to opposition from ecologist, environmentalist, aboriginal and even political groups. Demonstrations or acts of civil disobedience could have an impact on the Company's business. There can be no assurance that such activities will not target projects in which the Company holds an interest. Similarly, there can be no assurance as to any attitude or behaviour of a political party or a political group (whether municipal, provincial or federal) that could have an impact on the Company's business.

Anticosti Project

As discussed in section 6, "Anticosti Project," if negotiations with the Government of Québec fail, the Company intends to enforce the agreements entered into with its partners when the project was set up. However, there can be no assurance as to partner compliance with these agreements. In addition, there can be no assurance that any legal outcome would be favourable to the Company.

Land claims

Some properties may be subject to land claims by First Nations. There can be no assurance that such land claims will not be made against properties in which the Company holds an interest.

Availability of drilling equipment and access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment, more specifically in the areas in which such activities are carried out. Demand for such equipment or access restrictions may affect the Company's ability to procure such equipment and may delay any exploration and development activities.

Growth management

The Company may be subject to growth risks including limitations and pressure on its internal control systems and measures. The Company's ability to manage growth effectively will require it to continuously implement and improve its operating and financial systems and expand, train and manage its core workforce. The Company's inability to support such growth could have a material adverse impact on its business, operations and prospects.

International protocols

Canada has signed international protocols and conventions setting forth certain environment requirements that may adversely affect the Company's business.

Share price volatility

The price of common shares is subject to changes owing to numerous factors beyond the Company's control, including reports pertaining to new information, changes in the Company's financial position, sales of the Company's shares in the market, Company announcements or oil and natural gas prices. There can be no assurance that the market price of the Company's shares will be protected from such fluctuations in the future.

10. OTHER INFORMATION

Supplemental documents

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

Regulation 51-102 Section 5.3

Exploration expenses for the period ended March 31, 2017 were as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticosti	-	-	-	-	-	784	-	-	-	784
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	1,609	-	-	-	-	665	-	-	1,349	3,623
Bourque	4,874	568	263,223	-	-	1,571	-	-	8,054	278,290
Haldimand	1,136	284	499	3,534	1,934	784	-	-	18,206	26,377
Tar Point	-	-	-	-	-	261	-	-	713	974
Matapédia	-	-	-	-	-	-	-	-	-	-
	7,619	852	263,722	3,534	1,934	4,065	-	-	28,322	310,048

Exploration expenses for the period ended March 31, 2016 were as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticosti	-	-	-	-	-	436	-	-	-	436
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	15,440	1,139	2,652	-	-	11,578	-	-	640	31,449
Bourque	1,823	-	17,258	-	-	1,017	-	-	1,210	21,308
Haldimand	4,043	-	294,194	656	-	37,704	-	-	22,955	359,552
Tar Point	-	-	-	-	-	157	-	-	686	843
Matapédia	-	-	-	-	-	-	-	-	-	-
	21,306	1,139	314,104	656	-	50,892	-	-	25,491	413,588

Regulation 51-102 Section 5.4

Information regarding shares issued, stock options and warrants as at July 5, 2017:

Common shares: 108,399,683 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:

Number	Exercise price	Expiry date
1,635,000	\$1.02	December 10, 2017
150,000	\$1.14	February 28, 2018
400,000	\$0.98	September 14, 2018
415,000	\$0.67	December 5, 2018
405,000	\$0.67	May 27, 2019
770,000	\$0.49	November 25, 2019
75,000	\$0.57	March 25, 2020
75,000	\$0.55	May 27, 2020
1,735,000	\$0.34	November 24, 2020
225,000	\$0.22	May 25, 2021
450,000	\$0.21	August 25, 2021
1,787,500	\$0.165	November 16, 2021
8,122,500		

Warrants outstanding: 4,125,000 warrants exercisable at a price of \$0.54 per share until November 6, 2018. Each warrant entitles the holder to purchase one common share of the Company at the stipulated exercise price until the expiry date.

11. 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 March 31, 2017 and 2016 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, July 5, 2017

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



CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

**OIL FROM HERE.
BY PEOPLE FROM HERE.
FOR HERE.**

INDEPENDENT AUDITORS' REPORT

To the Directors of
Pétrolia Inc.

We have audited the accompanying consolidated financial statements of **Pétrolia Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pétrolia Inc. as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Ernst + Young LLP*¹

Québec City, Canada
March 28, 2017

¹ CPA auditor, CA, public accountancy permit No. A109180



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in Canadian dollars]

As at December 31

	2016	2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 5]</i>	788,704	3,321,697
Cash and cash equivalents held for exploration <i>[note 5]</i>	5,703,494	4,201,075
Receivables <i>[note 6]</i>	843,913	1,735,616
Prepaid expenses	230,524	94,676
Inventories	330,960	42,986
Total current assets	7,897,595	9,396,050
Non-current		
Restricted cash equivalents <i>[note 5]</i>	630,000	—
Security deposits <i>[note 14]</i>	600,000	—
Interests in associates <i>[note 7]</i>	36,555,789	36,583,849
Property, plant and equipment <i>[note 8]</i>	554,018	446,417
Exploration and evaluation assets <i>[note 9]</i>	44,981,338	43,419,895
Total non-current assets	83,321,145	80,450,161
	91,218,740	89,846,211
LIABILITIES AND EQUITY		
Current		
Trade and other payables <i>[note 10]</i>	3,964,251	3,963,782
Current portion of deferred lease inducements	17,538	11,418
Current portion of bank borrowings <i>[note 11]</i>	6,776	6,609
Partner advances for planned exploration work <i>[note 12]</i>	1,993,378	1,881,112
Provision for contingent liability <i>[note 24]</i>	350,000	—
Liability related to flow-through shares <i>[note 13]</i>	77,893	363,655
Total current liabilities	6,409,836	6,226,576
Non-current		
Partners' share in security deposits <i>[note 14]</i>	293,820	—
Deferred lease inducements	197,706	—
Bank borrowings <i>[note 11]</i>	13,467	20,243
Provision for site restoration <i>[note 14]</i>	1,464,545	1,373,060
Deferred tax liabilities <i>[note 15]</i>	8,121,365	7,879,371
Total non-current liabilities	10,090,903	9,272,674
Total liabilities	16,500,739	15,499,250
Equity		
Share capital <i>[note 16]</i>	66,892,274	64,829,868
Contributed surplus	6,005,589	5,756,445
Retained earnings	1,820,138	3,760,648
Total equity	74,718,001	74,346,961
	91,218,740	89,846,211

Lease, commitments, contingencies and subsequent events *[notes 17, 23, 24 and 26]*

See accompanying notes

On behalf of the Board,

On behalf of the Board,

(signed) Myron Tétreault

(signed) Charles Boulanger



CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[in Canadian dollars]

Years ended December 31

	2016	2015
	\$	\$
Revenues		
Project management	102,283	195,046
Other income	—	7,166
	102,283	202,212
Expenses		
Administrative expenses <i>[Schedule A]</i>	2,086,649	1,929,608
Operating expenses <i>[Schedule B]</i>	—	—
Financial income and expenses <i>[Schedule C]</i>	6,757	22,221
Share of associates <i>[note 7]</i>	136,453	143,995
	2,229,859	2,095,824
Loss before taxes	(2,127,576)	(1,893,612)
Deferred tax recovery <i>[note 15]</i>	(187,066)	(340,977)
Net loss and comprehensive loss	(1,940,510)	(1,552,635)
Basic net loss per share <i>[note 19]</i>	(0.020)	(0.019)
Diluted net loss per share <i>[note 19]</i>	(0.020)	(0.019)

See accompanying notes



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[in Canadian dollars]

	Share capital <i>[note 16]</i> \$	Contributed surplus \$	Retained earnings \$	Total equity \$
Balance as at December 31, 2014	59,307,265	5,480,501	5,313,283	70,101,049
Shares issued	5,880,315	—	—	5,880,315
Share-based compensation	—	275,944	—	275,944
Issuance costs	(489,346)	—	—	(489,346)
Deferred taxes related to issuance costs <i>[note 15]</i>	131,634	—	—	131,634
Net loss and comprehensive loss	—	—	(1,552,635)	(1,552,635)
Balance as at December 31, 2015	5,522,603	275,944	(1,552,635)	4,245,912
	64,829,868	5,756,445	3,760,648	74,346,961
Shares issued	2,215,588	—	—	2,215,588
Share-based compensation	—	249,144	—	249,144
Issuance costs	(209,551)	—	—	(209,551)
Deferred taxes related to issuance costs <i>[note 15]</i>	56,369	—	—	56,369
Net loss and comprehensive loss	—	—	(1,940,510)	(1,940,510)
Balance as at December 31, 2016	2,062,406	249,144	(1,940,510)	371,040
	66,892,274	6,005,589	1,820,138	74,718,001

See accompanying notes



CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

Years ended December 31

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Net loss	(1,940,510)	(1,552,635)
Items not affecting cash:		
Depreciation of property, plant and equipment	23,818	25,268
Deferred tax recovery	(187,066)	(340,977)
Share-based compensation	172,079	172,799
Amortization of deferred lease inducements	(14,150)	(27,400)
Loss (gain) on disposal of property, plant and equipment	13,903	(2,259)
Accretion expense	28,321	27,108
Share of net loss of associates	136,453	143,995
	(1,767,152)	(1,554,101)
Net change in non-cash operating items <i>[note 25]</i>		
Restricted cash equivalents	(630,000)	—
Receivables	706,133	(572,172)
Prepaid expenses	(125,348)	81,721
Inventories	(287,974)	814,593
Trade and other payables	(463,496)	(97,848)
	(800,685)	226,294
Cash flows related to operating activities	(2,567,837)	(1,327,807)
INVESTING ACTIVITIES		
Security deposits	(600,000)	—
Acquisitions of interests in associates	—	(43)
Additions to property, plant and equipment	(6,078)	(44,420)
Acquisitions of oil and gas properties, net of recovered amounts	(133,674)	(161,272)
Increase in exploration and evaluation costs, net of recovered amounts	(8,086,655)	(4,609,510)
Disposal of interests in the Bourque project <i>[note 9]</i>	2,000,000	—
Proceeds from disposal of property, plant and equipment	1,625	19,460
Contributions to associates	(138,150)	(133,384)
Cash flows related to investing activities	(6,962,932)	(4,929,169)
FINANCING ACTIVITIES		
Shares issued	2,404,755	6,682,800
Share issuance costs	(294,581)	(404,316)
Partner advances for the Bourque project	6,396,630	2,268,200
Repayment of bank borrowings	(6,609)	(6,447)
Cash flows related to financing activities	8,500,195	8,540,237
Net increase (decrease) in cash and cash equivalents	(1,030,574)	2,283,261
Cash and cash equivalents, beginning of year	7,522,772	5,239,511
Cash and cash equivalents, end of year <i>[note 25]</i>	6,492,198	7,522,772

See accompanying notes



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

1. INCORPORATION, NATURE OF OPERATIONS AND APPROVAL

Incorporation and nature of business

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

Approval date

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 28, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these consolidated financial statements are summarized below:

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and set out in the *CPA Canada Handbook*.

The consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents that have been measured at fair value. The Company has elected to present its consolidated statement of income (loss) by function.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates [the “functional currency”]. The functional currency and presentation currency of the Company is the Canadian dollar.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

2.3 Principles of consolidation

These consolidated financial statements include the accounts of the Company and the subsidiaries that it controls. The Company controls an entity when it has the power to direct the relevant activities and the ability to use its power to affect the amount of its returns. Subsidiaries are fully consolidated from the date the Company acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

These consolidated financial statements include the financial statements of the Company and the following subsidiaries as at December 31, 2016:

Subsidiary	Interest (as a %)	Location	Description
Pétrolia Anticosti Inc.	100	Canada	Appointed operator of Anticosti Hydrocarbons L.P.
Investissement PEA Inc.	100	Canada	Portfolio company holding the investments in Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc.

2.4 Revenue recognition

Purchases and sales of investments are recognized on the transaction date. Interest income is earned with the passage of time and is recorded on an accrual basis. Revenue from project management is recognized as projects are realized. Other income is recognized when the services are provided.

2.5 Financial instruments

The Company categorizes its financial instruments by class based on their nature and characteristics. Management determines the classification on initial recognition, which is normally the date of the transaction.

All revenues and expenses associated with financial instruments are presented in financial income and expenses.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

[a] Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when acquired principally for the purpose of selling in the near term, such as held-for-trading financial assets, or if so designated by management. The instruments in this category comprise cash, cash equivalents and restricted cash equivalents.

Financial instruments included in this category are initially and subsequently measured at fair value. Directly attributable transaction costs and changes in fair value are recognized in the consolidated statements of income (loss). Instruments in this category are presented in current assets.

[b] Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The instruments in this category include accounts receivable excluding commodity taxes and tax credits receivable.

Financial instruments included in this category are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

At the end of each reporting period, the Company determines whether there is objective evidence of an impairment loss on a financial asset as a result of one or more events that occurred after the initial recognition of the financial asset affecting the asset's estimated future cash flows. Impairment losses are recognized under financial expenses in the consolidated statements of income (loss) and comprehensive income (loss).

[c] Other financial liabilities

Financial instruments in this category are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost. Any difference between the initial carrying amount of other financial liabilities and their redemption value is recognized through net income (loss) over the contractual term using the effective interest method. They are presented in current liabilities when they are payable within 12 months of the end of the period; otherwise, they are classified as non-current liabilities. Financing costs are amortized over the term of the financing using the effective interest method. This category includes trade and other payables, partners' share in security deposits and bank borrowings.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

2.6 Basic and diluted net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders of the Company and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Dilutive potential common shares are to be deemed to have been converted into common shares at the beginning of the period or, if later, the date of the issue of the potential common shares.

For the purpose of calculating diluted net earnings (loss) per share, the exercise of dilutive options and warrants of the entity is to be assumed.

2.7 Cash and cash equivalents

The Company's cash and cash equivalents consist of cash and short-term investments with maturities of three months or less from the date of acquisition or highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Inventories

Inventories consisting of drilling and fracturing equipment and drilling products are measured at the lower of cost, determined using the average cost method, and net realizable value, which represents replacement cost.

2.9 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less any accumulated depreciation and accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment are depreciated over their expected useful lives using the following methods and period or annual rates:

	Method	Rate and period
Leasehold improvements	Straight-line	Lease term
IT, office and field equipment	Declining balance	20% and 30%
Automotive equipment	Declining balance	30%
Reserves	Declining balance	20%
Field offices	Declining balance	20%



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Estimates of residual values, useful lives and depreciation methods are reviewed at each fiscal year-end, taking into account the nature of the assets, intended use and technology developments. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation expense for each period is recognized in income (loss), except for certain items of property, plant and equipment related to exploration activities whose depreciation expense is included in the carrying amount of an exploration asset when such items are used in specific exploration projects. Depreciation of an asset ceases when the asset is classified as held for sale or when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the disposal proceeds and the net carrying amount of the asset and is recognized in net income (loss) and presented separately in administrative expenses, unless the depreciation of an item of property, plant and equipment was capitalized in exploration and evaluation asset expenses, in which case the gain or loss is recognized as an increase or a decrease in the exploration and evaluation asset.

2.10 Exploration and evaluation assets

Exploration and evaluation assets include costs of acquiring oil and gas rights and the expenses related to the exploration and evaluation of oil and gas properties. These assets are recognized as intangible assets and carried at cost less any impairment losses, government assistance and partner contributions.

Costs incurred before the legal rights are acquired to undertake exploration and evaluation activities are recognized through net income (loss) when they are incurred. All costs of acquiring oil and gas rights and the expenses related to exploration and evaluation activities are capitalized on the basis of each property and project pending determination of the technical feasibility and commercial viability of extracting an oil or gas resource. No amortization is recognized during the exploration and evaluation phase. In particular, capitalized costs include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, activities related to the evaluation of the technical feasibility and the commercial viability of extracting an oil resource, and share-based payments related to exploration and evaluation assets.

Whenever a project is considered no longer viable or is abandoned, the capitalized amount is written down to its recoverable amount and the difference is then immediately recognized in net income (loss).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

When the technical feasibility and commercial viability of extracting a resource are demonstrable, the exploration and evaluation assets related to the oil property are transferred to *Oil assets under construction*. Before the transfer, exploration and evaluation assets are tested for impairment, and any impairment loss is recognized through net income (loss) before reclassification.

Once exploration and evaluation assets are transferred to *Oil assets under construction*, all subsequent costs related to construction, installation and completion of equipment and facilities are capitalized in *Oil assets under construction*. Once the development phase is complete, all assets included in *Oil assets under construction* are transferred to *Oil assets* and depreciated over their useful lives. To date, the Company has not demonstrated any commercial viability of extracting oil and gas resources from its oil and gas properties.

2.11 Joint arrangements

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The Company has entered into joint arrangements for the Bourque, Haldimand and Tar Point No. 1 projects and the Matapédia property as described in note 9. The Company is designated as operator under operating contracts entered into with its partners. Accordingly, the Company incurs exploration expenses relating to each project or property and recognizes them on a gross basis in the consolidated financial statements. The exploration expenses are re-invoiced by the Company to its partners based on their respective ownership percentages in the exploration licences and partnership agreements, and partner contributions are recorded as a reduction of exploration expenses.

The amounts received from partners for the Bourque project before the work is carried out are reported under *Partner advances for planned exploration work* in the consolidated statement of financial position and partner contributions are recorded as a reduction of exploration expenses for the Bourque project when exploration expenses are incurred.

When interests are disposed of, the cash considerations received from the acquirer are credited against the carrying amount of the expenses previously capitalized, and any surplus is recognized as a gain on the disposal of exploration and evaluation assets in net income (loss).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

2.12 Government assistance

Resource-related tax credits and subsidies for exploration expenses are recorded as a reduction of exploration expenses.

In the event of any differences between the amounts of government assistance claimed by the Company and the amounts granted by the tax authorities, the resulting gain or loss is recognized in the fiscal year in which the differences are determined.

2.13. Interest in associates

The Company owns 21.7% of the units of Anticosti Hydrocarbons L.P. as well as 21.7% of the shares of Anticosti Hydrocarbons General Partner Inc., and a Company representative serves on the board of directors of these entities and participates in financial and operating policy decisions. Management has concluded that it exercises significant influence over these associates and has accounted for its interest using the equity method in its consolidated financial statements.

The Company performs work on behalf of Anticosti Hydrocarbons L.P. and the re-invoiced expenses are applied against administrative and operating expenses under *Re-invoicing of expenses* in the schedules to the consolidated financial statements.

2.14 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units]. Consequently, some assets, including the interests in associates, are tested for impairment individually while exploration and evaluation assets and property, plant and equipment are tested at the cash-generating unit level. Management assesses the impairment indicators of exploration and evaluation assets for each property or project that constitutes a cash-generating unit. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, if the technical feasibility and commercial viability of extracting an oil or natural gas resource is demonstrable, the exploration and evaluation assets related to the corresponding oil and gas property must be tested for impairment before being transferred to *Oil assets*.

The interests in associates is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows from the interest that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that the interests in associates are impaired includes observable data that comes to the attention of the Company about the following loss events:

- (a) It becoming probable that the associates will enter bankruptcy or other financial reorganization;



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

- (b) Observable data indicating that there is a measurable decrease in the estimated future cash flows from associates since the initial recognition of those interests, including national or local economic conditions that correlate with defaults on the assets of the associate such as declining crude oil or natural gas prices or adverse changes in industry conditions affecting the associates;
- (c) Associates' significant financial difficulties;
- (d) A contractual breach by associates.

In addition to the types of events in the paragraph above, objective evidence of impairment for the interests in the associates includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associates operate, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Regarding the exploration and evaluation assets, management determines for each asset whether the facts and circumstances could indicate an impairment loss. Such facts and circumstances include, but are not limited to, the following:

- (a) The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) Substantive expenditures on further exploration for and evaluation of oil and gas resources in the specific area are neither budgeted nor planned;
- (c) Exploration for and evaluation of oil and gas resources in the specific area have not led to the discovery of commercially viable quantities of oil and gas resources, and the Company has decided to discontinue such activities in the specific area;
- (d) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine value in use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

An impairment loss is recognized immediately in the statement of comprehensive income (loss) and is used to reduce the individual asset or allocated pro-rata to the assets of the cash-generating unit. All assets are subsequently reassessed to determine whether there is any indication that previously recognized impairment losses may no longer exist. An impairment loss is reversed if the recoverable amount of an asset or cash-generating unit exceeds its carrying value but must not exceed the carrying value that would have been determined, net of depreciation, if no impairment had been recorded.

2.15 Provision for site restoration

A provision for environmental restoration is recognized when:

- (i) The Company has a present legal or constructive obligation as a result of past events;
- (ii) It is more likely than not that an outflow of resources will be required to settle the obligation;
and
- (iii) The amount can be reliably estimated.

The estimated value of a future obligation associated with the provision for site restoration related to oil and gas properties is recognized as a liability in the period in which it is incurred, with a corresponding amount capitalized to exploration and evaluation assets and amortized over the same period as the underlying asset. The Company estimates the liability based on the estimated cost to abandon and reclaim a site in relation to its net ownership interest in the wells and facilities, including the estimated schedule of costs that will be incurred for that purpose in future periods. This estimate is periodically reviewed and changes are recorded prospectively as an increase or decrease in the provision for site restoration and the underlying exploration and evaluation asset. Changes in the net present value of the future liability associated with site restoration are accounted for as an accretion expense on a time-proportionate basis and recognized in income (loss) for the year. Actual costs incurred upon settlement of the liability are charged to the liability up to the amount of the liability recognized.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

2.16 Operating leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term. Related costs, such as those relating to maintenance and insurance, are recognized as expenses as they are incurred.

Lease inducements obtained on signing a lease are recognized as a liability and amortized over the lease term.

2.17 Taxes

The Company follows the deferred tax asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis of assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is recognized in net income (loss), except for the income tax related to items included in equity, in which case it is recognized in equity.

Deferred tax assets and liabilities are measured using substantively enacted and enacted tax rates and laws expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. Deferred income tax assets are recognized when it is probable that they will be realized. Deferred income tax assets and liabilities are not discounted.

Under tax legislation for flow-through investments, the Company is required to renounce deductions for exploration and evaluation expenses in favour of investors. When the Company incurs eligible expenses and renounces tax deductions, the renounced tax deductions are recognized in income (loss) as an increase in deferred tax and a deferred tax liability is recognized for the temporary difference between the carrying value of the eligible expenses capitalized as assets and its tax basis.

Current tax assets or liabilities are obligations or claims for current or prior periods to be paid to or recovered from tax authorities that are still outstanding at the end of the reporting period. Current tax is payable on taxable profit, which differs from net income (loss). It is calculated using tax rates and laws enacted at the end of the reporting period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

2.18 Equity

Share capital

Share capital is recorded at the subscribed value of the shares issued. Costs related to the issuance of shares, warrants or stock options are recognized in equity, net of taxes, as a deduction of the issuance proceeds in the year of transaction.

Contributed surplus

Contributed surplus includes expenses associated with stock options and broker warrants until the options are exercised. The consideration received from the sale of a share or a half a warrant taking place during fiscal 2015 [note 16] and classified in equity was allocated between the share capital component and the warrant component using the residual method. The total amount of issuance proceeds was attributed to share capital since the proceeds were equal to the fair value of shares as at the date of the transaction.

Issuance of flow-through shares

The Company finances the cost of some exploration and evaluation assets through the issuance of flow-through shares. The issuance of flow-through shares is accounted for as a compound financial instrument. The liability component represents the obligation to transfer tax deductions to investors. Proceeds from the issuance of shares by flow-through investments are allocated to flow-through shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual amount is allocated to the liability, which is reversed through income (loss) under deferred tax recovery when the eligible expenses are incurred.

Retained earnings

Retained earnings include all current and prior period retained profits and losses.

2.19 Share-based compensation

The Company has an equity-settled, share-based compensation plan for eligible directors, employees and consultants. The plan does not include a cash-settlement option. The Company occasionally issues broker warrants.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

All goods and services received in exchange for share-based compensation awards are measured at fair value. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The same method is used for transactions with consultants who receive share-based payments and provide services whose fair value cannot be reliably determined. The fair value is measured at the date of grant.

Share-based payments, except broker warrants, are ultimately expensed in income (loss) or capitalized as exploration and evaluation assets, depending on the nature of the payment, with a corresponding credit to contributed surplus within equity. Share-based payments to brokers, in connection with equity financing, are recognized as costs related to the issuance of equity instruments, with a corresponding credit to contributed surplus within equity.

Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

If vesting periods apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

When a share option or broker warrant is exercised, the proceeds received net of any directly attributable transaction costs are recorded in share capital. The accumulated expenses related to the share options and broker warrants recorded in contributed surplus are transferred to share capital.

2.20 Segmented information

Segmented information is reported in accordance with IFRS 8, *Operating Segments*, which requires the Company to present and disclose segmented information in accordance with the information that is regularly reviewed by the chief operating decision-makers, namely the President and the Board of Directors, to assess the Company's performance.

The Company has determined that it has only one operating segment: the exploration and evaluation segment.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

3. CHANGES IN ACCOUNTING POLICIES

3.1 Standards adopted during the current year

As at January 1, 2016, the Company adopted the following standards:

IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*. This amendment, entitled “Clarification of Acceptable Methods of Depreciation and Amortisation,” clarifies that revenue-based methods should not be used to calculate depreciation and amortization.

The depreciation and amortization of recognized assets must reflect a pattern of consumption of the assets rather than the economic benefits from the assets. Adoption of this amendment had no impact on the Company’s consolidated financial statements.

IFRS 11, Joint Arrangements

In May 2014, the IASB issued an amendment to IFRS 11, *Joint Arrangements*, entitled “Accounting for Acquisitions of Interests in Joint Operations.” The amendment clarifies that an acquisition of an interest in a joint operation that is a business should be accounted for and disclosed as a business combination in accordance with IFRS 3, *Business Combinations*. Adoption of this amendment had no impact on the Company’s consolidated financial statements.

IAS 1, Presentation of Financial Statements

In December 2014, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements*. This amendment provides further clarification on disclosures and the use of judgment in determining what information to disclose. Adoption of this amendment had no impact on the Company’s consolidated financial statements.

Annual Improvements (2012–2014)

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, which affect four standards. Adoption of these improvements had no impact on the Company’s consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

3.2 Future changes in accounting policies

The standards issued by the IASB that were not applicable as at the date of issue of the Company's consolidated financial statements are described below.

The Company will adopt those standards in forthcoming fiscal years.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which constitutes a single standard for the recognition of revenue from all contracts with customers, except for insurance contracts, lease contracts, financial instruments and certain non-monetary exchanges. This new standard sets out a single, five-step model for recognizing revenues. In July 2015, the IASB issued a decision to defer the effective date of this new standard from January 1, 2017 to January 1, 2018. The Company is currently assessing the impact of this standard on its consolidated financial statements, which impact will be limited so long as the Company is in the exploration stage.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which makes the following changes to the recognition of financial instruments:

- The classification and measurement approach for financial assets must reflect the business model with which they are managed and their cash flow characteristics;
- Impairment is to be based on the expected credit loss model;
- Hedge accounting must take into account the entity's risk management practices.

The Company is currently assessing the impact of this standard, which is to be applied retrospectively, and its changes on its consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*. This standard provides a single model under which most leases will be recognized in the statement of financial position.

Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for fiscal years beginning on or after January 1, 2019. The Company is currently assessing the impact of this new standard on its consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, Management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Actual results may differ from the estimates, assumptions and judgments made by Management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most impact on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

4.1 Judgments

Going concern assumption

When preparing the consolidated financial statements, Management is required to make an assessment of the Company's ability to continue as a going concern. When Management is aware, in making this assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties. In assessing whether the going concern assumption is appropriate, Management took into account all available information about the future, which includes at least, but is not limited to, a 12-month period from the statement of financial position date.

Management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the next 12 months. However, significant judgment was involved in that assessment.

Since the Company is still at the exploration stage for all its oil and gas properties, including the investment in Hydrocarbon Anticosti L.P., it has yet to determine whether its oil and gas properties contain economically feasible reserves. Accordingly, the Company does not expect to generate significant revenues from its properties in fiscal 2017. The Company's ability to continue as a going concern for the next twelve months hinges on its ability to obtain the necessary financing to pursue its exploration and evaluation activities, including existing and expected funding commitments from third parties, to defer exploration spending to a level that allows the Company to keep its exploration property and licences and reduce its operational spending while maintaining its capacity to fulfil its obligations during fiscal 2017.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

In addition, Management is seeking opportunities to conclude partnership agreements with third parties to obtain financing and to share the risk associated with the exploration of its oil and gas properties. As disclosed in note 9 to the consolidated financial statements, the Company has entered into an agreement with Ressources Québec inc. and TUGLIQ Energy Corp. to share exploration cost and risk related to the Bourque project. Management is also contemplating the issuance of common and flow-through shares in fiscal 2017. Under the securityholders agreement signed in March 2014 by the Company and Ressources Québec, Corridor Resources Inc. and Saint-Aubin E&P (Québec) Inc., the exploration costs to be incurred by Hydrocarbon Anticosti L.P. are entirely funded by third parties.

Impairment of interests in associates

The Company applies IAS 39 to assess whether there is evidence of impairment that could lead to the recognition of an impairment loss for its interest in associates relating to the Anticosti project (see note 7). This assessment requires significant judgment to determine whether the decline in fair value is significant or prolonged, triggering an impairment loss.

Management took numerous factors into account in assessing whether there were indicators of impairment, such as the partners' compliance with contractual commitments for the financing of exploration work, the results of exploration work to date, the exploration budgets adopted by the Board of Directors, and observable data such as the decline in oil prices that indicate measurable decreases in estimated future cash flows. In addition, Management also took into account the statements made by the Québec government during fiscal 2016 that it intended to fulfil its contractual obligation to Anticosti Hydrocarbons L.P. and would not intervene in the process of granting the certificate of authorization for the drilling of wells with hydraulic fracturing. In this respect, the government authorities in charge of analyzing the authorization requests that are required for exploration operations to begin issued the required authorizations for exploration operations to be undertaken in spring 2017.

Lastly, Management further took into consideration the Québec government's support for the application by the Municipality of Port-Menier to be named a UNESCO World Heritage Site, as well as the Québec government's commitment to take the required protective measures for the area of the Island of Anticosti not covered by the national park in anticipation of such designation, which undermines the exploration and exploitation operations of oil and natural gas resources on the Island of Anticosti. Given this unfavourable environment, the Company's Management believes that an impairment indicator exists, consisting of the potential negotiated termination of the Anticosti project. However, in light of the rights and obligations of each of the parties as stipulated in the agreements pertaining to Anticosti Hydrocarbons L.P., the Company's Management is of the opinion that the recoverable amount would exceed the carrying amount of the interest in the associates. If the Company were to be unsuccessful in recovering the carrying amount of its interest in the associates, it would be required to recognize a material impairment charge in the consolidated statements of loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Impairment of exploration and evaluation assets

Judgment is required to assess when impairment indicators exist. Management determines for each asset, whether the facts and circumstances could indicate an impairment loss or reversal. This assessment requires significant Management judgment given the current background of declining crude oil and natural gas prices which reduces the Company's ability to obtain the necessary financing to complete future development and future profitable production or to dispose the properties for proceeds exceeding their carrying amount. Given the uncertainty related to the economic viability of its oil and gas properties, Management's analysis is based primarily on qualitative factors [note 2.14]. In particular, the Company considered fluctuations in oil prices, its financing capacity for completing its exploration projects, the exploration budgets adopted by the Company's Board of Directors and its partners, the Company's commitments to carry out exploration work under the issuance of flow-through shares in accordance with timelines, fluctuations in the Company's stock price and its capacity to obtain the required licences.

Management has determined that no impairment indicator requires impairment testing for the exploration and evaluation assets.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

5. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash	6,022,198	3,850,530
Guaranteed investment certificates (redeemable on demand)	1,100,000	3,672,242
	<u>7,122,198</u>	<u>7,522,772</u>
Less: Cash and cash equivalents held for exploration purposes		
Flow-through shares ¹	1,308,793	2,041,067
Bourque project ²	4,394,701	2,160,008
	<u>5,703,494</u>	<u>4,201,075</u>
Less: Restricted cash equivalents ³	630,000	—
Cash and cash equivalents	<u>788,704</u>	<u>3,321,697</u>

¹ Cash and cash equivalents held for exploration purposes related to flow-through shares represent the unexpended proceeds of financing related to flow-through shares. According to restrictions imposed under financing arrangements, the Company must allocate these funds to the exploration of oil and gas properties.

² Cash and cash equivalents earmarked for future exploration work on the Bourque project represent the remaining cash as at December 31, 2016 and 2015 from partner advances which, under the agreements, must be spent on exploration work related to the Bourque project.

³ As at December 31, 2016, a portion of the GIC was pledged as security for the performance bonds issued for total amount of \$630,000 [note 14].

As at December 31, 2016, the GIC bore interest at 1.1% [2015 – 1.2%] maturing on January 25, 2017 [2015 – March 3, 2016]. This instrument is redeemable at any time without penalty.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

6. RECEIVABLES

	2016	2015
	\$	\$
Partner	120,358	145,312
Associate [note 20]	475	944,309
Commodity taxes	661,382	156,562
Tax credits receivable	—	160,616
Interest receivable	2,188	3,622
Other	59,510	325,195
	843,913	1,735,616

7. INTERESTS IN ASSOCIATES

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

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

The partnership's Board of Directors is made up of a representative of each partner and an independent director.

The Board of Directors has set up an Operations Committee to supervise the partnership's work, as well as an advisory Technical Committee. Committees on health, safety and security, the environment and social acceptability have also been created. These committees are made of an equal number of representatives from each partner.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The exploration licences were valued at \$100 million for the purposes of the transaction. Ressources Québec and St-Aubin E&P (Québec) Inc. have undertaken to finance exploration work in an amount of up to \$100 million broken down into two investment phases. Accordingly, Ressources Québec will invest up to \$56.67 million in exchange for a 28.3% interest and St-Aubin E&P (Québec) Inc. will invest \$43.33 million in exchange for a 21.7% interest. To ensure equal interests for the three public corporations and a 35% interest for Ressources Québec, Investissement PEA and Ressources Québec paid \$1.9 million and \$13.3 million, respectively, to Corridor Resources. Following these transactions, the parties' interests in the partnership are as follows: Ressources Québec – 35%; Pétrolia – 21.7%, St-Aubin E&P (Québec) Inc. – 21.7% and Corridor Resources Inc. (CDH-TO) – 21.7%.

	Anticosti Hydrocarbons L.P. \$	Anticosti Hydrocarbons General Partner Inc. \$	Total \$
Value of the interest as at December 31, 2014	36,564,660	—	36,564,660
Share of net loss for the year ended December 31, 2015	(84,786)	(59,209)	(143,995)
Contributions for the year ended December 31, 2015	103,932	59,209	163,141
Cash amount paid to acquire a 21.7% interest	—	43	43
Value of the interest as at December 31, 2015	36,583,806	43	36,583,849
Share of net loss for the year ended December 31, 2016	(92,454)	(43,999)	(136,453)
Contributions for the year ended December 31, 2016	78,690	29,703	108,393
Value of the interest as at December 31, 2016	36,570,042	(14,253)	36,555,789



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 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:

	2016	2015
	\$	\$
Current assets	1,208,260	2,435,899
Non-current assets	127,211,657	122,770,776
Current liabilities	474,325	1,286,069
Non-current liabilities	51,449	22,308
Partners' equity	127,894,143	123,898,298
Revenues	—	—
Net loss and comprehensive loss	(629,783)	(664,590)
Share of Pétrolia [21.7%]	(136,453)	(143,995)

Partner cash contributions as of the creation of Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc. are detailed as follows:

	2016	2015
	\$	\$
Ressources Québec inc.	16,448,565	13,935,769
Saint-Aubin E&P (Québec) Inc.	12,495,147	10,599,101
Corridor Resources Inc. ¹	351,865	243,472
Investissement PEA inc. ¹	351,865	243,472
	29,647,442	25,021,814

¹ Investissement PEA inc. and Corridor Resources Inc. defray a portion of the associates' administrative costs equal to their respective interests [21.7%].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Reconciliation

The following table reconciles the Company's share of partners' equity in associates appearing in the statement of changes in partners' equity of Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc. to its interests in associates:

	2016 \$	2015 \$
Partners' equity in associates	127,894,143	123,898,298
Less: Other partners' share in partners' equity of associates	(86,522,160)	(82,498,255)
Company's share in partners' equity of associates ¹	41,371,983	41,400,043
<u>Acquisition-date adjustments</u>		
Professional fees incurred to acquire the interest	1,013,144	1,013,144
Amount paid directly to a partner of associates	1,933,333	1,933,333
Elimination of the Company's share in the non-cash gain on transfer of ownership of certain licences	(7,762,671)	(7,762,671)
Interests in associates	36,555,789	36,583,849

¹ The share of each of the partners in the equity of the associates is determined using the fair values of the assets initially transferred, plus contributions, less the share of operating losses. While the operating losses of associates are allocated to each of the partners according to the percentage of their respective interests, this is not the case for contributions, as only Ressources Québec inc. and Saint-Aubin E&P (Québec) inc. are to finance the exploration work up to a maximum of \$100 million. That is why the Company's share in partners' equity of associates, as shown in the financial statements of Anticosti Hydrocarbons L.P. and Anticosti Hydrocarbons General Partner Inc., is not equal to 21.7% of partners' equity in associates.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold improvements	IT, office and field equipment	Automotive equipment	Reserves	Field offices	Total
	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount							
Balance as at							
December 31, 2015	75,434	343,049	314,526	86,378	322,881	186,107	1,328,375
Additions	—	225,000	5,186	—	—	—	230,186
Disposals	—	(343,049)	—	(34,222)	—	—	(377,271)
Balance as at							
December 31, 2016	75,434	225,000	319,712	52,156	322,881	186,107	1,181,290
Accumulated depreciation							
Balance as at							
December 31, 2015	—	304,684	234,863	58,537	183,763	100,111	881,958
Disposals	—	(313,203)	—	(32,402)	—	—	(345,605)
Depreciation	—	17,893	19,715	8,289	27,823	17,199	90,919
Balance as at							
December 31, 2016	—	9,374	254,578	34,424	211,586	117,310	627,272
Net carrying amount as at							
December 31, 2016	75,434	215,626	65,134	17,732	111,295	68,797	554,018
	Land	Leasehold improvements	IT, office and field equipment	Automotive equipment	Reserves	Field offices	Total
	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount							
Balance as at							
December 31, 2014	75,434	585,928	320,865	231,366	322,881	186,107	1,722,581
Additions	—	43,812	1,500	—	—	—	45,312
Disposals	—	(286,691)	(7,839)	(144,988)	—	—	(439,518)
Balance as at							
December 31, 2015	75,434	343,049	314,526	86,378	322,881	186,107	1,328,375
Accumulated depreciation							
Balance as at							
December 31, 2014	—	585,928	214,805	173,423	148,984	78,612	1,201,752
Disposals	—	(286,691)	(4,616)	(128,822)	—	—	(420,129)
Depreciation	—	5,447	24,674	13,936	34,779	21,499	100,335
Balance as at							
December 31, 2015	—	304,684	234,863	58,537	183,763	100,111	881,958
Net carrying amount as at							
December 31, 2015	75,434	38,365	79,663	27,841	139,118	85,996	446,417



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

9. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	December 31, 2015	Disposals	Additions	December 31, 2016
	\$	\$	\$	\$
Québec				
Gastonguay	768,263	—	26,420	794,683
Gaspésia – Edgar – Marcel- Tremblay	493,222	—	22,458	515,680
Gaspé ¹	504,796	—	29,068	533,864
Bourque project ¹	240,692	(112,682)	(4,654)	123,356
Haldimand – Tar Point No. 1 projects ¹	2,759,564	—	38,346	2,797,910
Matapédia	207,161	—	9,807	216,968
Total oil and gas properties	<u>4,973,698</u>	<u>(112,682)</u>	<u>121,445</u>	<u>4,982,461</u>

Exploration expenses

	December 31, 2015	Disposals	Additions	December 31, 2016
	\$	\$	\$	\$
Québec				
Anticosti	231,304	—	29,254	260,558
Gastonguay	76,900	—	—	76,900
Gaspésia – Edgar – Marcel- Tremblay	3,795,750	—	—	3,795,750
Gaspé	3,429,105	—	195,398	3,624,503
Bourque project	22,806,587	(2,121,065)	8,960,382	29,645,904
Haldimand project	28,511,918	—	806,100	29,318,018
Tar Point project No. 1	5,252,488	—	28,722	5,281,210
Matapédia	1,205,343	—	1,101	1,206,444
	<u>65,309,395</u>	<u>(2,121,065)</u>	<u>10,020,957</u>	<u>73,209,287</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

	December 31, 2015	Disposals	Additions	December 31, 2016
	\$	\$	\$	\$
Deductions				
Exploration subsidies and partner contributions:				
Anticosti	5,847	—	—	5,847
Gastonguay	19,020	—	—	19,020
Gaspésia – Edgar – Marcel-Tremblay	428,740	—	—	428,740
Gaspé	711,141	—	—	711,141
Bourque project	9,135,127	—	5,978,315	15,113,442
Haldimand project	14,526,382	—	327,265	14,853,647
Tar Point project No. 1	1,051,894	—	—	1,051,894
Matapédia	658,824	—	—	658,824
	<u>26,536,975</u>	<u>—</u>	<u>6,305,580</u>	<u>32,842,555</u>
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand project	326,223	—	41,632	367,855
Total exploration expenses	<u>38,446,197</u>	<u>(2,121,065)</u>	<u>3,673,745</u>	<u>39,998,877</u>

Summary as at December 31, 2016

	December 31, 2015	Disposals	Additions	December 31, 2016
	\$	\$	\$	\$
Oil and gas properties	4,973,698	(112,682)	121,445	4,982,461
Exploration expenses	38,446,197	(2,121,065)	3,673,745	39,998,877
Exploration and evaluation assets	<u>43,419,895</u>	<u>(2,233,747)</u>	<u>3,795,190</u>	<u>44,981,338</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Oil and gas properties

	December 31, 2014	Disposals	Additions	December 31, 2015
	\$	\$	\$	\$
Québec				
Gastonguay	742,103	—	26,160	768,263
Gaspésia – Edgar – Marcel- Tremblay	470,984	—	22,238	493,222
Gaspé ¹	476,013	—	28,783	504,796
Bourque project ¹	215,232	—	25,460	240,692
Haldimand – Tar Point No. 1 projects ¹	2,710,011	—	49,553	2,759,564
Matapédia	198,083	—	9,078	207,161
Total oil and gas properties	<u>4,812,426</u>	<u>—</u>	<u>161,272</u>	<u>4,973,698</u>

Exploration expenses

	December 31, 2014	Disposals	Additions	December 31, 2015
	\$	\$	\$	\$
Québec				
Anticosti	68,626	—	162,678	231,304
Gastonguay	76,823	—	77	76,900
Gaspésia – Edgar – Marcel- Tremblay	3,795,418	—	332	3,795,750
Gaspé	3,020,632	—	408,473	3,429,105
Bourque project	21,888,692	—	917,895	22,806,587
Haldimand project	22,971,437	—	5,540,481	28,511,918
Tar Point project No. 1	5,213,259	—	39,229	5,252,488
Matapédia	1,205,258	—	85	1,205,343
	<u>58,240,145</u>	<u>—</u>	<u>7,069,250</u>	<u>65,309,395</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

	December 31, 2014	Disposals	Additions	December 31, 2015
	\$	\$	\$	\$
Deductions				
Exploration subsidies and partner contributions:				
Anticosti	5,542	—	305	5,847
Gastonguay	19,020	—	—	19,020
Gaspésia – Edgar – Marcel-Tremblay	428,708	—	32	428,740
Gaspé	704,459	—	6,682	711,141
Bourque project	8,813,330	—	321,797	9,135,127
Haldimand project	11,325,425	—	3,200,957	14,526,382
Tar Point project No. 1	1,051,685	—	209	1,051,894
Matapédia	658,824	—	—	658,824
	<u>23,006,993</u>	<u>—</u>	<u>3,529,982</u>	<u>26,536,975</u>
Revenue from oil reserve evaluation:				
Gaspé				
Haldimand project	295,814	—	30,409	326,223
Total exploration expenses	<u>34,937,338</u>	<u>—</u>	<u>3,508,859</u>	<u>38,446,197</u>

Summary as at December 31, 2015

	December 31, 2014	Disposals	Additions	December 31, 2015
	\$	\$	\$	\$
Oil and gas properties	4,812,426	—	161,272	4,973,698
Exploration expenses	34,937,338	—	3,508,859	38,446,197
Exploration and evaluation assets	<u>39,749,764</u>	<u>—</u>	<u>3,670,131</u>	<u>43,419,895</u>

¹ These properties are subject to royalties should they become productive. To date, the Company has satisfied all required obligations, and only its future or potential obligations and special transactions during the year are described below.

During the year, the Company reduced, by an amount of \$27,446 [2015 – \$163,267], the tax credits related to resources that had been recognized in previous years as a reduction of exploration expenses. During the year ended December 31, 2015, the Company recorded a \$160,616 tax credit related to resources [2016 – \$0] as a reduction of exploration expenses for the Haldimand property.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Gaspé property

Haldimand project

Exploration expenses incurred on the properties held in partnership with Québénergie are equally borne. Pétrolia and Québénergie have joint ownership of 13 licences for the Gaspé property including those for the Haldimand and Tar Point projects.

Bourque project

On November 6, 2015, the Company entered into an agreement with Ressources Québec inc. and TUGLIQ Energy Corp. to share the exploration costs and risks related to the Bourque project. For Phase I of the project, Ressources Québec inc. and TUGLIQ Energy Corp. have advanced to the Company amounts of \$918,200 and \$1,350,000, respectively, for a total amount of \$2,268,200 to finance the exploration work, in exchange for interests amounting to 4.8% and 5.29%, respectively, in the four licences related to the Bourque property.

On July 15, 2016, the Company closed the second phase of financing for the Bourque project by Ressources Québec inc. for a total amount of \$8,500,000. This investment consisted of a direct interest in the four licences related to the Bourque property, amounting to \$2,000,000 in cash, and a \$6,500,000 contribution following a call for funds for exploration work financing. With this investment, Ressources Québec inc. obtained 38.88% of the Company's interest in these licences and 1.32% of the interest of TUGLIQ Energy Corp. in these licences. As at December 31, 2016, upon 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 Energy Corp. In addition, during the fiscal year ended December 31, 2016, the Company received \$6,396,630 from Ressources Québec inc. following calls for funds out of a total contribution of \$6,500,000. The provision for site restoration was reduced by \$233,747 with a view to retaining the Company's share only [51.03%] in the licences related to the Bourque property [note 14].

Matapédia property

On July 19, 2013, the Company signed a partnership agreement with Saint-Aubin Énergie S.A.S., a subsidiary of Maurel & Prom, which proceeded with the joint acquisition of equal shares of 13 licences in the Gaspé Peninsula.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

10. TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade payables and accrued liabilities	3,461,589	3,602,372
Salaries, fees, vacation pay and director fees	326,487	300,264
Partners	67,211	31,389
Advance from an associate <i>[note 20]</i>	108,964	—
Contributions to associates <i>[note 20]</i>	—	29,757
	<u>3,964,251</u>	<u>3,963,782</u>

11. BANK BORROWINGS

	2016	2015
	\$	\$
Ford Credit loan to acquire automotive equipment, repayable in \$600 monthly payments of principal and interest at 2.5% and maturing on November 4, 2019.	20,243	26,852
Less current portion	6,776	6,609
	<u>13,467</u>	<u>20,243</u>

The minimum principal payments to be made over the next three years are as follows: 2017 – \$6,776; 2018 – \$6,946; and 2019 – \$6,521.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

12. PARTNER ADVANCES FOR PLANNED EXPLORATION WORK

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

	2016	2015
	\$	\$
Balance, beginning of year	1,881,112	—
Partner advances	6,396,630	2,268,200
Partners' share in security deposits <i>[note 14]</i>	(293,820)	—
Partner contributions for the property	(12,229)	—
Partner contributions to exploration work carried out	(5,978,315)	(387,088)
Balance, end of year	<u>1,993,378</u>	<u>1,881,112</u>

13. LIABILITY RELATED TO FLOW-THROUGH SHARES

The following table shows the reconciliation of the liability related to flow-through shares:

	2016	2015
	\$	\$
Balance, beginning of year	363,655	64,942
Issuance of flow-through shares <i>[note 16]</i>	199,667	802,485
Reduction of the liability based on the work carried out in respect of which the Company has renounced the tax deductions <i>[note 15]</i>	(485,429)	(503,772)
Balance, end of year	<u>77,893</u>	<u>363,655</u>

14. PROVISION FOR SITE RESTORATION

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

As at December 31, 2016, the total future estimated amount required to settle obligations related to site restoration, indexed at 2% [December 31, 2015 – 2%], stood at \$1,464,545 [December 31, 2015 – \$1,373,060]. The total future amount was discounted using a weighted average rate of 2.5% [December 31, 2015 – 2.5%] over a horizon ranging from 2 to 20 years [December 31, 2015 – 2- to 20-year horizon]. The total undiscounted amount of the estimated cash flows required to settle these obligations was \$2,043,960 [December 31, 2015 – \$1,955,959].

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

	2016	2015
	\$	\$
Balance, beginning of year	1,373,060	816,220
Liabilities incurred	100,821	—
Disposal of interests in the Bourque project [note 9]	(233,747)	—
Accretion expense	28,321	27,108
Change in accounting estimates	196,090	529,732
Balance, end of year	<u>1,464,545</u>	<u>1,373,060</u>

During the year, the Company reviewed the assumptions applied in determining the estimated costs to abandon sites that are used to calculate the present value of the estimated future amount required to settle site restoration obligations. This change in accounting estimates increased the provision for site restoration and exploration and evaluation assets by \$196,090 [2015 – \$529,732].

During fiscal 2016, security deposits amounting to \$600,000 were paid by the Company under performance guarantees and letters of guarantee amounting to \$630,000 were issued by a financial institution to the Ministère des Ressources naturelles to guarantee the completion of certain site closures. The performance guarantee must be kept in effect until the definitive closure of the wells. The partners advanced an amount of \$293,820 to finance their share of the security deposits relating to the Bourque project [note 12] and that amount is reported in non-current liabilities as it will be recovered by the partners once the security deposits are released by the Ministère des Ressources naturelles.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

15. DEFERRED TAX

Significant components of tax expense

The significant components of the tax expense charged to net loss and share capital are detailed as follows:

	2016 \$	2015 \$
Deferred tax:		
Tax credit transferred to investors as part of flow-through financing <i>[note 13]</i>	(485,429)	(503,772)
Origination and reversal of temporary differences	298,363	162,795
Total deferred tax (recovery) recognized in net loss	<u>(187,066)</u>	<u>(340,977)</u>
Issuance costs <i>[note 16]</i>	56,369	131,634
Total deferred tax recognized in share capital	<u>56,369</u>	<u>131,634</u>

Reconciliation of tax expense

The relationship between the expected income tax expense calculated on the basis of the combined federal and provincial rate in Canada and the tax expense presented in net loss is reconciled as follows:

	2016 \$	2015 \$
Loss before taxes	<u>(2,127,576)</u>	<u>(1,893,612)</u>
Income tax at combined statutory rate of 26.9% [2015 – 26.9%]	(572,318)	(509,382)
Adjustments for the following items:		
Impact of the exploration expenses renunciation	843,861	548,689
Share-based payments	67,020	74,229
Other non-deductible expenses	13,591	24,755
Impact of change in deferred tax rate	(108,458)	—
Prior year adjustments	37,759	—
Tax credit transferred to investors as part of flow-through financing	(485,429)	(503,772)
Other	16,908	24,504
Deferred tax expense recognized in net loss	<u>(187,066)</u>	<u>(340,977)</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Changes in deferred taxes recognized:

The change in deferred taxes, by type, is presented as follows:

	December 31, 2015 \$	Recognized in equity \$	Recognized in net loss \$	December 31, 2016 \$
Deferred losses	(4,959,042)	—	(675,907)	(5,634,949)
Issuance costs	(261,277)	(56,369)	115,178	(202,468)
Measurement differences on assets and liabilities	(486,456)	—	54,954	(431,502)
Total deferred tax assets	<u>(5,706,775)</u>	<u>(56,369)</u>	<u>(505,775)</u>	<u>(6,268,919)</u>
Interest in an associate	9,243,596	—	(91,634)	9,151,962
Measurement differences on exploration and evaluation assets	4,342,550	—	895,772	5,238,322
Total deferred tax liabilities	<u>13,586,146</u>	<u>—</u>	<u>804,138</u>	<u>14,390,284</u>
Total net deferred tax liabilities	<u>7,879,371</u>	<u>(56,369)</u>	<u>298,363</u>	<u>8,121,365</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

	December 31, 2014	Recognized in equity	Recognized in net loss	December 31, 2015
	\$	\$	\$	\$
Deferred losses	(4,325,795)	—	(633,247)	(4,959,042)
Issuance costs	(208,024)	(131,634)	78,381	(261,277)
Measurement differences on assets and liabilities	(374,242)	—	(112,214)	(486,456)
Total deferred tax assets	(4,908,061)	(131,634)	(667,080)	(5,706,775)
Interest in an associate	9,207,215	—	36,381	9,243,596
Measurement differences on exploration and evaluation assets	3,549,056	—	793,494	4,342,550
Total deferred tax liabilities	12,756,271	—	829,875	13,586,146
Total net deferred tax liabilities	7,848,210	(131,634)	162,795	7,879,371

16. SHARE CAPITAL

Authorized

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

	2016		2015	
	Number of shares	Amount \$	Number of shares	Amount \$
Issued				
Balance, beginning of year	92,420,195	64,829,868	77,616,695	59,307,265
Share issuance:				
Shares issued	10,757,265	2,215,588	14,803,500	5,880,315
Issuance costs		(209,551)		(489,346)
Deferred tax related to issuance costs [note 15]		56,369		131,634
Balance, end of year	103,177,460	66,892,274	92,420,195	64,829,868



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

During the year ended December 31, 2016, the Company issued 10,707,265 flow-through shares under private placements for gross proceeds of \$2,404,755. A liability related to flow-through shares in the amount of \$199,667 was recognized in respect of these investments. Issuance costs of \$209,551 were paid in cash and recognized as a reduction of the Company's share capital. In addition, the Company issued 50,000 common shares to a Board director for settlement of a \$10,500 liability.

During the year ended December 31, 2015, the Company issued 8,250,000 common shares for gross proceeds of \$2,970,000 and 6,553,500 flow-through shares for gross proceeds of \$3,712,800 under private placements, for total gross proceeds of \$6,682,800. A liability related to flow-through shares in the amount of \$802,485 was recognized in respect of these investments. Issuance costs of \$489,346, of which \$404,316 was paid in cash and \$85,030 was included under trade and other payables as at December 31, 2015, were recognized as a reduction of the Company's share capital.

Share-based payments

On October 22, 2004, the Company adopted a stock option plan under which it can grant a maximum of 10% of the number of shares outstanding to its directors, officers, key employees and suppliers on a continuous basis. The exercise price of each option equals the market price on the day prior to the grant of the option. All options must be exercised no later than five years after the date of the grant. The options granted to directors vest immediately and for other participants, over a period of three years.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's stock options are detailed as follows for the reporting periods presented:

	2016		2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	8,575,000	0.87	7,522,500	0.97
Granted	2,462,500	0.18	1,950,000	0.36
Expired	(2,157,500)	1.36	(897,500)	0.65
Outstanding, end of year	8,880,000	0.56	8,575,000	0.87
Exercisable	6,766,875	0.65	6,867,500	0.97



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The following table provides summary information on the stock options issued and outstanding as at December 31, 2016:

Range of exercise prices	Outstanding options		Exercisable options	
	Number	Weighted average years to expiry	Number	Weighted average exercise price
\$0.17–\$0.22	2,462,500	4.79	1,243,750	\$0.18
\$0.34–\$0.49	2,662,500	3.58	1,805,625	\$0.40
\$0.55–\$0.98	1,500,000	2.14	1,462,500	\$0.74
\$1.02–\$1.51	2,255,000	0.93	2,255,000	\$1.04
\$0.17–\$1.51	8,880,000	3.00	6,766,875	\$0.65

The following table provides summary information on the stock options issued and outstanding as at December 31, 2015:

Range of exercise prices	Outstanding options		Exercisable options	
	Number	Weighted average years to expiry	Number	Weighted average exercise price
\$0.34–\$0.49	2,830,000	4.54	1,382,500	\$0.41
\$0.55–\$0.98	1,820,000	3.06	1,560,000	\$0.77
\$1.02–\$1.31	2,320,000	1.83	2,320,000	\$1.04
\$1.51–\$1.69	1,605,000	0.77	1,605,000	\$1.57
\$0.34–\$1.69	8,575,000	2.81	6,867,500	\$0.97

The weighted fair value of stock options granted during 2015 was \$0.10 per option at the grant date [2015 – \$0.16 per option].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The fair value of stock options granted by the Company to directors, officers and key employees in 2016 and 2015 was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	<u>2016</u>	<u>2015</u>
Exercise price	\$0.18	\$0.36
Risk-free interest rate	0.78%	0.76%
Average expected volatility	77%	62%
Expected life (years)	3.75	3.75
Expected dividend yield	Nil	Nil

The underlying expected volatility was determined by reference to historical data over a period comparable to the expected life of options.

Warrants

Outstanding warrants allow holders to subscribe to an equivalent number of common shares as follows:

	<u>2016</u>		<u>2015</u>	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of year	4,839,286	0.61	6,360,062	1.68
Issued	—	—	4,125,000	0.54
Expired	(714,286)	1.00	(5,645,776)	1.76
Balance, end of year	4,125,000	0.54	4,839,286	0.61



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The number of outstanding warrants that can be exercised for an equivalent number of common shares is established as follows:

Expiry date	2016		2015	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
July 10, 2016	—	—	714,286	1.00
November 6, 2018	4,125,000	0.54	4,125,000	0.54
	4,125,000	0.54	4,839,286	0.61

17. LEASES

	Minimum lease payments due			
	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
December 31, 2016	28,440	145,558	110,403	283,401
December 31, 2015	111,691	432,154	410,963	954,808

The Company leases offices under leases expiring in 2026 [2015 – offices under leases expiring in 2016 and a house under a lease that expired in 2016].

During the fiscal year, lease payments recognized as expenses, before amortization of deferred lease inducements, totalled \$100,920 [2015 – \$279,207], of which an amount of \$57,457 [2015 – \$158,973] was charged to exploration and evaluation assets. This amount represents minimum lease payments.

The Company's rental contracts do not contain any contingent rent clauses, restrictions on dividends, additional debt or further leasing.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

18. EMPLOYEE BENEFITS EXPENSE

Expenses recognized for employee benefits are broken down below:

	2016 \$	2015 \$
Salaries and employee benefits	1,986,356	2,289,592
Share-based compensation	249,144	275,944
	<u>2,235,500</u>	<u>2,565,536</u>
Less: Amounts capitalized in exploration and evaluation assets and re-invoiced	<u>1,510,819</u>	1,698,074
Employee benefits expense	<u>724,681</u>	<u>867,462</u>

Share-based compensation is broken down as follows:

	2016 \$	2015 \$
Consolidated statements of loss	172,079	172,799
Exploration and evaluation assets	77,065	103,145
Total	<u>249,144</u>	<u>275,944</u>

19. EARNINGS (LOSS) PER SHARE

Basic loss per share is calculated by dividing net loss for the fiscal year by the weighted average number of common shares outstanding during the period. In calculating diluted loss per share for the years ended December 31, 2016 and 2015, potential common shares, such as certain options and warrants, were not included as they would have the effect of decreasing the loss per share, which would be antidilutive.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Both basic and diluted loss per share have been calculated using net loss for the period as the numerator, therefore no adjustment to loss was necessary.

	<u>2016</u>	<u>2015</u>
Net loss	<u>\$(1,940,510)</u>	<u>\$ (1,552,635)</u>
Weighted average number of shares – basic	<u>95,667,079</u>	81,625,024
Dilutive effect of warrants and options	<u>—</u>	<u>—</u>
Weighted average number of diluted shares	<u>95,667,079</u>	81,625,024
Basic net loss per share	<u>\$(0.020)</u>	\$(0.019)
Diluted net loss per share	<u>\$(0.020)</u>	\$(0.019)

20. RELATED PARTY TRANSACTIONS

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

None of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel compensation includes the following expenses:

	<u>2016</u>	<u>2015</u>
	\$	\$
Short-term employee benefits:		
Salaries and employee benefits	357,454	735,243
Termination benefit	150,000	—
Director fees	154,435	138,566
Total short-term employee benefits	<u>661,889</u>	873,809
Fees	214,572	120,238
Share-based compensation	142,996	170,261
Total compensation	<u>1,019,457</u>	1,164,308

During the years ended December 31, 2016 and 2015, no options granted under the stock option plan were exercised by key management personnel of the Company.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Related companies and other parties

Transactions were carried out:

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

	2016	2015
	\$	\$
Comprehensive loss:		
Other expenses	<u>18,400</u>	<u>17,000</u>

With Anticosti Hydrocarbons L.P.:

	2016	2015
	\$	\$
Comprehensive loss:		
Project management	<u>35,180</u>	<u>112,893</u>

As at December 31, 2016, Anticosti Hydrocarbons L.P. advanced \$458,964 to the Company [December 31, 2015 – nil] to finance the exploration operations of subsidiary Pétrolia Anticosti inc. for the first three months of fiscal 2017 which was offset by a \$350,000 provision for contingent liability to be borne by Anticosti Hydrocarbons L.P.

In addition, as at December 31, 2015, a contribution of \$19,637 [December 31, 2016 – nil] was payable to Anticosti Hydrocarbons L.P., while a contribution of \$10,120 [December 31, 2016 – nil] was payable to Anticosti Hydrocarbons General Partner Inc.

As at December 31, 2016, an amount of \$475 [December 31, 2015 – \$944,309] was receivable from Anticosti Hydrocarbons L.P.

These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to pursue its exploration activities. The Company's capital consists of share capital. Management regularly reviews its capital management policy on a going concern basis and believes that this is a reasonable approach considering the Company's size.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The Company's financial strategy is developed and adapted according to market conditions in order to maintain a flexible capital structure in compliance with the aforementioned objectives and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company, as a junior exploration company for all its oil and natural gas properties, issues new shares.

There were no material changes to the Company's capital management policies during the year ended December 31, 2016.

22. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value or amortized cost. The classification of financial instruments as well as their carrying amounts and fair values are presented in the table below:

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

	December 31, 2015			
	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total carrying amount
	\$	\$	\$	\$
Financial asset				
Cash and cash equivalents ¹	7,522,772	—	—	7,522,772
Receivables ²	—	1,418,438	—	1,418,438
	7,522,772	1,418,438	—	8,941,210
Financial liability				
Trade and other payables	—	—	3,963,782	3,963,782
Bank borrowings	—	—	26,852	26,852
	—	—	3,990,634	3,990,634

¹ Fair value of cash and cash equivalents is equal to the carrying amount.

² Excluding tax credits and commodity taxes as these amounts do not represent a contractual right to receive an amount.

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 statement of financial position date of December 31, 2016.

Credit risk

The assets that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, receivables and security deposits. Cash and cash equivalents are held with or are issued by established Canadian financial institutions, whereas the security deposits are held by the Québec government. Receivables primarily consist of amounts receivables in relation to commodity taxes. Management considers the risk of non-collection to be low.

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 operations by issuing shares, selling interests in some of its oil and natural gas 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

The tables below show the maturities of financial liabilities:

	December 31, 2016				
	Current portion	Due in 1 to 3 years	Due in 4 to 5 years	Due in more than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	3,964,251	—	—	—	3,964,251
Bank borrowings	7,200	13,800	—	—	21,000
	3,971,451	13,800	—	—	3,985,251

	December 31, 2015				
	Current portion	Due in 1 to 3 years	Due in 4 to 5 years	Due in more than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	3,963,782	—	—	—	3,963,782
Bank borrowings	7,200	21,000	—	—	28,200
	3,970,982	21,000	—	—	3,991,982

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

23. 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 \$2,894,565 by 2025. The minimum payments required in the next five years are as follows:

2017	2018	2019	2020	2021
\$	\$	\$	\$	\$
134,359	134,359	175,511	484,286	521,116

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. On December 9, 2016, Bill 106, *Act to implement the 2030 Energy Policy and to amend various legislative provisions*, was adopted. However, as of the date of these financial statements, Bill 106 and its underlying regulations have not yet come into force. As a result, even though the obligation pertaining to the performance of statutory work remains suspended, the Company may still continue its exploration operations.

24. CONTINGENCIES

Financing

The Company is financed in part by the issue of flow-through shares. However, although it has taken all the necessary measures in this regard, there is no guarantee that the funds spent by the Company regarding these shares will be deemed eligible by tax authorities in the event of an audit. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. During the fiscal year ended December 31, 2016, the Company received \$2,404,755 [December 30, 2015 – \$3,712,800] in private placements following the issuance of flow-through shares for which it renounced a tax deduction of \$199,667 [December 31, 2015 – \$802,485]. As at December 31, 2016, the remaining eligible expenses to be incurred, more specifically no later than December 31, 2017, totalled \$1,308,783 [December 31, 2015 – \$2,041,067].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Environment

The Company's operations are regulated by governmental laws relating to environmental protection. Environmental consequences are difficult to predict, whether in terms of their outcomes, timing or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation.

Anticosti Hydrocarbons L.P.

On July 12, 2016, in connection with Anticosti Hydrocarbons L.P.'s exploration work for which the Company serves as operator, the Company filed an application for an injunction to require its project partners, Ressources Québec inc. and Saint-Aubin E&P (Québec) inc., to fulfil their contractual commitments. On July 25, 2016, the Superior Court justice acknowledged the clear obligation of Ressources Québec inc. and Saint-Aubin E&P (Québec) inc. to fund the exploration program and issued orders accordingly. In this regard, the judgment acknowledged the Company's financial requirements and ordered its partners to provide for the Company's administrative and day-to-day expenses on a monthly basis until May 2017. In addition to these orders, the court also acknowledged the commitment of Ressources Québec inc. and Saint-Aubin E&P (Québec) inc. to finance forthwith the construction of drilling platforms.

Litigation

The Company is subject to certain legal disputes in the normal course of business. Management believes that the Company has set aside sufficient provisions to cover potential losses in relation to such litigation.

Provision for contingent liability

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

	2016	2015
	\$	\$
Balance, beginning of year	—	—
Provision made during the year	350,000	—
Balance, end of year	350,000	—



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

A \$350,000 contingent liability was recognized for a dispute settlement with a service provider in connection with exploration work performed by the Company's subsidiary, Pétrolia Anticosti inc., on behalf of Anticosti Hydrocarbons L.P. The potential impact of this dispute on the Company's net loss is nil, given that the Company has the contractual right, under the operations contract, to re-invoice all the expenses incurred in connection with this dispute to Anticosti Hydrocarbons L.P. including professional fees since it was a contract entered into in the normal course of business by the Company as designated operator. As the settlement amount will be re-invoiced and born by Anticosti Hydrocarbons L.P., an amount of \$350,000 was thus recognized against the advance from Anticosti Hydrocarbons L.P. [note 10] as at December 31, 2016.

25. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2016 \$	2015 \$
Additions to exploration costs	10,020,957	7,069,250
Non-cash acquisition		
Depreciation of property, plant and equipment	(67,101)	(75,067)
Share-based compensation	(77,065)	(103,145)
Amortization of deferred lease inducements	7,024	—
Loss on disposal of property, plant and equipment	(16,138)	(2,188)
Liability incurred and change in accounting estimate for provisions for site restoration	(296,911)	(529,732)
Recovered amounts		
Haldimand project	(354,711)	(3,145,545)
Oil reserve evaluation revenue	(41,632)	(30,409)
Resource tax credit	27,446	2,651
Change in non-cash working capital items	(1,115,214)	1,423,695
Increase in net exploration and evaluation costs, net of recovered amounts	8,086,655	4,609,510



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Other information:

Additions to property, plant and equipment included in trade payables	—	892
Share issuance costs included in trade payables	—	85,030
Contributions to associates included in other payables	—	29,757
Leasehold improvements in exchange for deferred lease inducements	225,000	—
Interest paid	594	756
Interest received	31,388	50,705

Cash and cash equivalents comprise:

	2016	2015
	\$	\$
Cash	6,022,198	3,850,530
Guaranteed investment certificates, redeemable on demand	1,100,000	3,672,242
Less: Restricted cash equivalents	(630,000)	—
	6,492,198	7,522,772

26. SUBSEQUENT EVENT

On March 17, 2017, the Company confirmed the closing of a private placement and issued 5,222,223 flow-through shares at \$0.18 per share for gross proceeds of \$940,000. In consideration for the services provided in connection with this private placement, finder's fees in the amount of \$66,400 were paid in cash and recognized as a reduction of the Company's share capital.



Schedules

ADMINISTRATIVE AND OPERATING EXPENSES

Years ended December 31

	Schedule A	
	2016	2015
	\$	\$
Administrative expenses		
Share-based compensation	172,079	172,799
Salaries and employee benefits	887,238	932,078
Fees	204,397	120,238
Insurance	44,079	39,755
Maintenance and office supplies	73,690	77,062
Board of Directors fees	187,894	193,517
Shareholder reporting	62,149	82,611
Rent	43,463	120,234
Amortization of deferred lease inducements	(14,150)	(27,400)
Promotion and entertainment	11,289	35,970
Travel	69,723	73,392
Professional services	590,256	329,378
Telecommunications	21,833	24,736
Depreciation of property, plant and equipment	23,818	25,268
Loss (gain) on disposal of property, plant and equipment	13,903	(2,259)
Reversal of a provision	—	(51,525)
Other expenses	29,624	21,169
Total administrative expenses before re-invoicing of expenses	2,421,285	2,167,023
Re-invoicing of expenses	(334,636)	(237,415)
	2,086,649	1,929,608
		Schedule B
Operating expenses		
Share-based compensation	77,065	103,145
Salaries and employee benefits	1,099,118	1,357,514
Fees	10,175	—
Insurance	1,694	1,794
Maintenance and office supplies	2,573	1,985
Travel	2,094	16,415
Training	3,766	12,744
Rent	57,457	158,973
Amortization of deferred lease inducements	(7,024)	—
Professional services	15,812	16,323
Telecommunications	2,854	4,093
Depreciation of property, plant and equipment	67,101	75,067
Loss on disposal of property, plant and equipment	16,138	2,188
Other expenses	2,577	3,834
Total operating expenses before re-invoicing of expenses and transfer to exploration and evaluation assets	1,351,400	1,754,075
Re-invoicing of expenses ¹	(332,368)	(579,758)
Transfer to exploration and evaluation assets	(1,019,032)	(1,174,317)
	—	—

¹ Re-invoiced expenses consist of salaries and employee benefits.



Schedule C

FINANCIAL INCOME AND EXPENSES

Years ended December 31

	2016	2015
	\$	\$
Interest income	(29,954)	(37,181)
Bank charges	7,300	3,346
Interest expense	1,090	28,948
Accretion expense	28,321	27,108
	6,757	22,221



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2016

**OIL FROM HERE.
BY PEOPLE FROM HERE.
FOR HERE.**

This management's discussion and analysis ("MD&A") covers the period from January 1, 2016 to December 31, 2016.

This MD&A was approved by the Board of Directors on March 28, 2017.

It presents the view of management on current Company activities and is accompanied by the financial results as at December 31, 2016. It may also provide information on significant events that occurred after December 31, 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 year ended December 31, 2016 is March 28, 2017.

2. ANNUAL HIGHLIGHTS

- On January 25, 2016, Pétrolia announced it took the third spot in the Oil & Gas sector ranking of the 2016 TSX Venture 50™, which honours top performers that have shown superior results in key measures of market performance. The 2016 TSX Venture 50 ranking is composed of ten companies from five industry sectors selected based on three equally weighted stock price performance criteria for the 2015 calendar year: market capitalization growth, share price appreciation, trading volume and analyst coverage.
- On February 15, 2016, Pétrolia held a press conference in Québec City to address a number of comments made by the Premier of Québec and provide significant clarifications as to the nature of the Anticosti Island oil and gas exploration agreements. The full version of the statement can be found [here](#) (in French).
- On March 1, 2016, Pétrolia announced that Albert Wildgen had stepped down from the Company's Board of Directors.
- On March 9, 2016, the management of Pétrolia met with the Premier of Québec to discuss hydrocarbon exploration on Anticosti Island. During the meeting, the Premier confirmed, in particular, that the project agreements will be upheld. Once the certificate of authorization has been obtained, the exploration work set out in the agreements, comprising the three oil wells to be drilled with hydraulic fracking, will be performed in 2016 and 2017.
- On April 7, 2016, Pétrolia issued a press release in reaction to the launch of the Québec Energy Policy, noting that its guidelines are consistent with the action plan unveiled in May 2014 which maps out a fully transparent, step-by-step approach for the government's hydrocarbon development endeavours.

- On April 29, 2016, the Geological Survey of Canada released a research paper on Anticosti. The paper entitled, *Geological characteristics and petroleum resource assessment of the Macasty Formation, Anticosti Island, Quebec, Canada*, corroborates the oil potential of Anticosti Island. Researchers Z. Chen, D. Lavoie, C. Jiang, M.J. Duchesne and M. Malo conducted the first independent evaluation of the hydrocarbon potential for the Macasty Formation on Anticosti Island. The evaluation of the in-place petroleum and gas resource carried out by the Geological Survey of Canada corroborates the figures put forward by the Sproule assessments requested by Pétrolia in 2011 and Anticosti Hydrocarbons L.P. in 2015. Their assessment indicated a significant volume of in-place resources, consisting of (best estimate: P50 output level) 32.3 billion barrels of oil (BBO), a maximum (P5 output level) of 55.4 BBO and a minimum (P95 output level) 17.1 BBO, and of (best estimate: P50 output level) 52.4 trillion cubic feet (TCF) of natural gas, a maximum (P5 output level) of 85.2 TCF and a minimum (P95 output level) of 29.0 TCF. In addition, based on these results, a ratio of 78% oil to 22% natural gas is proposed as in-place resource on the island. Lastly, the Geological Survey of Canada's results further indicate that the locations for the three horizontal wells that were to be drilled in summer 2016 on Anticosti Island to demonstrate the production potential of the Macasty Formation are located in a favourable geologic setting for liquid and gaseous hydrocarbon production.
- On May 13, 2016, Pétrolia announced that, provided it obtains the necessary licences and government authorizations, the 2016 drilling campaign on Anticosti Island will begin as planned in June. The Board of Directors of Anticosti Hydrocarbons L.P. decided to do the drilling, per se, in summer 2016 and hydraulic fracking and production testing at the beginning of summer 2017. With this decision, which was not provided for in the initial contracts, the production testing period will extend beyond hydraulic fracking. In addition, extending the production testing period will result in more refined analysis on well production data.
- On May 18, 2016, Pétrolia announced long-term production testing on Haldimand 4 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 26, 2016. The shareholders elected Alexandre Gagnon, Jacques Bourgeois, David McCallum, Myron Tétréault, 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. At the meeting of the Board of Directors following the Annual Shareholder Meeting, Karl Mc Lellan announced that he was leaving his position as Chief Financial Officer and Corporate Secretary. The Board of Directors announced Mr. Mc Lellan's appointment to Pétrolia's Board of Directors, effectively continuing his involvement in the Company as a Director. Mr. Mario Racicot, already the Company's Manager of Corporate Affairs, became 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 consists of a direct interest in the project through the joint venture created after the first investment phase. The announced investment, 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 partnership, which it also operates.
- 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 consists of a direct interest in the four licences related to the Bourque property, amounting to \$2,000,000 in cash \$2,000,000 and a \$6,500,000 contribution following a call for funds for exploration work financing. With this investment, Ressources Québec inc. obtained 38.88% 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 Energy Corp.
- On July 15, 2016, Pétrolia confirmed the closing of a private placement and issued 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 recognized the operator's financial needs and specifically ordered 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 enabled drilling of the lateral section of Bourque No. 1. Drilling of the horizontal leg of the reservoir was 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 was 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 and issued 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 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 November 18, 2016, Pétrolia announced that, in accordance with its compensation policy and its retention plan, which is to grant stock options each year to its employees and directors, the Board of Directors granted on November 17, 2016, 1,787,500 stock options to its employees and directors. The price has been set at \$0.165 per share, and the expiry date for these options is November 16, 2021. Some of the options vest over a three year period.

- On December 12, 2016, the Company highlighted the passage of *Bill 106: An Act to implement the 2030 Energy Policy and to amend various legislative provisions* adopted by the National Assembly. The adoption of this bill concludes the debate on the lack of regulatory oversight of our activities and returns stability and certainty to the oil industry in Québec.
- On December 23, 2016, the Company announced that the most recent step in the process of verifying the presence of resources on the Bourque property, namely the re-entry and completion of Bourque 1 as well as additional drilling (Bourque HZ No. 3) was completed on time and within the budget. This drilling revealed the presence of gas and oil in the Forillon formation. The completion program for Bourque 1 is now finished. The Bourque HZ No. 3 completion program has been delayed to allow us time to analyze the data collected on Bourque 1 and to finalize the plan for production tests. In the meantime, we installed measuring instruments in the wells in order to continue collecting data and, lastly, the site has been secured for the winter season.
- On January 25, 2017, the Québec government confirmed it would support Anticosti's nomination as a UNESCO World Heritage Site. Several steps are involved prior to selection, including Canadian federal government approval and UNESCO recognition. The outcome of these steps is currently unknown and may not be known for some years. The Company's Board of Directors is studying the impact of the nomination on the Anticosti project and management's judgments concerning the project are summarized in note 4.1 to the financial statements as at December 31, 2016. The press release is available at the following address (French only): <http://www.newswire.ca/fr/releases/archive/January2017/25/c5125.html>
- On March 17, 2017, the Company confirmed the closing of a private placement and issued 5,222,223 flow-through shares at \$0.18 per share for gross proceeds of \$940,000. The proceeds of this private placement will be used by the Company to incur Canadian exploration expenses on the Company's various properties located in the Province of Québec and such exploration expenses will be fully incurred on or before December 31, 2018 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 it owns and in which it has an interest. 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. The Company has no intention to update its forward-looking statements which could be included in this report, unless required to do so by law.

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

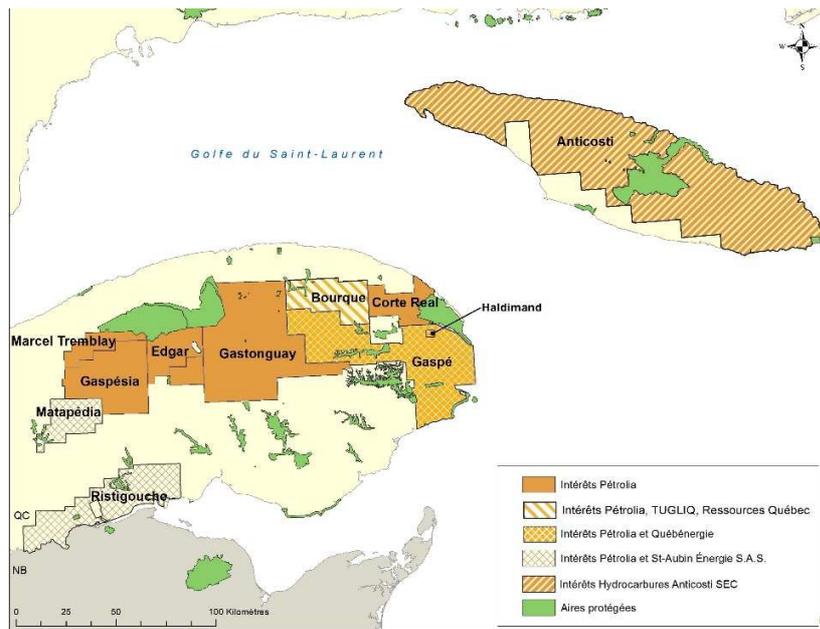
Pétrolia holds licences for and interests in an area of over 16,314.39 square kilometres ("km²"), amounting to nearly 23% of Québec's territory under licence. Located in Eastern Québec, these areas are largely known for their oil potential. Pétrolia's territories under licence also offer the potential 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 hold 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 are working on developing a stimulation program that would allow for optimal production of the Haldimand deposit.

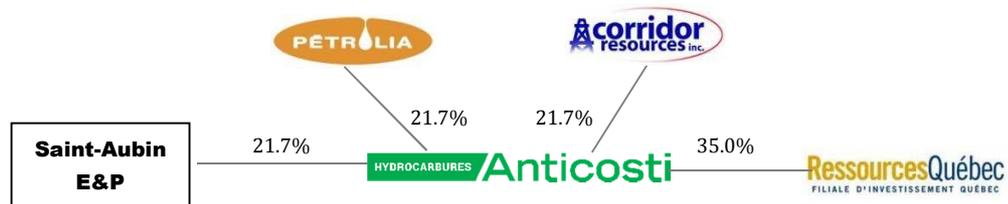
Social acceptability

- 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.
- 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 2017.

- 2016-2017:
During the 2017 campaign, three horizontal wells are scheduled to be drilled with fracturing on the Canard, Jupiter and La Loutre sites.

Some preparation work for well drilling took place in fall 2016.

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 December 31, 2016, exploration expenses incurred on the property amounted to \$26,413,491.

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.

Exploration work completed in 2016

- Since the end of the stratigraphic drilling fracturing campaign completed in fall 2015, our team was busy planning the drilling with fracturing of three horizontal wells. The drilling timeline is being negotiated between the partners.
- 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.

- Between September and November 2016, Pétrolia Anticosti, the project operator, prepared the well drilling platforms.
- Under the new timeline, platform construction completion is scheduled for 2017, with well drilling and fracturing also 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. On December 12, 2016, the MDDELCC approved our application for amendment.

Assessment of social acceptability

- Follow-ups are underway with outfitters and suppliers.
- 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 3 began in fall 2016 and will continue in spring 2017.

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 consists of a direct interest in the Bourque project through the partnership. Upon completion of this second phase of financing, Pétrolia owned 51.03% 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 in 2016 for the re-entry and completion of the Bourque 1 well and completion of a third well. The remaining amount will be spent in 2017 as part of the Bourque exploration program.

Exploration work completed in 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 1,221 m and progressively to reach 1,641 m (to a true vertical depth (TVD) of 1,509 m), before setting the intermediate casing. The drilling's total measured depth is 3,450 m (1,488 m in TVD). The drilling of the 1,750 m horizontal leg of the reservoir will be followed by logging and completion.

Subsequently, the drilling rig was moved by 53 metres toward the enlarged portion of the Bourque 1 site in order to drill Bourque HZ No. 3. This new well was drilled vertically to a depth of 1,297 m (TVD). From

this depth, the horizontal leg was drilled through the reservoir for a horizontal section of 1,497 m, or a total measured depth (MD) of 3,075 metres.

- Following the drilling, the electrical logging operations were completed, in addition to the installation of casing for Bourque HZ No. 3. Following this work, a unit of coil tubing was mobilized to complete the acidification work on the horizontal leg of Bourque 1, after which a well cleanup was performed in addition to a series of tests. The completion work on Bourque 3 was not completed in time for winter.
- Pressure data loggers were installed in the 2 wells. These instruments will be collected as soon as the site is accessible in spring 2017. The assessment results of the increases in pressure will determine the next steps in exploration.

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 citizen representatives, a hunting association representative, a First Nations representative and a representative from La Côte-de-Gaspé RCM, in addition to representatives from Estran. 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 industry leader in Quebec.

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 year ended December 31, 2016 consisted of \$102,283 in project management revenues, compared with \$195,046 for the year ended December 31, 2015, and nil in other income compared with \$7,166 in 2015. Project management revenues comprise management fees invoiced by the Company as a project operator for exploration work, and the reduction in revenues in 2016 is attributable to the decrease in work performed by Pétrolia Anticosti as appointed operator of Anticosti Hydrocarbons L.P.

For fiscal 2016, the Company generated a net loss of \$1,940,510, compared with a net loss of \$1,552,635 for the previous fiscal year.

As at December 31, 2016, the Company had cash and cash equivalents of \$6,492,198, including \$5,703,494 held for exploration purposes, and \$1,487,759 in positive working capital.

On March 17, 2017, the Company confirmed the closing of a private placement and issued 5,222,223 flow-through shares at \$0.18 per share for gross proceeds of \$940,000. In consideration of the services provided in connection with this private placement, finder's fees in the amount of \$66,400 were paid in cash and recognized as a reduction of the Company's share capital.

ANALYSIS OF CASH FLOWS

For the year ended December 31, 2016, the Company generated a net loss of \$1,940,510, compared with a net loss of \$1,552,635 for the year ended December 31, 2015. The Company's operating activities required a capital contribution of \$2,567,837 for fiscal 2016 compared with \$1,327,807 for fiscal 2015. This difference arises mainly from the reduction in project management revenues, the increase in professional services, letters of guarantee in the amount of \$630,000 issued in favour of the Ministère des Ressources naturelles, in addition to the net change in non-cash operating items in 2016.

Cash flows used in investing activities for fiscal 2016 totalled \$6,962,932, mainly due to increases in exploration and evaluation costs, net of recovered amounts, of \$8,086,655, the disposal of interests in the Bourque project totalling \$2,000,000, \$600,000 in security deposits, \$133,674 in oil and gas property costs, net of recovered amounts, and \$138,150 in contributions from associates. For the year ended December 31, 2015, cash flows used in investing activities totalled \$4,929,169, mainly due to increases of \$4,609,510 in exploration and evaluation costs, net of recovered amounts, \$161,272 in oil and gas property costs, net of recovered amounts, and \$133,384 in contributions from associates.

Cash flows from financing activities for the year ended December 31, 2016, amounted to \$8,500,195, stemming essentially from proceeds totalling \$2,110,174 from the issue of 10,707,265 shares, net of issuance costs, and \$6,396,630 in advances received from a partner for the Bourque project. For fiscal 2015, cash flows generated from financing activities amounted to \$8,540,237 due to the issue of 14,803,500 shares for proceeds totalling \$6,278,484, net of share issuance costs, and \$2,268,200 in advances received from partners for the Bourque project.

ANALYSIS OF OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended December 31, 2016, operating and administration expenses, net of re-invoiced expenses and amounts capitalized, increased by \$157,041, compared with the previous fiscal year, and the Company re-invoiced operating and administration expenses for a total of \$667,004 for fiscal 2016, compared with \$817,173 for fiscal 2015.

The main differences in operating and administrative expenses before re-invoicing are as follows:

- Salaries and employee benefits - administration expenses: In fiscal 2016, following the departure of a member of key management personnel in November 2015, a release was signed. A \$150,000 termination benefit was granted subsequent to this settlement. Further, compared with fiscal 2015, salaries and other benefits decreased over the period following the departure of certain employees.
- Salaries and employee benefits - operating expenses: As at December 31, 2016, the decrease in expenses was due to termination benefits paid to an officer in fiscal 2015.
- Professional services: In fiscal 2016, fees for professional services increased by \$260,000 over last year in relation to non-recurring professional fees incurred in the application for an injunction filed in connection with the exploration work of Anticosti Hydrocarbons L.P.
- Rent: The reduction in operating and administration expenses were in line with the decrease in the Corporation's rented space in January 2016, in addition to its move to new premises in August 2016 to reduce expenses.

ANALYSIS OF SHARE OF ASSOCIATES

The Company's share in the net loss of associates for fiscal 2016 totalled \$136,453 compared with \$143,995 for fiscal 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:

	2016 \$	2015 \$
Assets	128,419,917	125,206,675
Liabilities	525,774	1,308,377
Partners' equity	127,894,143	123,898,298
Revenues	—	—
Net loss and comprehensive loss	(629,783)	(664,590)
Share of Pétrolia [21.7%]	(136,453)	(143,995)

SELECTED ANNUAL INFORMATION

	2016 \$	2015 \$
Revenues (including financial income)	132,237	239,393
Net loss	(1,940,510)	(1,552,635)
Basic net loss per share	(0.020)	(0.019)
Diluted net loss per share	(0.020)	(0.019)
Total assets	91,218,740	89,846,211

SUMMARY OF QUARTERLY RESULTS

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

	December 2016 \$	September 2016 \$	June 2016 \$	March 2016 \$
Revenues (including financial income)	67,066	18,732	23,272	23,167
Net loss	(607,055)	(393,719)	(631,901)	(307,835)
Net loss per share				
Basic	(0.006)	(0.004)	(0.007)	(0.003)
Diluted	(0.006)	(0.004)	(0.007)	(0.003)

	December 2015 \$	September 2015 \$	June 2015 \$	March 2015 \$
Revenues (including financial income)	51,627	27,912	55,442	104,412
Net loss	(697,221)	(187,096) ¹	(362,795) ¹	(305,523) ¹
Net loss per share				
Basic	(0.008)	(0.002)	(0.005)	(0.004)
Diluted	(0.008)	(0.002)	(0.005)	(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:

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
2016 - May	Recognition of share-based payment of \$22,544
2016 - August	Recognition of share-based payment of \$39,575
2016 - November	Recognition of share-based payment of \$102,164

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
	\$	\$
Short-term employee benefits:		
Salaries and employee benefits	357,454	735,243
Termination benefit	150,000	—
Director fees	154,435	138,566
Total short-term employee benefits	661,889	873,809
Fees	214,572	120,238
Share-based compensation	142,996	170,261
Total compensation	<u>1,019,457</u>	<u>1,164,308</u>

During the years ended December 31, 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
	\$	\$
Comprehensive loss:		
Other expenses	<u>18,400</u>	<u>17,000</u>

With Anticosti Hydrocarbons L.P.:

	2016	2015
	\$	\$
Comprehensive loss:		
Project management	35,180	112,893

As at December 31, 2016, Anticosti Hydrocarbons L.P. provided an advance of \$458,964 to the Company [December 31, 2015 – \$0] to finance exploration activities of subsidiary Pétrolia Anticosti inc. for the first three months of fiscal 2017, which was offset by a provision of \$350,000 for a potential liability to be borne by Anticosti Hydrocarbon L.P.

Further, as at December 31, 2015, a contribution of \$19,637 [December 31, 2016 – \$0] was payable to Anticosti Hydrocarbons L.P., while a contribution of \$10,120 [December 31, 2016 – \$0] was payable to Anticosti Hydrocarbons General Partner Inc.

As at December 31, 2016, an amount of \$475 [December 31, 2015 – \$944,309] was receivable from Anticosti Hydrocarbons L.P.

These transactions were in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 \$2,894,565 by 2025. The minimum payments required in the next five years are as follows:

2017	2018	2019	2020	2021
\$	\$	\$	\$	\$
134,359	134,359	175,511	484,286	521,116

The adoption of Bill 18 in Québec suspends some of the 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. On December 9, 2016, Bill No. 106, *An Act to implement the 2030 Energy Policy and to amend various legislative provisions*, was adopted. However, as of the date of these financial statements, Bill 106 and its related regulations are not yet in force. Consequently, the suspended obligation related to the statutory work remains, and the Company may continue its exploration activities.

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, 2016.

Credit risk

The assets that give rise to potential credit risk exposure for the Company consist primarily of cash and cash equivalents, receivables and security deposits. The Company's cash and cash equivalents are held with or are issued by established Canadian financial institutions, while security deposits are made directly to the Government of Québec. Receivables are mostly amounts related to commodity taxes. Management considers the risk of non-recovery to be low.

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 activities by issuing shares, selling interests in some of its oil and gas assets and contracting 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 work.

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, 2016 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, 2016.

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, 2016.

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 year ended December 31, 2016 were as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracking	General expenses	Options	Provision	Site maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticosti	-	-	-	-	-	2,888	-	26,366	-	29,254
Gastonguay	-	-	-	-	-	-	-	-	-	-
Gaspésia Marcel-Tremblay Edgar	-	-	-	-	-	-	-	-	-	-
Gaspé	81,065	19,171	12,704	-	-	36,008	13,017	32,192	1,241	195,398
Bourque	91,015	20,006	8,627,944	3,520	-	28,937	30,735	147,897	10,328	8,960,382
Haldimand	4,753	501	521,549	11,696	-	56,679	28,153	74,360	108,409	806,100
Tar Point	9,917	-	242	-	-	830	-	16,096	1,637	28,722
Matapédia	-	-	-	-	-	-	1,101	-	-	1,101
	186,750	39,678	9,162,439	15,216	-	125,342	73,006	296,911	121,615	10,020,957

Exploration expenses for the year ended December 31, 2015 were as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracking	General expenses	Options	Provision	Site maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticosti	-	-	202	-	-	3,555	-	158,921	-	162,678
Gastonguay	77	-	-	-	-	-	-	-	-	77
Gaspésia Marcel-Tremblay Edgar	332	-	-	-	-	-	-	-	-	332
Gaspé	18,269	600	-	3,315	-	306,020	-	80,133	136	408,473
Bourque	22,516	13,157	670,520	54,122	-	8,458	-	147,447	1,675	917,895
Haldimand	21,824	600	5,301,310	27,985	-	24,838	-	107,801	56,123	5,540,481
Tar Point	75	-	-	-	-	3,224	-	35,430	500	39,229
Matapédia	85	-	-	-	-	-	-	-	-	85
	63,178	14,357	5,972,032	85,422	-	346,095	-	529,732	58,434	7,069,250

(c) Regulation 51-102 Section 5.4

Information on shares issued, share options and warrants as at March 28, 2017:

Common shares: 108,399,683 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:

- 1,955,000 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;
- 505,000 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;
- 810,000 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;
- 1,735,000 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;
- 1,787,500 options exercisable at a price of \$0.165 per share until November 16, 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 consolidated financial statements of Pétrolia Inc. as at December 31, 2016 and 2015 and for the years then ended have been audited by Ernst & Young LLP, 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, March 28, 2017

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

OIL FROM HERE.
BY PEOPLE FROM HERE.
FOR HERE.

This management's discussion and analysis ("MD&A") covers the year from January 1, 2015 to December 31, 2015.

This MD&A was approved by the Board of Directors on March 31, 2016.

It presents the view of management on current Company activities and is accompanied by the financial results as at December 31, 2015. It may also cite significant events that occurred after December 31, 2015, 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, 2015 is March 31, 2016.

2. HIGHLIGHTS

- On March 9, 2015, Pétrolia announced the appointment of a new director and certain changes within its management team in order to continue implementing its business plan. First, Martin Bélanger was appointed director. Mr. Bélanger's experience over the last 24 years in the oil and gas industry will be extremely valuable to the Board of Directors. In addition, Mabrouk Ouederni, Eng., P. Geo. has been promoted to Operations Manager and Jean-Yves Laliberté, Eng., M.Sc. has been appointed Manager of Health, Safety, Environment, and Regulatory Affairs.
- On March 16, 2015, Pétrolia closed the private placement announced on February 26, 2015. The Company issued 2,728,500 flow-through shares at \$0.80 per share for gross proceeds of \$2,182,800.
- On November 4, 2015, the Company confirmed the closing of a private placement, issuing 3,825,000 flow-through shares at \$0.40 per share for gross proceeds of \$1,530,000. The Company will use these proceeds for exploration expenses in Canada on its properties located in Québec, including the Bourque property.
- On November 6, 2015, the Company confirmed the closing of private investments totalling \$5,238,200, constituting the first phase of financing for the Bourque property. In this respect, the Company issued 8,005,000 units to Ressources Québec and 245,000 units to certain directors at \$0.36 per unit, for gross proceeds of \$2,881,800 and \$88,200, respectively. Each unit comprises one common share of the Company and half a warrant. Each whole warrant entitles the holder to buy a common share of the Company at an exercise price of \$0.54 during the 36 months following the closing of this private placement. Also, Ressources Québec and TUGLIQ Energy invested \$918,200 and \$1,350,000, respectively, in the Bourque property, via a partnership formed by the Company, Ressources Québec and TUGLIQ Energy. The Company will use the proceeds of these investments to carry out, during 2015 and 2016, the Bourque exploration program and for general Company purposes.

- On November 26, 2015, Pétrolia announced that in accordance with its compensation policy, and its stock option plan, which is to grant stock options each year to its employees and directors, Pétrolia's Board of Directors granted on November 25, 2015, 1,800,000 stock options to its employees and directors. The price has been set at \$0.34 per share, and the expiry date for these options is November 24, 2020. Some of the options vest over a three year period
- Pierre Arcand, the Minister of Energy and Natural Resources and Minister responsible for the Plan Nord, announced in June a series of roundtable discussions on the social acceptability of public land development projects as well as energy resources and minerals. These discussions were intended to enhance the process currently carried out by the government to improve its practices and tools and to adopt guidelines to promote greater social acceptability for projects. Pétrolia representatives, including President and CEO Alexandre Gagnon, attended the discussions in Québec City and Gaspé. A brief in this respect was submitted to Minister Arcan on June 10, 2015.
- On December 21, 2015, Pétrolia wished to rectify certain comments made by Québec's Premier and make certain clarifications concerning the nature of the agreements pertaining to the exploration on Anticosti Island. Pétrolia also wished to state that it intends to respect and ensure full compliance with the agreements that bind it to its partners and expects the Government of Québec to demonstrate the same respect for the contracts and the commitments entered into. Exploration work on Anticosti since July 2014 has been performed by Anticosti Hydrocarbons L.P. ("AHCLP"). AHCLP was formed in March 2014 by four partners, who own shares in the following proportions: Government of Québec: (through Ressources Québec) 35%; Corridor Ressources: 21.7%; Pétrolia: 21.7%; and Saint-Aubin E&P (Québec) Inc.: 21.7%. The negotiation of the agreements that led to the creation of AHCLP began in August 2012 under a provincial Liberal Government. The announcement of the finalized agreements, made on February 13, 2014, by way of an official government statement, was the result of nearly two years of negotiations conducted by Pétrolia with two successive governments. The final negotiations that ultimately led to the creation of AHCLP were also conducted under the supervision of a special committee established by the Executive Council of the Government. This special committee was composed of five members, including representatives from both the ministère des Finances and Ressources Québec. AHCLP's mission is to estimate the share and market potential of hydrocarbon resources contained in the Macasty formation located underground in Anticosti Island. AHCLP's capital notably includes exploration licenses previously owned by Pétrolia and Corridor Ressources. To create AHCLP, Ressources Québec, acting as agent of the Government of Québec, and Saint-Aubin, both assisted by independent experts, assessed the value of the exploration licenses and partner contributions at \$200 million. Pétrolia agreed to transfer its licenses on the basis of the firm commitments ratified by its partner, the Government of Québec, supporting the financing and promotion of hydrocarbon exploration work on Anticosti. Ressources Québec and Saint-Aubin are committed to finance and support petroleum exploration work up to an amount of \$100 million dollars divided into two investment phases. Of this \$100 million, Ressources Québec has committed to invest up to \$56.67 million and Saint-Aubin up to \$43.33 million. This capital injection of \$100 million is to be made as and when the work progresses. To date, disbursements made by Ressources Québec and Saint-Aubin amount to \$13.5 million and \$10.3 million, respectively, for a total of \$23.8 million. The initial exploration program established by the agreements includes sequential performance of a stratigraphic drilling campaign and three directional drillings with hydraulic fracturing. Subject to certain delays prompted by the change of government, the program stipulated in the agreements has so far been respected and the stratigraphic drilling campaign is now

completed. The work sequence, as provided by the agreements, foresees that the three directional drillings with hydraulic fracturing are to be performed in the summer of 2016. Pétrolia and its subsidiary, Pétrolia Anticosti, consider that unless otherwise advised by Ressources Québec, acting as agent of the Government of Québec, the agreements formally and duly concluded in good faith between the parties continue to apply and they should take precedence over the influences and interferences of politics. Contrary to what was stated by the Premier of Québec, Pétrolia believes there is nothing in the agreements that give the Government of Québec the right to withdraw from or avoid its contractual obligations. The agreements were signed in good faith with the Government of Québec and were approved by decree of the provincial cabinet. A number of shareholders have invested and put their trust in Pétrolia based on the presumed reliability of the Government's commitments. According to Pétrolia, the public statements made by the Government that it does not intend to meet with its contractual commitments are serious and highly prejudicial. These statements are also irreconcilable with the favourable results obtained to date as part of the exploration program. On the basis of these results, a recent strategic environmental study commissioned and published by the Government of Québec concludes that it would be possible to realize the Anticosti energy development project while ensuring the environmental protection of the territory and respecting the local population. From a financial standpoint, this study estimates that the project has an 80% to 86% probability of being economically viable and has the potential to generate revenues of \$164 billion with profits of \$75 billion. Finally, the same study estimates that the project could generate revenues of \$46 billion to \$48 billion for the Government while creating more than 2,000 jobs in Québec. As a Québec corporation whose head office is located in Québec City, Pétrolia has always cherished the ideal of achieving energy self-sufficiency and creating of wealth for Quebecers. More than three years ago, the Government of Québec approached Pétrolia and expressed the desire to share and make true this ideal through partnerships and contractual agreements. In light of recent statements, it is necessary to recall the existence and binding nature of these agreements.

- On January 25, 2016, Pétrolia announced that it is the third ranked oil and gas company in Canada in the 2016 TSX Venture 50®, a ranking of strong performers that have shown results in key measures of market performance. "We are pleased that our company has been selected," commented Pétrolia CEO Alexandre Gagnon. "This inclusion reflects the work accomplished on Haldimand 4 in 2015, the progress made on Bourque and the quality of our role as an operator of several projects, in particular on the Anticosti island. We can proudly say that 2015 has been the busiest year of our history. Given the current situation in the global oil and gas market, our company has performed comparatively well." The 2016 TSX Venture 50 ranking is composed of 10 companies from five industry sectors selected based on three equally weighted criteria: market capitalization growth, share price appreciation, trading volume and analyst coverage.

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.

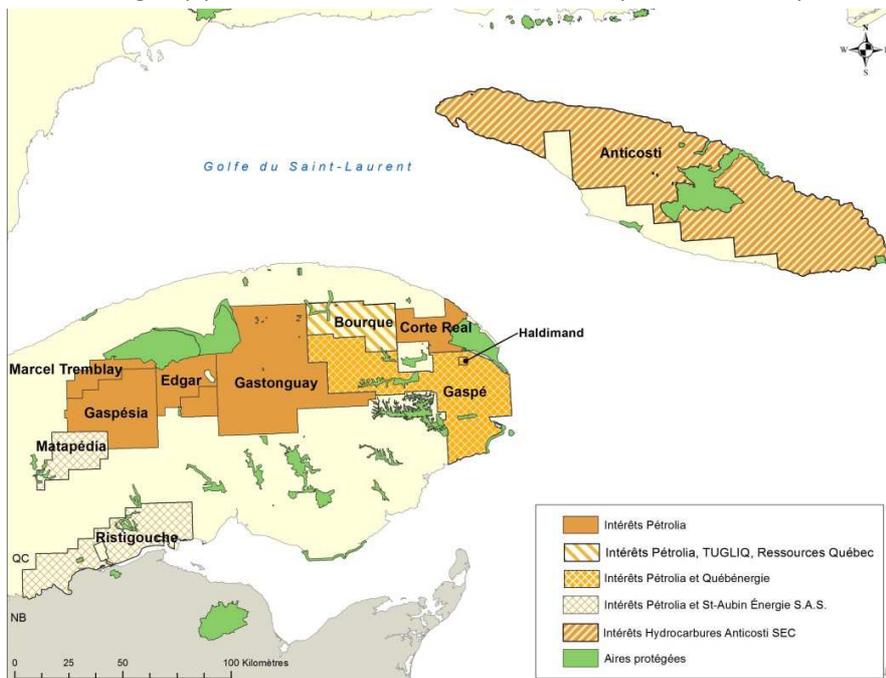
6. TERRITORIES UNDER LICENCE AND PARTNERSHIPS

Pétrolia holds licences for and interests in an area of 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 km.²
- 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 km.²
- The interests in the four Bourque licences are as follows: Pétrolia – 89.91%; TUGLIQ Energy – 5.29%; and Ressources Québec – 4.80%.
- 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.

Pumping, cleaning and preparing the production test

- The production pump arrived at the Haldimand 4 site on April 24, 2015. The pump was initially used to complete well cleaning operations. To install the pump, the well was opened twice: once on March 31, and a second time on April 24. The first opening allowed the verification of the production separator before pump installation. The opening of the well on March 31 enabled the production of 10.2 cubic meters (“m³”) (64 barrels) of light crude oil by natural means and a 17.31 m³ (109 barrels) upon reopening on April 24.
- The opening of the well from April 24–27 helped both reduce the pressure at the wellhead to allow for the safe and secure installation of the pump by using the safety valve and the rods as well as the equipment already present at the wellhead. The pump will help continue the cleanup of the remaining drilling mud and help with the evaluation of the well potential in order to plan the next steps, either to undertake production tests or plan further cleanup operations before initiating production tests.
- The production data from the pump operation test shows that some of the high-density drilling fluids remained in the well. Before commencing a long-term production test not exceeding 240 days as per the new regulation, the Corporation had to ensure that the well has been properly cleaned. The cleaning operation was carried out by inserting coil tubing down to the bottom of the 2,000 metre horizontal drain to inject nitrogen and the rising gas will force all the drilling fluids out of the well.
- The completion permit we obtained on October 6, 2015 will allow us to complete nitrogen-based cleanup operations for Haldimand 4.
- On January 6, 2016, Pétrolia confirmed that well cleanup operations had been completed at Haldimand 4, leading to a significant improvement in well production. These operations have been performed without any health, safety or environmental incident. These operations, which took place between November 18 and December 20, 2015, involved successive phases of well cleaning with nitrogen, then acid and a final nitrogen cleanup. A natural oil runoff period followed during which the well produced up to 59.8 barrels (9.5 m³) of crude oil per day with an average of 43.5 barrels (6.9 m³) per day. A total of 360 barrels (57.2 m³) of crude were produced in a little more than 8 days between December 12 and 20, 2015. This average production of 43.5 barrels (6.9 m³) per day compares favourably with the 13.8 barrels (2.19 m³) per day observed immediately before the well cleanup, which validates the effectiveness of these operations. All the data gathered will be analyzed over the next few weeks. In view of these encouraging results, the Pétrolia team is currently at work planning the next phases, including a 240-day long-term production test that should begin in spring 2016.

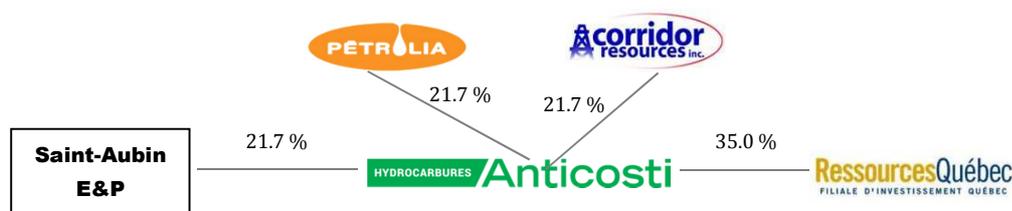
Social acceptability

- 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.
- Four citizen committee meetings were held during the period from January 1 to December 31, 2015. At these meetings, Pétrolia communicated to the citizens and the municipality the past and future actions related to the Company's different projects in their region.
- On October 20, 2015, the ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques informed Pétrolia management that it had decided to have the project reviewed via Strategic Environmental Assessment (SAE) instead of by the BAPE.

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 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.

Based on phase I results and a green light from Anticosti Hydrocarbons L.P.'s Board of Directors, a second phase will follow beginning in 2017.

Second phase:

- 2017: 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 costs borne by contributions from Ressources Québec and Saint-Aubin E&P, subsequent costs will be assumed according to the four limited partners' proportionate interests.

Assessment of the 2015 stratigraphic survey campaign

- On May 21, 2015, Anticosti Hydrocarbons L.P. announced an update of the 2011 report by Calgary-based Sproule Associates Limited. This update is effective as at April 30, 2015. The firm's best estimate of the total petroleum-initially-in-place volume within the perimeter of the licences held by the Company on the Anticosti Island amounted to 30.7 billion barrels of oil .
- The stratigraphic surveys on Anticosti Island were completed on October 2, 2015. We completed seven surveys this year, bringing the total number of surveys to 12, as decided by the partners on June 23, 2015 via the Board of Directors of Anticosti Hydrocarbons L.P. Finalizing this first phase of the program will help prepare for drilling three horizontal exploration wells with fracking, once all required licenses are obtained.
- In December 2015, the drilling of nine hydrogeological wells was completed to enable the different ministries to carry out the hydrogeological studies required to issue a certificate of authorization.

Application for a certificate of authorization

- On February 8, 2016, Pétrolia filed an application for a certificate of authorization from the ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) for the drilling of three horizontal oil exploration wells with hydraulic fracking. Pursuant to its Statement of Services to Citizens, the Ministry is committed to issuing an official response within 75 days from the reception of the application of the certificate of authorization.

Assessment of social acceptability

- The goal of Pétrolia Anticosti inc. for the next quarter will be to integrate a national dimension to the steps completed as regards local social acceptability.
- The current stratigraphic survey campaign made it possible to inject close to \$2 million into the Anticosti Island economy.
- On January 28, 2016, Pétrolia organized a public consultation on Anticosti Island, during which the Company discussed in detail the project for drilling three horizontal exploration wells with fracking. The event was attended by nearly 18% of the local population. During the question period, the audience had the opportunity to express themselves freely and ask questions on the subject. The consultation report was then handed over to the municipality and to MDDELCC. It is available in French at <http://hydrocarbures-anticosti.com/imports/medias/documentations/consultation/rapport-de-consultation-vf-final.pdf>

Strategic Environmental Assessment ("SEA")

- In April 2015, the government made public the preliminary environmental studies (knowledge assessment) commissioned in connection with the SEA specific to Anticosti. These studies showed a possible favourable outcome for oil and gas exploration at Anticosti.

- On October 28, 2015, the ministère de l'Énergie et de Ressources naturelles made public a summary of the knowledge and information acquired from the SAE. The highlights are as follows:
 - In 2013, Québec imported more than 137 million barrels of oil and 7.7 billion m³ of natural gas from other Canadian provinces, the U.S. and other countries. These imports amounted to \$13.5 billion, which accounts for 61% of the commercial trade deficit of the Province.
 - Québec has a long history of oil & gas exploration and a number of prospective basins, including Anticosti Island, have significant potential for hydrocarbon production.
 - The Macasty Shale formation currently found on Anticosti Island is geologically similar to the Utica and Point Pleasant formations in Ohio that are currently producing hydrocarbons.
 - Over a 75-year period and based on an optimized production scenario, Anticosti Island could produce a total of 11,683 billion cubic feet of natural gas and 584 million barrels of oil. During the maximum production period, this could amount to 246 billion cubic feet of natural gas and 12.3 million barrels of oil per year, which represents 113% of the annual gas consumption and 9% of the annual oil consumption for the province.
 - The project could generate potential revenues of \$164 billion and profits of \$75 billion.
 - Including royalties, taxes and its ownership interest in the project, direct revenues of the Government of Québec could range from \$46 to \$48 billion and the project could create more than
 - 2,000 jobs per year.
 - Based on a detailed analysis of all the key production and infrastructure variables related to project development, the Government of Québec estimates the project's economic viability at between 80% and 86%.
 - The full development of the project would have an impact of less than 2% on the greenhouse gas emission targets set by the Government of Québec for 2020.
 - The SEA recommends a variety of measures and best practices that can be implemented to address the environmental impacts of the project, considering that similar projects are underway elsewhere in the world.
 - Pétrolia (PEA-TSXV) is extremely satisfied to note that according to the SEAs commissioned and published by the Government of Québec, the financial profitability and the technical and environmental feasibility of the Anticosti project is realistic.

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 Côte-Nord and Nord-du-Québec regions.
- 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 has also invested \$1,350,000 in the partnership (see press release of November 4, 2015), which gives it an 89.91% interest in the partnership.
- The proceeds of these investments were earmarked for the Bourque exploration program; the Company used part of the proceeds in 2015, and the remaining amount will be spent in 2016.

Social acceptability

- The Bourque Project has received public support from the Côte de Gaspé RCM and the Murdochville, Gaspé, Grande-Vallée, Petite-Vallée, Sept-Îles and Port-Cartier municipalities.
- In addition, Coalition Plein Gaz sur la Côte-Nord (which brings together mining and industrial companies and decision-makers), Manufacturiers et Exportateurs du Québec, Fédération des Chambres de Commerce and Minalliance have publicly supported Bourque Project development.

Other properties

Other

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

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 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 year ended December 31, 2015 consisted of \$37,181 in interest income from short-term investments, \$195,046 in project management revenues and \$7,166 in other income, compared with \$55,843, \$313,983, and \$52,226, respectively, for the year ended December 31, 2014. Revenues from oil deposit evaluation amounted to \$30,409 compared with a nil amount in the previous fiscal year and are reported as a deduction from exploration expenses.

Project management revenues comprise management fees invoiced by the Company as a project operator for exploration work. The reduction in project management revenues is due to a one-time payment received in March 2014 in reimbursement of previously incurred operating costs for the Anticosti project, a non-recurring item in 2015.

For fiscal 2015, the Company generated a net loss of \$1,552,635, compared with net income of \$17,581,772 for the previous fiscal year.

As at December 31, 2015, the Company had cash and cash equivalents of \$7,522,772, including \$4,201,075 held for exploration purposes, and \$3,169,474 in positive working capital.

ANALYSIS OF CASH FLOWS

For the year ended December 31, 2015, the Company generated a net loss of \$1,552,635, compared with net income of \$17,581,772 for the year ended December 31, 2014. In fiscal 2015, net cash used in the Company's operating activities amounted to \$1,327,807, compared with net cash used of \$3,421,784 in 2014, the difference arising mainly from the significant decrease in administrative expenses during fiscal 2015.

Cash flows used in investing activities for fiscal 2015, totalled \$4,929,169, mainly due to increases in exploration and evaluation costs net of recovered amounts of \$4,609,510 and oil and gas property costs of \$161,272. The Company also made contributions totalling \$133,384 in associates during the period. For the year ended December 31, 2014, investing activities generated cash of \$1,584,320, stemming in large part from the acquisition of a \$1,933,333 interest in an associate, related acquisition costs of \$1,013,144, a \$3,872,776 decrease in exploration and evaluation costs net of recovered amounts, the acquisition of oil and gas properties of \$162,345, contributions in associates of \$80,304 and the disposal of an investment with a value of \$930,000.

Cash flows from financing activities for the year ended December 31, 2015 amounted to \$8,540,237, stemming essentially from net proceeds totalling \$6,278,484, net of share issue expenses, from the issue of 14,803,500 shares and advances received from partners for the Bourque Project of \$2,268,200. For fiscal 2014, cash flows from financing activities amounted to \$2,089,334, stemming from proceeds totalling \$5,088,266, net of share issue expenses, from the issue of 6,964,323 shares, and repayment of bank borrowings in the amount of \$2,998,932.

ANALYSIS OF OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year ended December 31, 2015 decreased by \$1,601,811 compared with the previous fiscal year, in line with management's cost-reduction objectives. In addition, the Company re-invoiced operating and administrative expenses in the amount of \$817,173 during fiscal 2015 compared with \$725,994 for fiscal 2014.

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

- Salaries and employee benefits, share-based compensation and fees: The decreases in operating and administrative expenses are in line with the management's aims to cut costs by reducing the number of employees, compensation paid and fees.
- Travel, and promotion and entertainment expenses: Travel, and promotion and entertainment expenses related to administration decreased by nearly \$220,000 in line with cost-cutting objectives.
- Professional services: During fiscal 2015, professional services decreased by nearly \$165,000 compared with fiscal 2014 as non-recurring professional fees were incurred in 2014.
- Depreciation of property, plant and equipment: Depreciation of leasehold improvements decreased by over \$155,000 during fiscal 2015 compared with 2014 as most leasehold improvements were fully depreciated as at December 31, 2014.

ANALYSIS OF SHARE OF ASSOCIATES

The Company's share in the net losses of associates for fiscal 2015 totalled \$143,995 compared with \$99,450 for fiscal 2014.

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:

	2015	2014
	\$	\$
Assets	125,206,675	114,588,937
Liabilities	1,308,377	550,882
Partners' equity	123,898,298	114,038,055
Revenues	—	—
Net loss and comprehensive loss	(664,590)	(458,926)
Share of Pétrolia [21.7%]	(143,995)	(99,450)

SELECTED ANNUAL INFORMATION

	2015 \$	2014 \$
Revenues (including financial income)	239,393	422,052
Net income (loss)	(1,552,635)	17,581,772
Net earnings (loss) per share - basic	(0.019)	0.237
Net earnings (loss) per share - diluted	(0.019)	0.237
Total assets	89,846,211	84,183,385

SUMMARY OF QUARTERLY RESULTS

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

	December 2015 \$	September 2015 \$	June 2015 \$	March 2015 \$
Revenues (including financial income)	51,627	27,912	55,442	104,412
Net loss	(697,221)	(187,096) ⁽¹⁾	(362,795) ⁽¹⁾	(305,523) ⁽¹⁾
Net loss per share				
Basic	(0.008)	(0.002)	(0.005)	(0.004)
Diluted	(0.008)	(0.002)	(0.005)	(0.004)

	December 2014 \$	September 2014 \$	June 2014 \$	March 2014 \$
Revenues (including financial income)	40,289	107,406	63,644	210,713
Net income (loss)	(740,982)	(298,900)	(975,907)	19,597,561 ⁽²⁾
Net earnings (loss) per share				
Basic	(0.010)	(0.004)	(0.013)	0.290
Diluted	(0.010)	(0.004)	(0.013)	0.287

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 – March	Recognition of a gain on transfer of certain licences of \$28,059,532 ²
2014 – May	Recognition of share-based payment of \$148,843
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

- (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.
- (2) During the year ended December 31, 2014, the Company reviewed the calculation of the non-cash gain on transfer of ownership of certain licences ["gain"], adjusting it to \$28,059,532 from \$34,809,059 to reflect the elimination of its \$7,762,671 share in the gain and account for the professional fees incurred for the acquisition of an interest amounting to \$1,013,144 in the value of the interest in an associate rather than against the gain. Those adjustments resulted in a reduction in the interest in an associate and the gain amounting to \$6,749,527, as well a reduction in deferred tax liabilities of \$1,815,623 as at March 31, 2014. Those adjustments also resulted in a \$4,933,904 reduction in net income and comprehensive income as well as retained earnings for the three-month period ended March 31, 2014 and a \$0.073 reduction in net basic earnings per share and net diluted earnings per share for the three-month period ended March 31, 2014.

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:

	2015	2014
	\$	\$
Short-term employee benefits:		
Salaries and employee benefits	735,243	1,087,525
Director fees	138,566	122,500
Total short-term employee benefits	873,809	1,210,025
Fees	120,238	391,750
Share-based compensation	170,261	428,976
Total compensation	<u>1,164,308</u>	<u>2,030,751</u>

During the years ended December 31, 2015 and 2014, 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:

	2015	2014
	\$	\$
Comprehensive income:		
Other expenses	17,000	30,000

With an associate:

	2015	2014
	\$	\$
Comprehensive income:		
Project management	112,893	111,193

As at December 31, 2015, an amount of \$944,309 [December 31, 2014 – nil] was receivable from Anticosti Hydrocarbons L.P. while a nil amount [December 31, 2014 – \$16,786] was receivable from Anticosti Hydrocarbons General Partner Inc.

In addition, as at December 31, 2015, a contribution of \$19,637 [December 31, 2014 – nil] was payable to Anticosti Hydrocarbons L.P., while a contribution of \$10,120 [December 31, 2014 – nil] was payable to Anticosti Hydrocarbons General Partner Inc.

As at December 31, 2014, Anticosti Hydrocarbons L.P. provided a non-interest bearing advance without repayment terms in the amount of \$258,819 [December 31, 2015 – nil] to the Company. The funds advanced were used to finance exploration activities during the first three months of fiscal 2015.

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.

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 \$2,838,360 by 2024. The minimum payments required in the next five years are as follows:

2016	2017	2018	2019	2020
\$	\$	\$	\$	\$
131,750	131,750	172,103	474,883	510,997

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, 2015.

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- and variable-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 of 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 year ended December 31, 2015 were as follows:

	Geology	Geophysics	Completion and drilling	Analysis	Fracturing	General expenses	Options	Provision	Site maintenance	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticosti	-	-	202	-	-	3,555	-	158,921	-	162,678
Gastonguay	77	-	-	-	-	-	-	-	-	77
Gaspésia Marcel-Tremblay Edgar	332	-	-	-	-	-	-	-	-	332
Gaspé	18,269	600	-	3,315	-	306,020	-	80,133	136	408,473
Bourque	22,516	13,157	670,520	54,122	-	8,458	-	147,447	1675	917,895
Haldimand	21,824	600	5,301,310	27,985	-	24,838	-	107,801	56,123	5,540,481
Tar Point	75	-	-	-	-	3,224	-	35,430	500	39,229
Matapédia	85	-	-	-	-	-	-	-	-	85
	63,178	14,357	5,972,032	85,422	-	346,095	-	529,732	58,434	7,069,250

Exploration expenses for the year ended December 31, 2014 were 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	25,029	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 costs before the transfer of licences to Anticosti Hydrocarbons L.P.

(c) Regulation 51-102 Section 5.4

Information on shares issued, share options and warrants as at March 31, 2016:

Common shares: 92,420,195 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:

- 500,000 options exercisable at a price of \$1.69 per share until May 18, 2016;
- 1,030,000 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;
- 2,095,000 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;
- 615,000 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;
- 1,030,000 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;

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

- 714,286 warrants exercisable at a price of \$1.00 per share until July 11, 2016;
- 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 consolidated financial statements of Pétrolia Inc. as at December 31, 2015 and 2014 and for the years then ended have been audited by Ernst & Young LLP, 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, March 31, 2016

On behalf of the Board of Directors,

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

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

SCHEDULE "G"

**PIERIDAE'S FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND
ANALYSIS**

[See the following page(s)]

Consolidated financial statements
[Expressed in Canadian dollars]

Pieridae Energy Limited

March 31, 2017
(UNAUDITED)

PIERIDAE ENERGY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in thousands of Canadian Dollars]

As at	March 31, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	190	197
Restricted cash	31	68
Other current assets	12	119
Conversion right <i>[note 6[a]]</i>	1,792	2,429
Total current assets	2,025	2,813
Investments in associates <i>[note 3]</i>	3,824	3,854
Property, plant and equipment, net <i>[note 4]</i>	3,359	3,361
	9,208	10,028
LIABILITIES AND EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	16,015	15,447
Promissory notes <i>[note 7]</i>	2,154	2,129
Goldboro Land Mortgage <i>[note 5]</i>	3,200	3,200
Convertible loan <i>[note 6[b]]</i>	6,420	6,297
Total current liabilities	27,789	27,073
Shareholders' deficiency		
Share capital <i>[note 8]</i>	44,668	44,668
Contributed surplus	6,238	5,896
Deficit	(70,866)	(68,808)
Other comprehensive income	1,479	1,287
Deficiency attributable to equity holders of the Company	(18,481)	(16,957)
Non-controlling interest <i>[note 10]</i>	(100)	(88)
Total shareholders' deficiency	(18,581)	(17,045)
	9,208	10,028
Subsequent event <i>[note 15]</i>		

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF COMPREHENSIVE LOSS

[Expressed in thousands of Canadian Dollars]

	For the three months ending March 31, 2017	For the three months ending March 31, 2016
	(unaudited)	(unaudited)
EXPENSES		
Terminal development	207	5,324
Employee benefits	704	879
Professional fees	—	185
Travel	13	34
Depreciation of property, plant and equipment	2	2
Loss before the following	926	6,424
OTHER EXPENSE (INCOME)		
Share of associates' loss <i>[note 3]</i>	30	30
Loss on conversion right <i>[note 6[a]]</i>	718	149
Interest expense <i>[note 13]</i>	381	384
Foreign exchange loss (gain)	15	(210)
	1,144	353
Net loss for the period	2,070	6,777
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	(192)	(670)
Total comprehensive loss for the period	1,878	6,107
Attributable to:		
Equity holders of the Company	1,866	6,040
Non-controlling interest <i>[note 10]</i>	12	67
	1,878	6,107
Loss per share – basic and diluted	(0.13)	(0.44)

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY

[Expressed in thousands of Canadian Dollars]

Attributable to equity holders of the Company

(unaudited)

	Share capital	Contributed Surplus	Deficit	Foreign currency translation reserve	Total	Non- controlling interest	Total shareholders' deficiency
Balance as at December 31, 2016	44,668	5,896	(68,808)	1,287	(16,957)	(88)	(17,045)
Shares issuances	—	—	—	—	—	—	—
Share-based compensation [note 9]	—	342	—	—	342	—	342
Convertible loan issuance [note 6]	—	—	—	—	—	—	—
Non-controlling interest [note 10]	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(2,058)	192	(1,866)	(12)	(1,878)
Balance as at March 31, 2017	44,668	6,238	(70,866)	1,479	(18,481)	(100)	(18,581)

(unaudited)

	Share capital	Contributed Surplus	Deficit	Foreign currency translation reserve	Total	Non- controlling interest	Total shareholders' deficiency
Balance as at December 31, 2015	43,918	2,397	(54,806)	1,125	(7,366)	(53)	(7,419)
Shares issuances	—	—	—	—	—	—	—
Share-based compensation [note 9]	—	470	—	—	470	—	470
Convertible loan issuance [note 6]	—	—	—	—	—	—	—
Non-controlling interest [note 10]	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(6,710)	670	(6,040)	(67)	(6,107)
Balance as at March 31, 2016	43,918	2,867	(61,516)	1,795	(12,936)	(120)	(13,056)

See accompanying notes

PIERIDAE ENERGY LIMITED
STATEMENT OF CASH FLOW

[Expressed in thousands of Canadian Dollars]

	For the three months ending March 31, (unaudited)	For the three months ending March 31, 2016 (unaudited)
OPERATING ACTIVITIES		
Net loss for the year	(2,070)	(6,777)
Adjustments to reconcile net loss for the year to cash used in operating		
Share-based compensation <i>[note 9]</i>	342	470
Depreciation of property, plant and equipment	2	2
Share of associates' loss	30	30
Loss on conversion right	718	149
Accretion of convertible loan	142	142
Foreign exchange (gain) loss	15	(210)
Net change in non-cash working capital balances related to operations	675	423
Cash used in operating activities	(148)	(5,771)
FINANCING ACTIVITIES		
Restricted cash <i>[note 5]</i>	37	37
Issuance of promissory note <i>[note 7]</i>	25	1,563
Cash provided by financing activities	62	1,600
Net decrease in cash during the period	(86)	(4,171)
Cash and cash equivalents, beginning of year	197	4,499
Net foreign exchange difference	77	379
Cash and cash equivalents, end of period	190	707
Cash interest paid	88	71

See accompanying notes

Pieridae Energy Limited

Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
March 31, 2017 with comparatives to March 31, 2016

1. Corporate information and basis of presentation

Corporate information

Pieridae Energy Limited [the "Company"] was incorporated on May 29, 2012 under the laws of Canada to invest in the development of a fully integrated liquefied natural gas ["LNG"] project to be built in Goldboro, Nova Scotia. The Company is headquartered in Calgary, Alberta.

The consolidated financial statements of the Company as at and for the three months ended March 31, 2017 and were authorized for issue in accordance with a resolution of the directors on August 26, 2017.

Basis of presentation and consolidation

The consolidated financial statements and the notes hereto, have been prepared as at and for the three months ended March 31, 2017 in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2016. These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2016 Financial Statements. All amounts have been presented in Canadian dollars, unless stated otherwise.

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, which contemplates the realization of assets and settlements of liabilities in the normal course of operations for the foreseeable future. As at March 31, 2017, the Company had negative working capital and during the three months ended March 31, 2017, consistent with the developmental stage of the organization, had generated a net loss and negative cash flow from operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae Energy Limited's ability to continue as a going concern. The Company expects to incur further losses in the development of its business and will require additional debt and equity financing to fund future phases in the development of its LNG project and associated natural gas assets. These consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that would be necessary if the going concern assumption was not valid; such adjustments could be material. Refer to note 9 "Financial risk management objectives and policies" and the section within entitled "Liquidity and funding risk" for a detailed description of the requirements for additional debt and equity financing.

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

The consolidated financial statements include the following entities of the Company:

	Jurisdiction of incorporation	% ownership
Pieridae Energy Limited	Canada	Private shareholders
Pieridae Energy (Canada) Ltd.	Canada	99%
Goldboro LNG LP	Canada	99%
9290834 Canada Ltd.	Canada	99%
Pieridae Energy (USA) Ltd.	Canada	100%
Goldboro LNG LP II	Canada	100%
Atlantic Offshore Production Ltd.	Canada	100%
Pieridae Offshore Development LP	Canada	100%
Pieridae Production GP	Canada	50%
Pieridae Production LP	Canada	20%

On March 13, 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities Canada Inc. ["Uniper"], formerly E.ON Climate & Renewables Canada Ltd., entered into an agreement whereby Uniper acquired a 1% ownership in Goldboro LNG LP and Pieridae Energy (Canada) Ltd.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. When there is a party with a non-controlling interest in a subsidiary that the Company controls, that non-controlling interest is reflected as "non-controlling interest".

3. Investments in associates

On March 4, 2013, the Company entered into a partnership to establish Pieridae Production LP [the "Partnership"] and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. The Company as at January 1, 2014 had a 16.98% ownership, and made no further contributions to the Partnership during 2014. During 2015, the Company invested an additional \$750, increasing its ownership to 20%. Under the terms of the Partnership agreement, the Company is entitled to contribute an additional \$14,125 to the partnership, prior to any further funding being made by the other partner, and increasing its ownership in Pieridae Production LP to 50%.

The Company's interest in Pieridae Production LP and Pieridae Production GP are accounted for using the equity method in the consolidated financial statements.

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

	\$
Balance, January 1, 2016	3,854
Contributions	—
Share of associates' loss	(30)
Balance, March 31, 2017	3,824

Summarized financial statement information for 2017 of the Partnership is disclosed below:

	March 2017	March 2016
	\$	\$
Current assets	111	40
Non-current assets	20,145	20,145
Current liabilities	(1,474)	(1,317)
Net loss for the year	(150)	(626)

The associates have no contingent liabilities or capital commitments as at March 31, 2017; however, under the terms of the operating agreement in place for the Partnership there is an agreed annual fee of \$600 to be paid by Pieridae Production LP to the operator.

4. Property, plant and equipment

	Goldboro Land \$	Office equipment \$	Total \$
January 1, 2016	3,354	35	3,389
Additions [note 5]	—	—	—
March 31, 2017	3,354	35	3,389
Accumulated depreciation			
January 1, 2016	—	21	21
Depreciation	—	7	7
December 31, 2016	—	28	28
Depreciation	—	2	2
March 31, 2017	—	30	30
Net book value			
December 31, 2016	3,354	7	3,361
March 31, 2017	3,354	5	3,359

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

5. Goldboro Land Mortgage

On December 3, 2015, the Company completed the purchase of approximately 107.5 hectares [265.5 acres] of land from the Municipality of the District of Guysborough [the “Goldboro Land”] for \$3,200. This property is located in the Goldboro Industrial Park and will serve as the site for the proposed LNG facility. As part of the purchase agreement, the Company has the right to sell the land back to the Municipality of the District of Guysborough at any time prior to March 31, 2019 for the purchase price. The Municipality of the District of Guysborough also has the right to repurchase the land for the purchase price at any time after December 31, 2018 if the Company has not made its final investment decision on the construction of its LNG project or not received the necessary regulatory permits to commence construction of the LNG project. The Company capitalized a further \$154 of legal and other costs associated with the acquisition of the Goldboro Land.

In connection with this purchase, the Company entered into a \$3,200 loan agreement [the “Goldboro Land Mortgage”] with the Bank of Nova Scotia in Halifax to finance the purchase. Under the terms of the Goldboro Land Mortgage, interest is to be paid monthly at a rate equal to the prime lending rate of the Bank of Nova Scotia plus 2.0% per annum. The Goldboro Land Mortgage matures on August 4, 2017. The loan is secured by the Goldboro Land and a restricted bank account has been established to fund the interest payable to maturity.

6. Convertible loan and conversion right

On November 27, 2015, the Company agreed to a US\$5,000 loan with one of its shareholders [the “Loan Agreement”]. Under the terms of the Loan Agreement interest is to be paid at a rate of 10% per annum, with interest paid at maturity of the loan. Any outstanding amount under the Loan Agreement, including any unpaid interest, can be converted into common shares of the Company at either the option of the holder, at a conversion price of \$15.00 per share at any time prior to maturity, or at the option of the Company, at a conversion price of \$12.50 per share on the day prior to maturity. The Loan Agreement provides security to the holder of a floating charge of all of the Company’s right, title, estate and interest in and to all of its present and after-acquired real property. The loan was to mature at the earlier of October 1, 2017 and the date the final investment decision is made by the Company on the Goldboro LNG facilities or the date there is a change of control of the Company.

[a] Conversion right

	2017	2016
	\$	\$
January 1	2,429	927
Loss on change in value of conversion right	(718)	(149)
Foreign exchange gain	81	(50)
March 31	1,792	728

Upon completion of the Loan Agreement, the initial value of the conversion right was calculated utilizing a valuation method that incorporated both the Black-Scholes valuations of the conversion rights held both by the Company and holder of the Loan Agreement and the associated estimated probabilities of each conversion right being exercised. Subsequent changes in the fair value of the equity conversion component were recorded within the consolidated statement of comprehensive loss. The various assumptions utilized for the calculation of the conversion right are as follows:

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

	March 31, 2017	March 31, 2016
Canadian to US dollar conversion rate	\$1.2971	\$1.3009
Share price	\$12.50	\$12.50
Risk free rate	0.48%	0.48%
Expected life	0.50 years	0.75 years
Expected volatility	60%	60%
Probability of holder exercising	5%	25%
Probability of Company exercising	95%	75%

[b] Convertible loan

	2017	2016
	\$	\$
January 1	6,297	6,487
Accretion	142	142
Foreign exchange loss	(19)	(415)
March 31	6,420	6,214

Upon completion of the Loan Agreement, the initial value of the convertible loan was calculated as the present value of the expected future payments, including interest, utilizing an estimated market interest rate for a similar loan of 20%. The difference between the loan proceeds received by the Company and the present value of the expected future payments, and the value of the conversion right, was recognized as contributed surplus. Subsequently, the Company has recognized accretion of the convertible loan and the change in value associated with the change in the foreign exchange rate of the loan, with these being recorded within the consolidated statements of comprehensive loss.

7. Promissory Notes

	2017	2016
	\$	\$
Total US	1,477	—
Total Canadian	677	—
	2,154	—

8. Shareholders' equity

Common shares

As at March 31, 2017, the Company is authorized to issue an unlimited number of common shares. The common shares are without nominal or par value.

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

The issued and outstanding common shares of the Company are as follows:

	Number of shares	\$
Balance, January 1, 2016	15,523,602	\$43,918
Issued April 27, 2016	20,000	250
Issued July 1, 2016	55,556	500
Balance, December 31, 2016 and March 31, 2017	15,599,158	\$44,668

9. Stock options

Pursuant to the Stock Option Plan, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and the option vesting period is determined at the discretion of the Board of Directors when granted. These options are equity settled share-based payment transactions.

The following tables present the reconciliation of stock options granted:

	Number of options	Weighted average exercise price \$
Outstanding, January 1, 2016	1,425,000	\$6.46
Granted during 2016	200,000	12.50
Outstanding as at December 31, 2016 and March 31, 2017	1,625,000	\$7.20

There were no options granted during the three months ended March 31, 2017. The fair value of all options granted during the year ended December 31, 2016, excluding those that vest upon certain performance criteria being met, have been estimated at the grant date using the Black-Scholes pricing model and are summarized in the following table:

	2016
For the year ended December 31, 2016	
Weighted average fair value of stock options granted	\$3.08
Weighted average share price	\$9.00
Risk free interest rate	0.68%
Expected life	3 – 5 years
Expected volatility	60%
Dividend per share	Nil

The average expected volatility used to estimate the fair value of options granted was based on volatility for other private companies in similar early development opportunities. In addition, no estimated forfeiture rate has been used in the calculation of share-based payment expense. During the three months ended March 31, 2017, the Company recognized \$342 [year ended March 31, 2016 \$470] of share-based compensation costs as employee benefits.

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

The following table summarizes the stock options outstanding and exercisable under the Stock Option Plan as at March 31, 2017:

Range of exercise price \$	Number of options outstanding	Average remaining contractual life [years]	Weighted average exercise price \$	Number of options exercisable	Average remaining contractual life [years]	Weighted average exercise price \$
\$0.01 – \$0.99	20,000	4.25	\$0.01	—	—	—
\$1.00 – \$8.99	605,000	1.9	\$1.00	305,000	1.9	\$1.00
\$9.00 – \$12.49	400,000	4.25	\$9.00	—	—	—
>\$12.50	600,000	4.5	\$12.50	—	—	—

10. Non-controlling interest

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper entered into an agreement, whereby Uniper acquired a 1% ownership in Goldboro LNG LP and Pieridae Energy (Canada) Ltd. for total consideration of \$288. The 1% ownership is being accounted for as a non-controlling interest.

11. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market and, credit risk and liquidity risk. Reflecting the current stage of the Company, to invest in the development of a fully integrated LNG project to be built in Goldboro, Nova Scotia, the Company's overall risk management program focuses on facilitating the Company's growth plans and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of management and material risks are identified and monitored by management.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity or commodity prices. The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact interest earned on the Company's cash and cash equivalents and on interest paid on the Goldboro Land Mortgage. As a result of the Goldboro Land Mortgage, if the market interest rates change by 1%, the impact on the interest expense is approximately \$14 over the remaining term of the mortgage. The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments [note 13] are US dollar, UK pound sterling and Euro denominated. If the Canadian dollar was to change by one cent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately \$94. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage these interest rates or currency risks.

While the Company is still in a pre-development phase, it is not directly subject to fluctuations in commodity prices. However, fluctuations in commodity prices, specifically the price of LNG and the price of the North American gas supply, have a significant impact on the Company's final investment decision for the LNG project. These commodity prices also have a significant impact on the Company's ability to attract the necessary investment to ultimately construct the LNG project. As the Company advances toward a final investment decision for the LNG project and pursues the required financing it will evaluate a number of options to potentially manage this risk.

Pieridae Energy Limited

Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
March 31, 2017 with comparatives to March 31, 2016

Credit risk

Credit risk arises from cash and cash equivalents and restricted cash balances held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents are held at large Canadian chartered banks and invested when appropriate on short-term interest savings accounts. The Company's accounts receivable balances relate to input tax credits associated with the Goods and Service Tax it is required to pay on certain of its expenditures. As a result, management believes the risk of loss is remote on these balances.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities [Goldboro Land Mortgage and convertible loan], and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, additional debt facilities and/or consider strategic alliances including joint venture partners.

To date, the Company has funded its share of commitments from existing cash balances, equity raises and through the issuance of the Goldboro Land Mortgage and convertible loan.

As at March 31, 2017, the Company's anticipated future funding requirements include the funding of its negative working capital [including the Goldboro Land Mortgage] and its commitments, prior to reaching a final investment decision on the development of a fully integrated LNG project is estimated at \$50 million. In general, the Company's ability to continue operations and to ultimately pursue the development of the LNG project is dependent on its ability to access additional funding over time. The Company at the date of the consolidated financial statements has provided notification to certain vendors included in the accounts payable and accrued liabilities, with which it has significant balances, that payment is pending the completion of an equity financing.

12. Related party transactions

The Company transacts with certain related parties in the normal course of business. Related parties include Pieridae Production LP, Pieridae Production GP and the Company's directors [key management personnel] who receive a management fee for their services. The Company has identified its directors and officers as its key management personnel. For the three months ended March 31, 2017, the compensation for key management of the Company and its subsidiaries amounted to \$201 [March, 2016 - \$335].

The convertible loan and conversion right issued on November 27, 2015 and described in note 6 were entered into with a shareholder of the Company.

The promissory notes described in note 7 were with shareholders of the Company. The promissory notes are unsecured, bear interest at a rate of 10% per annum and are due upon demand.

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
 March 31, 2017 with comparatives to March 31, 2016

13. Interest

	March 31, 2017	March 31, 2016
	\$	\$
Interest expense on Goldboro Land Mortgage	35	38
Interest expense on convertible loan	153	171
Accretion on convertible loan	142	142
Interest on promissory note	51	33
Interest expense	381	384

The interest associated with the Convertible loan and Promissory note has been accrued as at March 31, 2017 and 2016 and will either be paid at the maturity date of the loan or converted to common shares.

14. Income taxes

Deferred tax assets are recognized to the extent that the realization of the related benefit through future taxable profit is probable. The Company did not recognize any deferred tax assets because it is not probable that future profits will be available against which the Company can utilize the benefits.

As at December 31, 2016, the Company has unrecognized tax losses of \$67,827 that are available for 18 – 20 years for offsetting against future taxable profits of the companies in which the losses arose.

15. Subsequent events

Business combination

On May 15, 2017 the Company and Pétrolia Inc., a Quebec based exploration and production company listed on the TSX Venture Exchange, jointly announced the execution of a definitive agreement (the “Arrangement Agreement”) contemplating a business combination by way of plan of arrangement under section 192 of the *Canada Business Corporations Act* (the “Arrangement”) pursuant to which the Company and Pétrolia Inc. will amalgamate to form a new entity (the “Amalgamated Company”) that will be Canada’s first publically traded LNG focused natural gas company.

As a condition of closing of the Arrangement, Pieridae will complete a private placement of subscription receipts at a price of \$12.50/subscription receipt for minimum net proceeds of \$24,632,500. In conjunction with the private placement, Pieridae incurred agency commissions of \$1,019,125 on the private placement which will be settled by issuing 81,530 compensation shares at a price of \$12.50. All subscription receipts issued in the private placement will automatically be converted into common shares of Pieridae immediately prior to the completion of the Arrangement.

The Arrangement Agreement also requires that, immediately prior to completion, the common shares of Pétrolia Inc. be consolidated on the basis of one post-consolidation common share of Pétrolia Inc. for every twelve pre-consolidation common shares of Pétrolia Inc.

As a consequence of the Arrangement, each common share of Pétrolia Inc. shall be exchanged for one common share of the Amalgamated Company and each common share of the Company shall be exchanged for 2.2057526 common shares of the Amalgamated Company. Upon completion of the Arrangement it is expected that the shareholders of common shares of Pétrolia Inc. will hold approximately 18% of the common shares of the Amalgamated Company and the shareholders of the Company will hold approximately 82% of

Pieridae Energy Limited
Notes to unaudited interim consolidated financial statements

[Expressed in thousands of Canadian dollars, unless stated otherwise]
March 31, 2017 with comparatives to March 31, 2016

the common shares of the Amalgamated Company. Thus the Arrangement will result in a reverse takeover of Pétrolia Inc., as defined in the policies of the TSX Venture Exchange (the "Exchange").

Completion of the Arrangement is subject to, among other things, the successful completion of the Private Placement, the approval of the Exchange, the approval of the shareholders of Pétrolia Inc. and the approval of the shareholders of the Company. It is expected that the Arrangement will complete on or before October 12, 2017.

CB&I UK Limited agreement

On July 29th, 2017 the Company entered into an agreement with its vendor CB&I UK Limited ("CB&I") whereby the Company agreed to pay GBP1,837,200 of total amounts due to CB&I of GBP6,352,304. In exchange for the agreed payment, CB&I has agreed the remaining amount will be paid only if a proceed decision on the LNG Project results in the award of an engineering contract to CB&I or another party. If the Project does not proceed, or at any time Pieridae cancels or abandons the project, the Company has no obligation to pay the remaining amount.

Consolidated financial statements
[Expressed in Canadian dollars]

Pieridae Energy Limited

December 31, 2016, 2015 and 2014



Building a better
working world

Independent Auditors' Report

To the Directors of
Pieridae Energy Limited

We have audited the accompanying consolidated financial statements of **Pieridae Energy Limited**, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity and cash flows for each of the years in the three year period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pieridae Energy Limited** as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the years in the three year period ended December 31, 2016 in accordance with International Financial Reporting Standards.



Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that Pieridae Energy Limited incurred a net loss of \$14,088,000 during the year ended December 31, 2016 and as of that date, the Company's current liabilities exceeded its total assets by \$24,260,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about Pieridae Energy Limited's ability to continue as a going concern.

Calgary, Canada
May 1, 2017

Ernst & Young LLP

Chartered Professional Accountants



Pieridae Energy Limited

Consolidated statements of financial position

[Expressed in thousands of Canadian dollars]

As at December 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	197	4,499
Restricted cash [note 6]	68	107
Other current assets	119	873
Conversion right [note 7 [a] and 11]	2,429	927
Total current assets	2,813	6,406
Investments in associates [note 3]	3,854	3,980
Property, plant and equipment, net [note 4]	3,361	3,368
	10,028	13,754
Liabilities and shareholders' deficiency		
Current		
Accounts payable and accrued liabilities	15,447	11,486
Promissory notes [note 5 and 11]	2,129	—
Goldboro land mortgage [note 6]	3,200	3,200
Convertible loan [note 7 [b] and 11]	6,297	6,487
Total current liabilities	27,073	21,173
Shareholders' deficiency		
Share capital [note 8]	44,668	43,918
Contributed surplus	5,896	2,397
Deficit	(68,808)	(54,806)
Accumulated other comprehensive income	1,287	1,125
Equity attributable to equity holders of the Company	(16,957)	(7,366)
Non-controlling interest [note 9]	(88)	(53)
Total shareholders' deficiency	(17,045)	(7,419)
	10,028	13,754
Commitments and contingencies [note 14]		

See accompanying notes

On behalf of the Board:

Director

Director

Pieridae Energy Limited

Consolidated statements of comprehensive loss

[Expressed in thousands of Canadian dollars]

Years ended December 31

	2016	2015	2014
	\$	\$	\$
Expenses			
Terminal development <i>[note 15]</i>	10,236	30,612	12,553
Employee benefits	3,426	2,189	282
Professional fees	444	1,162	184
Travel	97	301	147
Depreciation of property, plant and equipment	7	7	7
Loss before the following	<u>14,210</u>	<u>34,271</u>	<u>13,173</u>
Other expenses			
Share of associates' loss <i>[note 3]</i>	125	113	104
Loss (gain) on conversion right <i>[note 7[a]]</i>	(659)	42	—
Interest expense <i>[note 12]</i>	1,535	78	91
Foreign exchange loss (gain)	(1,123)	554	165
	<u>(122)</u>	<u>787</u>	<u>360</u>
Loss before income taxes	14,088	35,058	13,533
Income tax recovery (expense) <i>[note 13]</i>	—	—	—
Net loss for the year	<u>14,088</u>	<u>35,058</u>	<u>13,533</u>
Other comprehensive income to be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations	(162)	(109)	(711)
Total comprehensive loss for the year	<u>13,926</u>	<u>34,949</u>	<u>12,822</u>
Attributable to			
Equity holders of the Company	14,002	34,613	12,691
Non-controlling interest <i>[note 9]</i>	86	336	131
	<u>14,088</u>	<u>34,949</u>	<u>12,822</u>
Net loss per share attributable to equity holders of the Company			
Basic and diluted	<u>0.90</u>	<u>2.26</u>	<u>0.97</u>

See accompanying notes

Pieridae Energy Limited

Consolidated statements of changes in equity

[Expressed in thousands of Canadian dollars]

Attributable to equity holders of the Company

	Share capital	Warrants	Contributed surplus	Deficit	Foreign currency translation reserve	Total	Non- controlling interest	Total shareholders' deficiency
Balance as at December 31, 2013	15,429	—	—	(6,683)	305	9,051	—	9,051
Share issuances	19,689	—	—	—	—	19,689	—	19,689
Non-controlling interest <i>[notes 1&9]</i>	—	—	—	—	—	—	218	218
Total comprehensive loss for the year	—	—	—	(13,402)	711	(12,691)	(131)	(12,822)
Balance as at December 31, 2014	35,118	—	—	(20,085)	1,016	16,049	87	16,136
Issuances	8,800	—	—	—	—	8,800	—	8,800
Share-based compensation <i>[note 8]</i>	—	—	991	—	—	991	—	991
Convertible loan issuance <i>[note 7]</i>	—	—	1,406	—	—	1,406	—	1,406
Non-controlling interest <i>[note 9]</i>	—	—	—	—	—	—	196	196
Total comprehensive loss for the year	—	—	—	(34,721)	109	(34,613)	(336)	(34,949)
Balance as at December 31, 2015	43,918	—	2,397	(54,806)	1,125	(7,367)	(53)	(7,420)
Issuances <i>[note 8]</i>	250	500	—	—	—	750	—	750
Conversion of warrants <i>[note 8]</i>	500	(500)	—	—	—	—	—	—
Share-based compensation <i>[note 8]</i>	—	—	2,154	—	—	2,154	—	2,154
Convertible loan issuance/extension <i>[note 7]</i>	—	—	1,346	—	—	1,346	—	1,346
Non-controlling interest <i>[note 9]</i>	—	—	—	—	—	—	51	51
Total comprehensive loss for the year	—	—	—	(14,002)	162	(13,840)	(86)	(13,926)
Balance as at December 31, 2016	44,668	—	5,897	(68,808)	1,287	(16,957)	(88)	(17,045)

See accompanying notes

Pieridae Energy Limited

Consolidated statements of cash flows

[Expressed in thousands of Canadian dollars]

Years ended December 31

	2016	2015	2014
	\$	\$	\$
Operating activities			
Net loss for the year	(14,088)	(35,058)	(13,533)
Adjustments to reconcile net loss for the year to cash used in operating activities			
Share-based compensation <i>[note 8]</i>	2,154	991	—
Depreciation of property, plant and equipment	7	7	7
Accretion of convertible loan <i>[note 12]</i>	552	55	—
Share of associates' loss <i>[note 3]</i>	125	113	104
Loss (gain) on conversion right <i>[note 7[a]]</i>	(659)	42	—
Foreign exchange loss (gain)	(1,123)	554	165
Net change in non-cash working capital balances related to operations	4,715	8,917	1,290
Cash used in operating activities	(8,317)	(24,379)	(11,967)
Investing activities			
Investments in associates <i>[note 3]</i>	—	(750)	—
Minority interest	—	—	288
Purchase of property, plant and equipment <i>[note 4]</i>	—	(3,354)	—
Cash provided by (used in) investing activities	—	(4,104)	288
Financing activities			
Proceeds of share issuance <i>[note 8]</i>	250	8,800	19,689
Proceeds of warrant issuance <i>[note 8]</i>	500	—	—
Issuance of Goldboro Land Mortgage <i>[note 6]</i>	—	3,200	—
(Increase) decrease in restricted cash <i>[note 6]</i>	39	(107)	—
Issuance of promissory note <i>[note 5]</i>	2,215	—	—
Issuance of convertible loan <i>[note 7]</i>	—	6,679	—
Cash provided by financing activities	3,004	18,572	19,689
Net increase (decrease) in cash during the year	(5,313)	(9,911)	8,010
Cash and cash equivalents, beginning of year	4,499	14,468	5,982
Net foreign exchange difference	1,011	(58)	476
Cash and cash equivalents, end of year	197	4,499	14,468
Cash interest paid	319	7	118

See accompanying notes

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

1. Corporate information and basis of presentation

Corporate information

Pieridae Energy Limited [the “Company”] was incorporated on May 29, 2012 under the laws of Canada to invest in the development of a fully integrated liquefied natural gas [“LNG”] project to be built in Goldboro, Nova Scotia. The Company is headquartered in Calgary, Alberta.

The consolidated financial statements of the Company as at and for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the directors on May 1, 2017.

Basis of presentation and consolidation

The consolidated financial statements and the notes hereto, have been prepared as at and for the years ended December 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”]. All amounts have been presented in Canadian dollars, unless stated otherwise.

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, which contemplates the realization of assets and settlements of liabilities in the normal course of operations for the foreseeable future. As at December 31, 2016, the Company had current liabilities in excess of current assets of \$24,260,000 and during the year ended December 31, 2016, consistent with the developmental stage of the organization, had generated a \$14,088,000 net loss and \$8,870,000 negative cash flow from operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about Pieridae Energy Limited’s ability to continue as a going concern. The Company expects to incur further losses in the development of its business and will require additional debt and equity financing to fund future phases in the development of its LNG project and associated natural gas assets. These consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that would be necessary if the going concern assumption was not valid; such adjustments could be material. Refer to note 10, “Financial risk management objectives and policies” and the section within entitled “Liquidity and funding risk” for a detailed description of the requirements for additional debt and equity financing.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

The consolidated financial statements include the following entities of the Company:

	Jurisdiction of incorporation	% ownership
Pieridae Energy Limited	Canada	Private shareholders
Pieridae Energy (Canada) Ltd.	Canada	99%
Goldboro LNG Limited Partnership	Canada	99%
9290834 Canada Ltd.	Canada	99%
Pieridae Energy (USA) Ltd.	Canada	100%
Goldboro LNG Limited Partnership II	Canada	100%
Atlantic Offshore Production Ltd.	Canada	100%
Pieridae Offshore Development Limited Partnership	Canada	100%
Pieridae Production GP Ltd.	Canada	50%
Pieridae Production Limited Partnership	Canada	20% [2014 –16.98%]

On March 13, 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper Global Commodities Canada Inc. ["Uniper"], formerly E.ON Climate & Renewables Canada Ltd., entered into an agreement whereby Uniper acquired a 1% ownership in Goldboro LNG Limited Partnership and Pieridae Energy (Canada) Ltd. for cash consideration of \$288.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. When there is a party with a non-controlling interest in a subsidiary that the Company controls, that non-controlling interest is reflected as "non-controlling interest".

2. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by management of the Company in the preparation of these consolidated financial statements:

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Restricted cash

Restricted cash in the consolidated statements of financial position comprises of cash held at a bank that is restricted in use to pay the associated interest on the Company's debt referenced in note 6.

Investments in associates

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive loss reflects the Company's share of the results of operations of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is presented in the consolidated statements of comprehensive loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in the consolidated statements of comprehensive loss. Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets and commences when the assets are ready for intended use.

Asset class	Estimated useful life range
Office equipment	5 years

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is included in the consolidated statements of comprehensive loss when the item is derecognized.

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted, if appropriate, at each year-end.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Financial assets

- Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ["FVTPL"].
- Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its other current assets as loans and receivables.
- Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents, restricted cash and conversion right as FVTPL.
- Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.
- Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income, except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* ["IAS 39"] are classified as FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial liabilities classified as loans and borrowings include accounts payable and accrued liabilities, the Goldboro Land Mortgage and the convertible loan, which are subsequently measured at amortized cost.

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis and to realize the assets and settle the liabilities simultaneously.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the reporting date. To estimate the fair value of its financial instruments, the Company utilizes quoted market prices when available or third-party models and valuation methodologies, that use observable market data.

The Company categorizes its financial instruments at fair value into one of three levels, depending on the significance of inputs employed in the measurement:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's cash and cash equivalents, restricted cash, other current assets and accounts payable and accrued liabilities have fair values that approximate their carrying values due to the short-term nature of these items. The conversion right and convertible loan are classified as a Level 3 instrument, due to the private nature of the Company and limited trading in its share capital, and have been valued in this manner.

Current versus non-current classification

An asset (liability) is classified as current when it is expected to be realized (settled) within 12 months after the consolidated statement of financial position date.

Capitalization of development costs

All costs incurred are expensed until the Company reaches project certainty and the IFRS criteria are met for capitalization.

Income taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

Share-based payments

The Company has established a Stock Option Plan for the issuance of options to directors, officers, employees and consultants to purchase common shares of the Company. The vesting period and expiry date for each option grant is set at the discretion of the Board of Directors. Each vesting tranche is considered a separate award with its own vesting period. The fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period for each particular tranche based on the number of awards expected to vest, with a corresponding increase to contributed surplus. Compensation costs are treated as general and administrative expenses. The number of option awards expected to vest is reviewed at each reporting date, with any impact being recognized immediately. The cash proceeds received, net of any directly attributable transaction costs, together with the amount recorded to contributed surplus are credited to share capital when the options are exercised.

Segment reporting

The Company reports its operating segments in a manner consistent with the internal reporting provided to the chief operating decision makers, determined to be the Board of the Directors and the senior executives. The Company operates within one segment being its Canadian operating segment.

Consolidated statements of cash flows

The Company uses the indirect method to prepare the consolidated statements of cash flows. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are presented separately in the consolidated statements of cash flows.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates, assumptions and judgments made in relation to the fair value of the conversion right and the convertible loan is subject to measurement uncertainty. The fair value of the conversion right was measured using the Black-Scholes option pricing model. Measurement inputs for this valuation include the share price on measurement date, exercise price, expected volatility of the Company's share price, expected life of the instrument, expected dividends, the risk-free interest rate, and the probabilities of conversion. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Recent accounting pronouncements

The IASB has undertaken a three-phase project to replace IAS 39 with IFRS 9 *Financial Instruments* ["IFRS 9"]. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

In November 2013, the IASB issued the third phase of IFRS 9, which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The Company does not employ hedge accounting. IFRS 9 is required to be adopted retrospectively for fiscal years beginning January 1, 2018, with earlier adoption permitted.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ["IFRS 15"], which is effective from January 1, 2018, with early adoption permitted. The standard provides explicit guidance for multiple element arrangements and for situations in which there are contract modifications. The adoption of IFRS 15 is not expected to have a significant impact on the Company's consolidated financial statements.

In January 2016, the IASB issued IFRS 16 *Leases* ["IFRS 16"], which replaces the current standard [IAS 17 *Leases*] and removes the classification of leases as financing or operating in nature for lessees. As a result, all leases are effectively treated as finance leases with required recognition on the statement of financial position. Leases with a term of 12 months or less, and leases of low value items are exempted from this treatment. Lessors may continue to classify a lease as either finance or operating. IFRS 16 is effective January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

3. Investments in associates

On March 4, 2013, the Company entered into a partnership to establish Pieridae Production LP [the "Partnership"] and Pieridae Production GP. Pieridae Production LP was formed to develop gas resources in New Brunswick, Nova Scotia and the Northeast US. The Company as at January 1, 2014 had a 16.98% ownership, and made no further contributions to the Partnership during 2014. During 2015, the Company invested an additional \$750,000, increasing its ownership to 20%. Under the terms of the Partnership agreement, the Company is entitled to contribute an additional \$14,125,000 to the partnership, prior to any further funding being made by the other partner, and increasing its ownership in Pieridae Production LP to 50%.

The Company's interest in Pieridae Production LP and Pieridae Production GP are accounted for using the equity method in the consolidated financial statements.

	\$ [000s]
Balance, January 1, 2014	3,447
Share of associates' loss	(104)
Balance, December 31, 2014	3,343
Contributions	750
Share of associates' loss	(113)
Balance, December 31, 2015	3,980
Share of associates' loss	(125)
Balance, December 31, 2016	3,855

Summarized financial statement information of the Partnership is disclosed below:

	2016 \$	2015 \$	2014 \$
	[000s]		
Current assets	104	33	34
Non-current assets	20,145	20,125	20,068
Current liabilities	(1,317)	(599)	(688)
Net loss for the year	(626)	(606)	(610)

The associates have no contingent liabilities or capital commitments as at December 31, 2016 and December 31, 2015; however, under the terms of the operating agreement in place for the Partnership there is an agreed annual fee of \$600,000 to be paid by Pieridae Production LP to the operator.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

4. Property, plant and equipment

	Goldboro Land \$	Office equipment \$	Total \$
	[000s]		
Cost			
January 1, 2014 and December 31, 2014	—	35	35
Additions [note 6]	3,354	—	3,354
December 31, 2015	3,354	35	3,389
Additions [note 6]	—	—	—
December 31, 2016	3,354	35	3,389
Accumulated depreciation			
January 1, 2014	—	7	7
Depreciation	—	7	7
December 31, 2014	—	14	14
Depreciation	—	7	7
December 31, 2015	—	21	21
Depreciation	—	7	7
December 31, 2016	—	28	28
Net book value			
December 31, 2014	—	21	21
December 31, 2015	3,354	14	3,368
December 31, 2016	3,354	7	3,361

5. Promissory notes

	\$
	[000s]
US dollar promissory notes	
Issued [US\$ 1.1 million]	1,563
Foreign exchange loss (gain)	(86)
	1,477
Canadian dollar promissory notes	652
Balance, December 31, 2016	2,129

On January 11, 2016, the Company entered into a promissory note with one of its shareholders for US\$1.1 million. The promissory note is unsecured, bears interest at a rate of 10% per annum and is due upon demand.

On May 3, 2016, the Company entered into two promissory notes with two of its shareholders for \$300,000. Subsequently, the Company has entered into further promissory notes with three of its shareholders for a further

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

\$352,000. The promissory notes are unsecured, bear interest at a rate of 10% per annum and are due upon demand.

6. Goldboro Land Mortgage

On December 3, 2015, the Company completed the purchase of approximately 107.5 hectares [265.5 acres] of land from the Municipality of the District of Guysborough [the "Goldboro Land"] for \$3.2 million. This property is located in the Goldboro Industrial Park and will serve as the site for the proposed LNG facility. As part of the purchase agreement, the Company has the right to sell the land back to the Municipality of the District of Guysborough at any time prior to March 31, 2019 for the purchase price. The Municipality of the District of Guysborough also has the right to repurchase the land for the purchase price at any time after December 31, 2018 if the Company has not made its final investment decision on the construction of its LNG project or not received the necessary regulatory permits to commence construction of the LNG project. The Company capitalized a further \$154,000 of legal and other costs associated with the acquisition of the Goldboro Land.

In connection with this purchase, the Company entered into a \$3.2 million loan agreement [the "Goldboro Land Mortgage"] with the Bank of Nova Scotia in Halifax to finance the purchase. Under the terms of the Goldboro Land Mortgage, interest is to be paid monthly at a rate equal to the prime lending rate of the Bank of Nova Scotia plus 2.0% per annum. A restricted bank account has been established to fund the interest payable to maturity. The loan is secured by the Goldboro Land. The Goldboro Land Mortgage matures on August 4, 2017.

7. Convertible loan and conversion right

On November 27, 2015, the Company agreed to a US\$5 million loan with one of its shareholders [the "Loan Agreement"]. Under the terms of the Loan Agreement interest is to be paid at a rate of 10% per annum, with interest paid at maturity of the loan. Any outstanding amount under the Loan Agreement, including any unpaid interest, can be converted into common shares of the Company at either the option of the holder, at a conversion price of \$15.00 per share at any time prior to maturity, or at the option of the Company, at a conversion price of \$12.50 per share on the day prior to maturity (the "conversion feature"). The Loan Agreement provides security to the holder of a floating charge of all of the Company's right, title, estate and interest in and to all of its present and after-acquired real property. The loan was to mature at the earlier of October 1, 2016, the date the final investment decision is made by the Company on the Goldboro LNG facilities or if the date there is a change of control of the Company; however, on September 28, 2016 the Company and shareholder agreed to extend the maturity of the loan until October 1, 2017. The conversion feature was determined to be a derivative and is required to be separated from the convertible loan and accounted for at fair value.

As the convertible loan was issued to a related party, the transaction was determined to be made with an owner in that capacity. Accordingly, the difference between the fair value of the combined convertible loan and conversion right and the cash consideration was recorded in contributed surplus. When the loan was extended on September 28, 2016, the difference in fair value resultant from the extension was also recorded in contributed surplus. However, all changes to the estimated fair value of the conversion feature have been recorded in the consolidated statements of comprehensive loss. The amounts recorded in contributed surplus are as follows:

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

	2016	2015	2014
	\$	\$	\$
	[000s]		
Cash consideration received	—	6,679	—
Fair value of conversion feature	544	936	—
Change in fair value attributable extension of loan agreement	802	(6,209)	—
Amount recognized in contributed surplus	1,346	1,406	—

[a] Conversion right

	2016	2015	2014
	\$	\$	\$
	[000s]		
Beginning of year	927	—	—
Recognized on issuance	—	936	—
Gain (loss) on change in value of conversion right	659	(42)	—
Foreign exchange gain	42	33	—
Change in fair value attributable extension of loan agreement	802	—	—
End of year	2,429	927	—

Upon completion of the Loan Agreement, the initial value of the conversion right was calculated utilizing a valuation method that incorporated both the Black-Scholes valuations of the conversion rights held both by the Company and holder of the Loan Agreement and the associated estimated probabilities of each conversion right being exercised. The various assumptions utilized for the calculation of the conversion right are as follows:

As at December 31	2016	2015
Canadian to US dollar conversion rate	\$1.3427	\$1.3840
Share price	\$9.00	\$12.50
Risk free rate	0.73%	0.62%
Expected life	0.75 years	0.75 years
Expected volatility	60%	60%
Probability of holder exercising	5%	25%
Probability of Company exercising	95%	75%

Upon completion of the extension of the Loan Agreement, the value of the conversion right was revalued utilizing the valuation method described above and utilizing the same assumptions except for the expected life, which was updated for the one-year extension.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

[b] Convertible loan

	2016	2015	2014
	\$	\$	\$
	[000s]		
Beginning of year	6,487	—	—
Recognized on issuance	—	6,209	—
Accretion	552	55	—
Foreign exchange loss	(197)	223	—
Extension of Loan Agreement	(544)	—	—
End of year	6,297	6,487	—

Upon completion of the Loan Agreement, the initial value of the convertible loan was calculated as the present value of the expected future payments, including interest, utilizing an estimated market interest rate for a similar loan of 20%. The difference between the loan proceeds received by the Company and the present value of the expected future payments, and the value of the conversion right, was recognized as contributed surplus. Subsequently, the Company has recognized accretion of the convertible loan and the change in value associated with the change in the foreign exchange rate of the loan, with these being recorded within the consolidated statements of comprehensive loss.

Upon completion of the extension of the Loan Agreement, the value of the convertible loan was recalculated as the present value of the expected future payments, including interest, utilizing an estimated market interest rate for a similar loan of 20%. The difference between the value of the loan and the present value of the expected future payments and the difference between the recalculated value of the conversion right and the value of the loan prior to the extension was recognized as contributed surplus.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

8. Shareholders' equity (deficiency)

Common shares

As at December 31, 2016, the Company is authorized to issue an unlimited number of common shares. The common shares are without nominal or par value.

The issued and outstanding common shares of the Company are as follows:

	Number of shares	\$
		[000s]
Balance, December 31, 2013	12,359,412	\$15,429
Issued August 29, 2014	1,194,649	10,693
Issued September 4, 2014	401,781	3,616
Issued October 1, 2014	597,760	5,380
Balance, December 31, 2014	14,553,602	\$35,118
Issued March 19, 2015	950,000	8,550
Issued December 17, 2015	20,000	250
Balance, December 31, 2015	15,523,602	\$43,918
Issued April 27, 2016	20,000	250
Issued July 1, 2016	55,556	500
Balance, December 31, 2016	15,599,158	44,668

On August 29, 2014, the Company closed a private offering of 1,176,853 common shares for an aggregate price of US\$10 million in two tranches of US\$5 million, one tranche on August 29, 2014 and the second on October 1, 2014. Total cash received for both tranches totaled \$10.8 million.

On August 29, 2014, the Company closed a private offering of 615,556 common shares at a price of \$9 per common share for aggregate cash proceeds of \$5.5 million.

On September 4, 2014, the Company closed a private offering of 401,781 common shares at a price of \$9 per common share for aggregate cash proceeds of \$3.6 million.

On March 19, 2015, the Company closed a private offering of 950,000 common shares at a price of \$9 per common share for aggregate cash proceeds of \$8.6 million.

On December 17, 2015, the Company closed a private offering to an officer of the Company as part of their terms of employment for 20,000 common shares at a price of \$12.50 per common share for aggregate cash proceeds of \$0.25 million.

On April 27, 2016, the Company closed a private offering of 20,000 common shares at a price of \$12.50 per common share for aggregate cash proceeds of \$0.25 million.

On May 3, 2016, the Company closed a private offering of \$500,000 of warrants to existing shareholders. The warrants had an automatic conversion date of July 1, 2016, or upon a change of control of the Company if it occurred prior to that date, at a price equal to either \$9.00 per common share or at the price per common shares

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

realized from the completion of a private placement prior to July 1, 2016. The warrants were automatically converted on July 1, 2016 with the issuance of 55,556 common shares.

Stock options

Pursuant to the Stock Option Plan, the Board of Directors may grant options to directors, officers, employees and other service providers. The aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis as at the time of granting. Stock options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and the option vesting period is determined at the discretion of the Board of Directors when granted. These options are equity settled share-based payment transactions.

The following tables present the reconciliation of stock options granted:

	Number of options #	Weighted average exercise price \$
Outstanding, January 1, 2014	—	—
Granted during 2014	605,000	1.00
Outstanding, December 31, 2014	605,000	1.00
Granted during 2015	820,000	10.49
Outstanding, December 31, 2015	1,425,000	6.46
Granted during 2016	200,000	12.50
Outstanding, December 31, 2016	1,625,000	7.20

The fair value of all options granted, excluding those that vest upon certain performance criteria being met, have been estimated at the grant date using the Black-Scholes option pricing model and are summarized in the following table:

	2016	2015
Weighted average fair value of stock options granted	\$3.08	\$4.39
Weighted average share price	\$9.00	\$10.75
Risk free interest rate	0.68%	0.40 – 0.80%
Expected life	3 – 5 years	3 – 5 years
Expected volatility	60%	60%
Dividend per share	Nil	Nil

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

The average expected volatility used to estimate the fair value of options granted was based on volatility for other private companies in similar early development opportunities. In addition, no estimated forfeiture rate has been used in the calculation of share-based payment expense. During the year ended December 31, 2016, the Company recognized \$2,133,000 [2015 – \$991,000, 2014 – nil] of share-based compensation costs as employee benefits.

The following table summarizes the stock options outstanding and exercisable under the Stock Option Plan as at December 31, 2016 and 2015:

Range of exercise price \$	Number of options outstanding	Average remaining contractual life [years]	Weighted average exercise price \$	Number of options exercisable	Average remaining contractual life [years]	Weighted average exercise price \$
\$0.01 – \$0.99	20,000	4.4	\$0.01	—	—	—
\$1.00 – \$8.99	605,000	1.1	\$1.00	305,000	1.6	\$1.00
\$9.00 – \$12.49	400,000	4.4	\$9.00	—	—	—
>\$12.50	600,000	4.95	\$12.50	—	—	—

Range of exercise price \$	Number of options outstanding	Average remaining contractual life [years]	Weighted average exercise price \$	Number of options exercisable	Average remaining contractual life [years]	Weighted average exercise price \$
\$0.01 – \$0.99	20,000	4.5	\$0.01	—	—	—
\$1.00 – \$8.99	605,000	2.1	\$1.00	305,000	2.1	\$1.00
\$9.00 – \$12.49	400,000	4.5	\$9.00	—	—	—
>\$12.50	400,000	4.8	\$12.50	—	—	—

9. Non-controlling interest

During 2014, the Company, Pieridae Energy (Canada) Ltd. and Uniper entered into an agreement, whereby Uniper acquired a 1% ownership in Goldboro LNG Limited Partnership and Pieridae Energy (Canada) Ltd. for total consideration of \$288,000. The 1% ownership is being accounted for as a non-controlling interest. During 2016 and 2015, Uniper contributed a further \$51,000 and \$196,000 respectively to maintain its 1% ownership.

10. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market and, credit risk and liquidity risk. Reflecting the current stage of the Company, to invest in the development of a fully integrated LNG project to be built in Goldboro, Nova Scotia, the Company's overall risk management program focuses on facilitating the Company's growth plans and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of management and material risks are identified and monitored by management.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity or commodity prices. The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact interest earned on the Company's cash and cash equivalents and on interest paid on the Goldboro Land Mortgage. As a result of the Goldboro Land Mortgage, if the market interest rates change by 1%, the impact on the interest expense is approximately \$8,000 [2015 – \$22,000] over the remaining term of the mortgage, including the extension. The Company is also exposed to fluctuations in foreign exchange rates as certain accounts payable and accrued liabilities and commitments and the convertible loan [note 14] are US dollar, UK pound sterling and Euro denominated. If the Canadian dollar was to change by one cent against the various currency exposures, the impact to the foreign exchange gain or loss would have been approximately \$111,000 [2015 – \$80,000]. To date, the Company has not entered into any foreign currency transactions or financial instruments to manage these interest rates or currency risks.

While the Company is still in a pre-development phase, it is not directly subject to fluctuations in commodity prices. However, fluctuations in commodity prices, specifically the price of LNG and the price of the North American gas supply, have a significant impact on the Company's final investment decision for the LNG project. These commodity prices also have a significant impact on the Company's ability to attract the necessary investment to ultimately construct the LNG project. As the Company advances toward a final investment decision for the LNG project and pursues the required financing it will evaluate a number of options to potentially manage this risk.

Credit risk

Credit risk arises from cash and cash equivalents and restricted cash balances held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents are held at large Canadian chartered banks and invested when appropriate on short-term interest savings accounts. The Company's accounts receivable balances relate to input tax credits associated with the Goods and Service Tax it is required to pay on certain of its expenditures. As a result, management believes the risk of loss is remote on these balances.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities [Goldboro Land Mortgage and convertible loan], and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, additional debt facilities and/or consider strategic alliances including joint venture partners.

To date, the Company has funded its share of commitments from existing cash balances, equity raises and through the issuance of the Goldboro Land Mortgage and convertible loan.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

As at December 31, 2016, the Company's anticipated future funding requirements include the funding of its negative working capital [including the Goldboro Land Mortgage] and its commitments, which are summarized in note 14, prior to reaching a final investment decision on the development of a fully integrated LNG project. In general, the Company's ability to continue operations and to ultimately pursue the development of the LNG project is dependent on its ability to access additional funding over time. The Company at the date of the consolidated financial statements has provided notification to certain vendors included in the accounts payable and accrued liabilities, with which it has significant balances, that payment is pending the completion of an equity financing.

11. Related party transactions

The Company transacts with certain related parties in the normal course of business. Related parties include shareholders Pieridae Production LP, Pieridae Production GP and the Company's directors [key management personnel] who receive a management fee for their services. The Company has identified its directors and officers as its key management personnel. For the year ended December 31, 2016, the compensation for key management of the Company and its subsidiaries amounted to \$721,240 [2015 – \$1,045,000, 2014 – \$827,000].

The convertible loan and conversion right issued on November 27, 2015 and described in note 7 were entered into with a shareholder of the Company.

The promissory notes issued and described in note 5 were with shareholders of the Company.

12. Interest

	2016	2015	2014
	\$	\$	\$
	[000s]		
Interest income on cash and cash equivalents	—	(50)	(27)
Interest expense on Goldboro Land Mortgage	150	7	—
Interest expense on convertible loan	664	66	—
Accretion on convertible loan	552	55	—
Interest on convertible notes	169	—	118
Interest expense	<u>1,535</u>	<u>78</u>	<u>91</u>

The interest associated with the Convertible loan has been accrued as at December 31, 2016 and will either be paid at the maturity date of the loan or converted to common shares.

13. Income taxes

Deferred tax assets are recognized to the extent that the realization of the related benefit through future taxable profit is probable. The Company did not recognize any deferred tax assets because it is not probable that future profits will be available against which the Company can utilize the benefits.

As at December 31, 2016, the Company has unrecognized tax losses of \$54,839,761 that are available for 18 – 20 years for offsetting against future taxable profits of the companies in which the losses arose.

Pieridae Energy Limited

Notes to consolidated financial statements

[Expressed in Canadian dollars, unless stated otherwise]

December 31, 2016, 2015 and 2014

14. Commitments and contingencies

The Company is committed for the use of office premises to future minimum payments of \$6,000 in 2017 [\$138,000 in 2016].

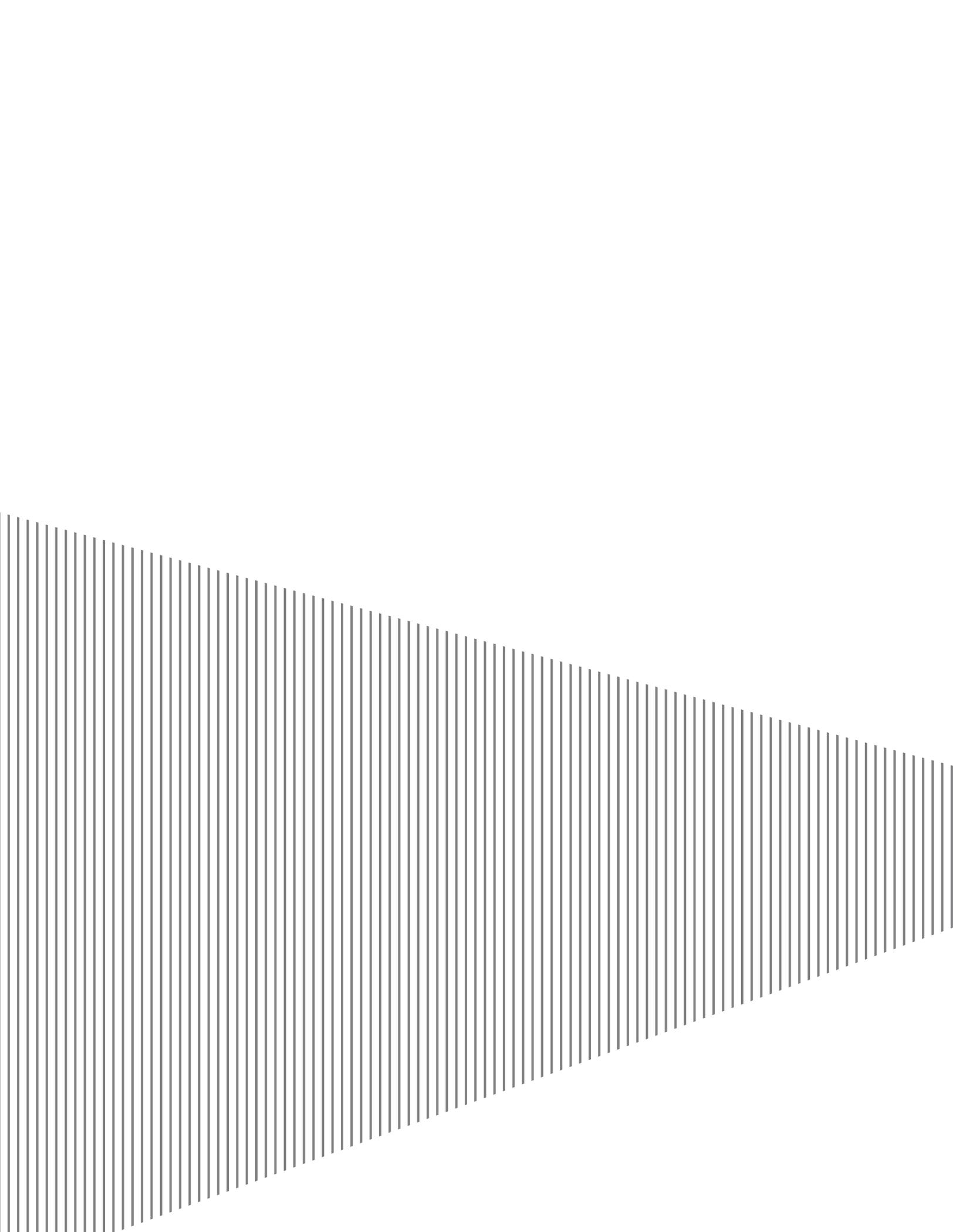
15. Terminal development expenses

Terminal Development Expenses are comprised of third party costs incurred to develop the LNG project. The following table summarizes significant components of the Company's terminal development expenses:

	2016	2015	2014
	\$	\$	\$
	[000s]		
Engineering	9,822	30,037	9,541
Environmental review	195	289	253
Other	219	286	2,759
Total	10,236	30,612	12,553

16. Subsequent events

In connection with the Goldboro Land Mortgage, on March 20, 2017 the Company and the Bank of Nova Scotia agreed to extend the maturity of the loan until August 4, 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

(all monetary amounts are rounded to the nearest thousand dollars)

Pieridae (the "Company") is a privately held corporation which, through its Affiliates, carries on an integrated LNG business consisting of

- (a) the development, construction, ownership and operation of the Goldboro LNG Facility to be situated in Nova Scotia with a design production capacity of up to 10 MTPA of LNG which will be sold to customers at the Goldboro LNG Facility primarily for export (namely, the Midstream Activities); and
- (b) the acquisition and development of resource property interests in Canada and the U.S.A. for the production of natural gas and associated products, and the supplemental procurement of natural gas from Canadian and U.S. producers under medium and long-term contract, for use as feed gas and fuel in the production of LNG at the Goldboro LNG Facility (namely the Upstream Activities).

The Pieridae Group is in the development stage of its Midstream Activities and is in the early acquisition stage of its Upstream Activities. It is anticipated that the construction of the Goldboro LNG Facility will commence in 2018 and that it will be operational in 2022 at the earliest. Accordingly, the Pieridae Group is not currently earning any revenue from the sale of LNG, natural gas or any other product or service.

For the year ended December 31, 2014

Terminal Development

During 2014 the Company expended \$12,553,000 on the development of the Goldboro LNG Facility which was \$10,654,000 greater than in 2013. This increase is due primarily to the costs incurred in 2014 relating to the environmental assessment review and the preliminary engineering services associated with that review.

Professional Fees

The Company expended \$184,000 on professional fees during 2014 as compared to \$376,000 for the previous year. The decrease of \$192,000 is due primarily to the fact that the negotiation of the LNG Sale and Purchase Agreement was successfully completed in 2013 and therefore did not carry forward to 2014.

Employee Benefits

Employee benefits increased by \$151,000 in 2014 to \$282,000 as compared to the previous year. This increase is primarily attributed to the additional number of personnel who were hired during 2014 in order to complete the environmental assessment review process.

Travel

Travel costs increased by \$79,000 in 2014 to \$147,000 due to increased marketing activities and participation in certain regulatory hearings.

Interest Expense

Interest expense was \$91,000 in 2014, an increase of \$101,000 from the previous year. This increase is largely due to the \$3.5 million that the Company borrowed from a related party in May, 2014. During 2014 the interest expense was offset by interest income of \$27,000.

Total Comprehensive Loss

The total comprehensive loss increased by \$7,237,000 in 2014 to \$12,822,000 compared to 2013 due primarily to an increase in expenses incurred in the development of the Goldboro LNG Facility. This increase is net of a \$406,000 foreign exchange gain arising due to the denomination of certain of the Company's expenses and liabilities in U.S. dollars and the appreciation of the Canadian dollar in relation to the U.S. dollar and the.

Working Capital

The Company increased its working capital by \$7,195,000 during 2014 primarily due to the issuance of additional equity. The funds received by the Company are intended to be applied toward the further development of the Goldboro LNG Facility.

Investments in Associates

During 2013, the Company acquired a 16.98% interest in Pieridae Production Limited Partnership which holds approximately 40,000 acres of natural gas prone lands in New Brunswick. Although no further contributions were made by the Company to the limited partnership during 2014, the Company's share of the limited partnership's loss was \$104,000.

Total Assets

Total assets increased by \$8,718,000 during 2014 due primarily to additional equity investment in the Company.

Total Liabilities

Total liabilities increased by \$1,634,000 during 2014 due to an increase in accounts payable and accrued liabilities associated with regulatory and engineering activity.

Shareholder Equity

The Company issued 2,194,190 common shares at \$9 each during 2014 in comparison to 2013 during which the Company issued 2,899,412 shares at an average price of \$2.70 each. The total number of common shares of the Company outstanding at the end of 2014 was 14,553,602.

Total Deficit

The total deficit in 2014 was \$20,085,000 which represents an increase of \$13,402,000 compared to the previous year. This increase is due primarily to costs associated with regulatory and engineering activity.

For the year ended December 31, 2015

Terminal Development

In July 2015 the Company elected to begin the front end engineering and design for the Goldboro LNG Facility (the "FEED").

During 2014 the Company expended \$30,611,000 on the development of the Goldboro LNG Facility which was \$18,058,000 greater than in 2013. These expenditures relate primarily to the FEED. The cost of the FEED was fixed at U.S. \$25 million and approximately 75% of the FEED was completed during 2015.

Employee Benefits

Employee benefits increased by \$1,907,000 during 2015 compared to the previous year. This increase is primarily the result of the adoption by the Company of a stock option plan which increased costs by approximately \$991,000 and the hiring of additional personnel which increased costs by approximately \$916,000.

Professional Fees

Professional fees increased by \$978,000 during 2015. Approximately \$700,000 of the increase is associated with legal expenses incurred in connection with a possible acquisition of certain natural gas resource properties and approximately \$200,000 of the increase relates to legal expenses incurred to draft an engineering, procurement and construction for the Goldboro LNG Facility.

Interest Expense

Net interest expense decreased by \$13,000 during 2015 due to conversion by the Company of certain debt into equity prior to the end of the year. A U.S. \$5 million convertible loan was issued by a related party to the Company in November of 2015 representing the majority of the interest expense for 2015. The interest expense in 2015 was offset by interest income of \$50,000.

Travel

Travel costs increased by \$154,000 in 2015 to \$301,000 due primarily to travel for the marketing of the second liquefaction train of the Goldboro LNG Facility and finance related activities.

Foreign Exchange Loss

Foreign exchange loss increased by \$389,000 during 2015 compared to 2014 due to an increase in the expenses and liabilities denominated in the U.S. dollar and the depreciation of the Canadian dollar in relation to the U.S. dollar.

Total Comprehensive Loss

The total comprehensive loss for 2015 was \$34,948,000 as compared to \$12,822,000 in the previous year. The increase of \$22,126,000 is due primarily to the commencement and substantial completion of the FEED and an increase in employee benefits as described above.

Working Capital

The Company decreased its working capital by \$27,539,000 during 2015. This decrease is principally due to a \$9,240,000 increase in accounts payable, the incurrence of a bank loan of \$3,200,000 secured by a mortgage on the Project Site and loans of \$6,487,000 from related parties and the utilization of cash reserves of \$8,600,000. This deterioration in working capital is attributable to the commencement of the FEED and the Company's inability to secure sufficient additional equity investment to fund the associated costs of the FEED. The FEED was completed during 2015 although a portion of the related cost was unpaid during the year.

Investments in Asset Acquisitions

During 2015 the Company contributed an additional \$750,000 to Pieridae Production Limited Partnership thereby increasing its interest to 20%. The Company's share of the limited partnership's loss was \$113,000 in 2015 as compared to \$104,000 in the previous year.

Property, Plant and Equipment

Property, plant and equipment increased by \$3,347,000 during 2015 to \$3,368,000 due primarily to the Company's purchase of the Project Site for \$3,354,000.

Total Assets

Total assets decreased by \$4,628,000 during 2015 due to the increased expenditures as discussed above offset by the \$750,000 additional investment in Pieridae Production Limited Partnership.

Total Liabilities

Total liabilities increased by \$18,927,000 during 2015 which is attributable to the \$3,200,000 bank loan and mortgage on the Project Site, the U.S. \$5 million convertible loan and an increase of \$9.2 million in accounts payable principally related to unpaid costs of the FEED.

Shareholder Equity

During 2015 the Company issued 970,000 common shares at an average price of \$9.07 each in comparison to 2014 during which the company issued 2,194,190 common shares at price of \$9.00 each. The total shares outstanding at the end of 2015 was 15,523,602.

Deficit

The total deficit at the end of 2015 was \$54,806,000 representing an increase of \$34,700,000 from the previous year. The increase in the deficit is due primarily to the costs associated with the FEED, an increase in U.S. denominated liabilities and the deterioration in the value of the Canadian dollar in relation to the U.S. dollar.

For the year ended December 31, 2016

Terminal Development

During 2016 the Company expended \$10,236,000 on the development of the Goldboro LNG Facility which is \$20,375,000 less than in the previous year. This decrease is due primarily to the completion of the FEED in March of 2016 and the fact that no additional development work was initiated in 2016.

Employee Benefits

Employee benefits increased by \$1,236,000 during 2016 compared to the previous year primarily as a result of stock based compensation which accounts for approximately \$1,142,000 of the increase. The remaining increase of \$94,000 was the result of increases in salary award at the beginning of the year.

Professional Fees

Professional fees were \$718,000 less in 2016 than the previous year due to the termination of negotiations in regard to a possible acquisition of certain natural gas resource properties and the completion of the draft engineering, procurement and construction for the Goldboro LNG Facility. Professional fees also decreased due to the austerity program which the Company implemented during the latter half of 2016.

Travel

Travel costs decreased during 2014 by \$204,000 to \$97,000 due to austerity measures implemented by the Company.

Interest Expense

Interest expense increased by \$1,457,000 during 2016 as compared to the previous year due to a significant increase in the Company's indebtedness due to related parties.

Foreign Exchange Gain

The Company realized a foreign exchange gain of \$1,123,000 during 2016 due to the appreciation of the Canadian dollar in relation to the U.S. dollar and, to a lesser extent, the British pound.

Total Comprehensive Loss

The total comprehensive loss decreased by \$20,969,000 during 2016 to \$13,926,000. This decrease is due primarily to the completion of the FEED in early 2016 and a concomitant reduction in engineering costs. The decrease was further enhanced by a foreign exchange gain albeit offset partially by increases in interest expense and employee benefits.

Working Capital

The Company's working capital decreased by \$9,492,000 during 2016 due primarily to an increase of \$3,960,000 in accounts payable, an increase of \$2,129,000 in the Company's indebtedness to related parties and the utilization of cash reserves in the amount of \$3,593,000. The Company continued to experience limited success in raising new equity investment.

Investments in Associates

The decrease in the Company's investment in associates of \$126,000 in 2016 is attributable to the Company's share of the loss of Pieridae Production Limited Partnership.

Total Liabilities

Total Liabilities increased by \$5,899,000 during 2016 as compared to the previous year. This increase was due primarily to the increase in accounts payable to the FEED supplier and increased indebtedness due to related parties.

Shareholder Equity

The Company issued 75,556 common shares during 2016 at an average price of \$9.93 each in comparison to 2015 during which the Company issued 970,000 common shares at price of \$9.07 each. The total common shares outstanding at the end of 2016 was 15,599,158.

Deficit

The deficit of the Company was \$68,808,000 at the end of 2016 which represents an increase of \$14,001,000 from the previous year.

For the quarter ended March 31, 2017

Terminal Development

During the first three months of 2017 the Company expended \$207,000 on the development of the Goldboro LNG Facility as compared to \$5,324,000 which the Company expended during the first three months of 2016. This decrease is due primarily to the completion of the FEED in March of 2016 and the fact that no additional development work was initiated in 2016 or during the first quarter of 2017.

Employee Benefits

Employee benefits decreased by \$175,000 during the first three months of 2017 compared to the same period in 2016. This decrease is due to the employment of fewer personnel and reduced stock based compensation.

Professional Fees

The Company did not engage the services of external legal counsel or any other professionals during the first three months of 2017. As a consequence, professional fees were \$185,000 less during the first quarter of 2017 compared to the same period in 2016.

Interest Expense

Interest expense remained constant during the first three months of 2017 as compared to the same period in 2016.

Travel

Travel expenses decreased by \$21,000 during the first quarter of 2017 due to the ongoing austerity measures implemented by the Company in 2016.

Foreign Exchange

The Company realized a foreign exchange gain of \$106,000 during the first quarter of 2017 which is \$104,000 less than the same period in 2016.

Total Comprehensive Loss

The Company incurred a total comprehensive loss of \$1,845,000 during the first quarter of 2017 compared to a loss of \$6,107,000 for the same period during 2016. The decrease of \$4,262,000 is due primarily to a decrease in expenditures incurred to develop the Goldboro LNG Facility.

Working Capital

The Company's working capital decreased by \$5,392,000 during the first three months of 2017 in comparison to the same period in 2016. This decrease is due primarily to an increase of \$4,952,000 in accounts payable and an increase of \$727,000 in indebtedness due to related parties.

Total Assets

Company had total assets of \$9,208,000 at the end of March of 2017 as compared to \$8,848,000 at the end of March of 2016. The difference of \$360,000 is due primarily to a decrease in current assets of the Company.

Total liabilities

Total liabilities increased by \$5,885,000 due primarily to an increase of \$4,952,000 in accounts payable and an increase of \$727,000 in indebtedness due to related parties.

Shareholder Equity

The Company did not issue any common shares during the first three months of 2017. The total common shares outstanding at March 31, 2017 was 15,599,158.

Deficit

The Company's deficit on March 31, 2017 was \$70,744,000 compared to \$61,516,000 on March 31, 2016. The increase of \$9,228,000 is due primarily to an increase of \$4,952,000 in accounts payable, an increase of \$727,000 in indebtedness due to related parties and a decrease in current assets of \$493,000.

Critical Accounting Policies

Reference should be made to the Company's significant accounting policies contained in note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2016. These accounting policies may have a significant impact on the financial performance and financial position of the Company.

Off-Balance Sheet Transactions

The Company had no off-balance sheet transactions during the periods described above.

Related Party Transactions

The Company transacts with certain related parties in the normal course of business. Related parties include Pieridae Production Limited Partnership, Pieridae Production GP Ltd. and certain member of the Company's senior management who receive a management fee for services. The Company has identified its directors and officers as its key management personnel. The convertible loan and the conversion right issued on November 27, 2015 and extended on October 1, 2016 were entered into with a shareholder of the Company. The promissory notes issued by the Company were to certain of its shareholders.

Commitments

The Company has no commitments as of the end of the first quarter.

Going Concern

The consolidated financial statements of the Company for the years ended December 31, 2016, 2015 and 2014 and for the three months ended March 31, 2017 have been prepared on a going concern basis using the historical cost convention, which contemplates the realization of assets and settlements of liabilities in the normal course of operations for the foreseeable future. The Company had negative working capital and during the three months ended March 31, 2017 consistent with the developmental stage of the organization, had generated a net loss and negative cash flow from operations. As at March 31, 2017, the Company had current liabilities in excess of current assets of \$25,764,000. These

conditions indicate the existence of material uncertainties to fund future phases in the development of the Goldboro LNG Project and associated natural gas assets. Refer to note 10 of the audited consolidated financial statements of the Company for the year ended December 31, 2016 “Financial risk management objectives and policies”.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company may be unable to obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they become due. The Company’s objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. The Company manages its capital structure, being its share capital and debt facilities (namely the mortgage on the Project Site and the Pieridae Debenture), and makes adjustments to it based on the funds available to the Company, in order to support future business opportunities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, additional debt facilities and/or consider strategic alliances including joint venture partners.

To date, the Company has funded its share of commitments from existing cash balances, equity raises and through the issuance of the Pieridae Debenture, the mortgage on the Project Site and other indebtedness with related parties.

As at March 31, 2017, the Company’s anticipated future funding requirements include the funding of its negative working capital and its commitments prior to reaching a final investment decision on the development of the fully integrated Goldboro LNG Project. In general, the Company’s ability to continue operations and to ultimately pursue the development of the Goldboro LNG Project is dependent on its ability to access additional funding over time. The Company at the date of the consolidated financial statements has provided notification to certain vendors included in the accounts payable and accrued liabilities, with which it has significant balances, that payment is pending the completion of an equity financing.

As part of the Company’s plan to recapitalize and fund the development of the Goldboro LNG Facility, the Company entered into an agreement with Pétrolia Inc. to amalgamate and continue business as Pieridae Energy Limited. A condition of closing the transaction will be completing a private placement of \$50 million. Once completed this amount of funding will ensure a positive working capital balance and Company’s ability to fund the development of the Goldboro LNG Project toward the final investment decision.

\$000	Quarter Ended												
	Mar. 31, 2017 ⁽¹⁾	Dec. 31, 2016 ⁽²⁾	Sep. 30, 2016 ⁽¹⁾	June 30, 2016 ⁽¹⁾	Mar. 31, 2016 ⁽¹⁾	Dec. 31, 2015 ⁽²⁾	Sep. 30, 2015 ⁽¹⁾	June 30, 2015 ⁽¹⁾	Mar. 31, 2015 ⁽¹⁾	Dec. 31, 2014 ⁽²⁾	Sep. 30, 2014 ⁽¹⁾	June 30, 2014 ⁽¹⁾	Mar. 31, 2014 ⁽¹⁾
Terminal Development	207	3,916	252	744	5,324	9,426	17,140	2,843	1,202	1,741	1,397	7,955	1,457
Employee Benefits	704	1,137	661	748	879	1,365	319	230	275	102	60	60	60
Interest Expense (Income)	381	395	383	373	384	127	6	(64)	0	-28	122	-1	-2
Foreign Exchange Loss (Gain)	(106)	(437)	(136)	(340)	(210)	(907)	1,125	1,886	1550	165	0	0	0
Other Expenses (net of Gains)	763	436	204	(1,025)	400	1,029	233	214	159	-29	321	91	52
Net Loss	1,949	5,447	1,364	500	6,777	11,040	18,823	5,109	85	1,951	1,900	8,105	1,577
Total Current Assets	2,025	2,813	2,957	2,654	1,532	6,406	2,957	19,166	22,377	15,018	10,164	453	1,302
Investment in Production LP	3,824	3,854	3,890	3,920	3,950	3,980	3,980	3,980	3,343	3,343	3,447	3,454	3,454
Investment in Project Site	3,354	3,354	3,354	3,354	3,354	3,354	3,354	250	0	0	0	0	0
Other Assets	5	7	8	10	12	14	8	133	0	0	0	0	0
Accounts Payable	16,015	15,447	11,181	10,906	11,063	11,487	11,181	3,396	2,242	2,246	993	402	713
Promissory Notes	2,154	2,129	1,743	1,731	1,427	0	1,743	0	0	0	0	0	0
Mortgage on Project Site	3,200	3,200	3,200	3,200	3,200	3,200	3,200	0	0	0	0	0	0
Convertible Debt	6,420	6,297	6,013	6,367	6,214	6,487	6,013	0	0	0	0	0	0
Share Capital	44,668	44,668	44,668	44,168	43,918	43,918	43,669	43,669	43,668	35,119	30,017	15,429	15,429
Warrants	0	0	0	500	0	0	0	0	0	0	0	0	0
Contributed Surplus	6,238	5,896	5,225	3,340	2,867	2,397	0	0	0	0	0	0	0
Deficit	70,744	68,808	63,359	62,004	61,516	54,807	43,864	25,245	20,167	20,085	18,265	16	8
Comprehensive Income (other)	1,269	1,287	1,679	1,862	1,795	1,125	2,754	1,657	87	1,016	749	0	0
Non-Controlling Interest	12	88	141	132	120	53	22	53	85	87	137	0	0
Total Equity (Deficiency)	(18,459)	(17,045)	(11,928)	(12,266)	(13,056)	(7,420)	2,537	20,134	23,499	16,136	12,639	15,413	15,421

Notes:

- (1) Information in these columns is derived from the unaudited interim consolidated financial statements of Pieridae for the three month period ending March 31, 2017 and for the three month periods ending March 31, June 30 and September 30 for each of 2016, 2015 and 2014.
- (2) Information in these columns is derived from the audited consolidated financial statements of Pieridae for each of the years ending 2016, 2015 and 2014.

SCHEDULE "H"

PLAN OF ARRANGEMENT

[See the following page(s)]

**PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE CANADA BUSINESS CORPORATIONS ACT**

**PURSUANT TO THE ARRANGEMENT AGREEMENT DATED
MAY 15, 2017 BETWEEN PÉTROLIA INC. AND
PIERIDAE ENERGY LIMITED, AS AMENDED ON
JUNE 28, 2017, JULY 21, 2017 AND AUGUST 24, 2017**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith:

"**Amalco**" means the corporation to be constituted upon completion of the Arrangement to be named "Pieridae Energy Limited" or such other name as Pétrolia and Pieridae may determine;

"**Amalco Pétrolia Option**" has the meaning ascribed thereto in Subsection 3.1(g)(xiv)(B);

"**Amalco Pétrolia Warrants**" means the share purchase warrants of Amalco to be issued pursuant to the Arrangement in replacement of the outstanding Pétrolia Warrants, each entitling the holder to purchase one (1) Amalco Share at a price of \$6.48 per Amalco Share until an expiry date of November 5, 2018, in accordance with its terms;

"**Amalco Pieridae Options**" has the meaning ascribed thereto in Subsection 3.1(g)(xiv)(E);

"**Amalco Securities**" means, collectively, the Amalco Shares, the Amalco Pétrolia Options, the Amalco Pétrolia Warrants and the Amalco Pieridae Options;

"**Amalco Shares**" means common shares in the capital of Amalco;

"**Amalgamating Corporations**" means Pieridae and Pétrolia;

"**Arrangement**", "**herein**", "**hereof**", "**hereunder**" and similar expressions mean and refer to the arrangement involving Pétrolia, the Pétrolia Shareholders, the Pétrolia Optionholders, the Pétrolia Warrantholders, Pieridae, the Pieridae Shareholders and the Pieridae Optionholders pursuant to Section 192 of the CBCA, on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

"**Arrangement Agreement**" means the arrangement agreement dated May 15, 2017 between Pieridae and Pétrolia with respect to the Arrangement, and all amendments and restatements thereto;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement;

"**Business Day**" means any day other than a Saturday, Sunday or day when banks in the City of Calgary, Alberta or the City of Montréal are not generally open for business;

"**CBCA**" means the Canada Business Corporations Act, R.S.C., 1985, c. C-44, and includes any regulations thereto or hereafter promulgated thereunder;

"**Certificate of Arrangement**" means the certificate or other confirmation of filing to be issued by the Director pursuant to Section 262 of the CBCA giving effect to the Arrangement;

"**Closing**" means the closing of the Arrangement;

"**Court**" means the Superior Court of Québec;

"**Depository**" means Computershare Trust Company of Canada;

"**Director**" means the Director appointed under Section 260 of the CBCA;

"**Effective Date**" means the date on which the Arrangement becomes effective in accordance with the terms of the Arrangement Agreement;

"**Effective Time**" means 12:01 a.m. (Mountain Time) on the Effective Date or such other time on the Effective Date as Pétrolia and Pieridae may agree upon in writing;

"**Final Order**" means the final order of the Court pursuant to Section 192 of the CBCA, after a hearing upon the fairness of the terms and conditions of the Arrangement, approving the Arrangement;

"**Income Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), and includes any regulations thereto or hereafter promulgated thereunder;

"**Interim Order**" means an interim order of the Court concerning the Arrangement and providing for, among other things, the calling and holding of the Pétrolia Meeting and the Pieridae Meeting;

"**In-the-Money Amount**" in respect of a Pétrolia Option or a Pieridae Option means the amount, if any, by which the aggregate fair market value at a particular time of the Pétrolia Shares or the Pieridae Shares, as the case may be, subject to the option, exceeds the aggregate exercise price of the relevant option at that particular time;

"**Letter of Transmittal**" means a Pétrolia Letter of Transmittal or a Pieridae Letter of Transmittal, as applicable;

"**Option Group**" means the Pétrolia Options or the Pieridae Options, as the case may be, granted at any particular time on identical terms, including without limitation the same exercise price, vesting period and expiry date;

"**Pétrolia**" means Pétrolia Inc., a corporation continued under the CBCA;

"**Pétrolia Arrangement Resolution**" means the special resolution of Pétrolia Shareholders to approve the Arrangement to be considered at the Pétrolia Meeting;

"**Pétrolia Dissent Rights**" means the rights of a registered Pétrolia Shareholder to dissent to the Pétrolia Arrangement Resolution, pursuant to the CBCA, and to be paid the fair value of such securities in respect of which the holder dissents, all in accordance with the Interim Order and Section 4.1 hereof;

"**Pétrolia Dissenting Shareholder**" means a registered Pétrolia Shareholder who dissents in respect of the Arrangement in strict compliance with the Interim Order and Section 4.1 hereof;

"Pétrolia Letter of Transmittal" means a letter of transmittal to be used by holders of Pétrolia Shares for the purpose of surrendering certificates representing Pétrolia Shares and exchanging them for certificates representing Amalco Shares;

"Pétrolia Meeting" means the annual general and special meeting of the Pétrolia Shareholders to be called to, among other things, consider and, if thought fit, authorize, approve and adopt the Pétrolia Arrangement Resolution in accordance with the Interim Order and any adjournments thereof;

"Pétrolia Options" means the outstanding stock options of Pétrolia, each entitling the holder to purchase one (1) Pétrolia Share upon exercise thereof, in accordance with its terms;

"Pétrolia Optionholders" means the holders, from time, to time of Pétrolia Options;

"Pétrolia Securities" means the Pétrolia Shares, the Pétrolia Options, the Replacement Pétrolia Options and the Pétrolia Warrants;

"Pétrolia Securityholders" means the holders, from time to time, of Pétrolia Securities;

"Pétrolia Shares" means the common shares in the capital of Pétrolia;

"Pétrolia Shareholders" means the holders, from time to time, of Pétrolia Shares;

"Pétrolia Stock Option Plan" means the current incentive stock option plan of Pétrolia;

"Pétrolia Warrantholders" means the holders, from time to time, of Pétrolia Warrants;

"Pétrolia Warrants" means the share purchase warrants of Pétrolia, each entitling the holder to purchase one (1) Pétrolia Share upon exercise thereof, in accordance with its terms;

"Pieridae" means Pieridae Energy Limited, a corporation incorporated under the CBCA;

"Pieridae Arrangement Resolution" means the special resolution of Pieridae Shareholders to approve the Arrangement to be considered at the Pieridae Meeting;

"Pieridae Dissent Rights" means the rights of a registered Pieridae Shareholder to dissent to the Pieridae Arrangement Resolution, pursuant to the CBCA, and to be paid for the fair value of such securities in respect of the Arrangement in strict compliance with the Interim Order and Section 4.2 hereof;

"Pieridae Dissenting Shareholder" means a registered Pieridae Shareholder who dissents in respect of the Arrangement in strict compliance with the Interim Order and Section 4.2 hereof;

"Pieridae Letter of Transmittal" means a letter of transmittal to be used by holders of Pieridae Shares for the purpose of surrendering certificates representing Pieridae Shares and exchanging them for certificates representing Amalco Shares;

"Pieridae Meeting" means the annual general and special meeting of the Pieridae Shareholders to be called to, among other things, consider and, if thought fit, authorize, approve and adopt the Pieridae Arrangement Resolution in accordance with the Interim Order and any adjournments thereof;

"Pieridae Options" means the outstanding stock options of Pieridae, each entitling the holder to purchase one (1) Pieridae Share upon exercise thereof, in accordance with its terms;

"**Pieridae Optionholders**" means the holders, from time to time, of Pieridae Options;

"**Pieridae Securities**" means, collectively, the Pieridae Shares and the Pieridae Options;

"**Pieridae Securityholders**" means the holders, from time to time, of Pieridae Securities;

"**Pieridae Shareholders**" means the holders, from time to time, of Pieridae Shares;

"**Pieridae Shares**" means the common shares in the capital of Pieridae;

"**Plan of Arrangement**" or "**Plan**" means this plan of arrangement as amended or supplemented from time to time in accordance with the terms hereof and Article 6 of the Arrangement Agreement; and

"**Replacement Pétrolia Options**" has the meaning ascribed thereto in Subsection 3.1(e).

1.2 Headings

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article or Section hereof and include any agreement or instrument supplemental therewith. References herein to Articles and Sections are to Articles and Sections of this Plan of Arrangement.

1.3 Number

In this Plan of Arrangement, unless something in the context is inconsistent therewith, words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa.

1.4 Time for taking action

In the event that the date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

ARTICLE 2 GOVERNING AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 Binding Effect

The Articles of Arrangement and Certificate of Arrangement shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3 ARRANGEMENT

3.1 The Arrangement

Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise expressly provided herein:

- (a) a dividend shall be declared by Pétrolia to Pétrolia Shareholders, other than Pétrolia Dissenting Shareholders, in the aggregate amount of \$9,012,002, equal to \$0.0831 per Pétrolia Share and be paid out on the Effective Date;
- (b) each Pétrolia Share held by a Pétrolia Dissenting Shareholder who has validly exercised such Pétrolia Dissenting Shareholder's Pétrolia Dissent Rights and which rights remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Amalco free and clear of all liens and cancelled as of the Effective Time, and such Pétrolia Dissenting Shareholder shall cease to have any rights as a Pétrolia Shareholder other than the right to be paid by Pétrolia the fair value of such Pétrolia Share in accordance with the Pétrolia Dissent Rights;
- (c) each Pieridae Share held by a Pieridae Dissenting Shareholder who has validly exercised such Pieridae Dissenting Shareholder's Pieridae Dissent Rights and which rights remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Amalco free and clear of all liens and cancelled as of the Effective Time, and such Pieridae Dissenting Shareholder shall cease to have any rights as a Pieridae Shareholder other than the right to be paid by Pieridae the fair value of such Pieridae Share in accordance with the Pieridae Dissent Rights;
- (d) the issued and outstanding Pétrolia Shares shall be consolidated on the basis of one (1) post-consolidation Pétrolia Share for every twelve (12) pre-consolidation Pétrolia Shares; provided that, if the foregoing would result in the issuance of a fractional Pétrolia Share, the number of Pétrolia Shares issued to such holder shall be rounded up to the next greater whole number of Pétrolia Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Pétrolia Shares, if the fractional entitlement is less than 0.5;
- (e) for each Option Group, each Pétrolia Option of that particular Option Group (whether vested or unvested) shall without further action on the part of any Pétrolia Optionholder, be exchanged for options ("**Replacement Pétrolia Options**") entitling the Pétrolia Optionholder to receive from Pétrolia, upon the due exercise of Replacement Pétrolia Options (including without limitation, payment of the exercise price thereof), the number of Pétrolia Shares equal to the number of Pétrolia Shares subject to the Pétrolia Options immediately before the Effective Time divided by 12, provided that if the foregoing would result in the issuance of a fraction of a Pétrolia Share on the exercise of the Replacement Pétrolia Options, then the number of Pétrolia Shares otherwise issued shall be rounded down, without any additional compensation, to the nearest whole number of Pétrolia Shares. For each Pétrolia Optionholder, the exercise price per Pétrolia Share subject to the Replacement Pétrolia Options shall be, with any modifications that the circumstances require to preserve the In-the-Money Amount, an amount equal to the product of: (A) the exercise price per Pétrolia Share subject to each Pétrolia Option

included in that particular Option Group and (B) 12, provided that the exercise price payable on any particular exercise of a Replacement Pétrolia Option shall be rounded up to the nearest whole cent. All terms and conditions of a Replacement Pétrolia Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Pétrolia Option for which it was exchanged, and shall be governed by the terms of Pétrolia Stock Option Plan and any document evidencing a Pétrolia Option shall thereafter evidence and be deemed to evidence such Replacement Pétrolia Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of a Replacement Pétrolia Option will be increased such that the In-the-Money Amount of the Replacement Pétrolia Option immediately after the exchange does not exceed the In-the-Money Amount of the Pétrolia Option immediately before the exchange;

- (f) the issued and outstanding Pétrolia Warrants shall be consolidated on the basis of one (1) post-consolidation Pétrolia Warrant for every twelve (12) pre-consolidation Pétrolia Warrants; provided that, if the foregoing would result in the issuance of a fractional Pétrolia Warrant, then the number of Pétrolia Warrants otherwise issued shall, without any additional compensation, be rounded down to the nearest whole number of Pétrolia Warrants;
- (g) Pétrolia and Pieridae shall be amalgamated and continued as one corporation under the CBCA to form Amalco in accordance with the following:
 - (i) Name. The name of Amalco shall be "Pieridae Energy Limited";
 - (ii) Registered Office. The registered office of Amalco shall be located at the offices of Pétrolia;
 - (iii) Share Provisions. Amalco shall be authorized to issue an unlimited number of Amalco Shares;
 - (iv) Restrictions on Share Transfer. None;
 - (v) Other Rules or Provisions.
 - (A) Appointments of Directors. The directors of Amalco may appoint one or more additional directors of Amalco, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders of Amalco, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders of Amalco;
 - (vi) Directors and Officers.
 - (A) Minimum and Maximum. The directors of Amalco shall, until otherwise changed in accordance with the CBCA, consist of a minimum number of three (3) directors and a maximum number of eleven (11) directors;
 - (B) Initial Directors. The initial directors of Amalco shall be Myron Tetreault, Charles Boulanger, Alfred Sorensen, Andrew Judson and Matthew Rees; and

- (C) Initial Officers. The initial officers of Amalco shall be Alfred Sorensen (Chief Executive Officer), Mario Racicot (Chief Financial Officer), Martin Belanger (President – Production), Thomas Dawson (President – LNG) and Thomas Ciz (Corporate Secretary);
- (vii) Business and Powers. There shall be no restrictions on the business Amalco may carry on or on the powers it may exercise;
- (viii) Stated Capital. For the purposes of the CBCA, the aggregate stated capital attributable to the Amalco Shares issued pursuant to the Arrangement shall be the aggregate of the paid-up capital for the purposes of the Income Tax Act of the Pétrolia Shares and the Pieridae Shares outstanding immediately before the amalgamation;
- (ix) By-laws. The by-laws of Amalco shall be the by-laws of Pétrolia, *mutatis mutandis*;
- (x) Stock Option Plan. The Petrolia Stock Option Plan shall become the stock option plan of Amalco, *mutatis mutandis*;
- (xi) Effect of Amalgamation:
 - (A) all of the property of each Amalgamating Corporation shall be the property of Amalco;
 - (B) Amalco shall be liable for all of the obligations of each Amalgamating Corporation (other than an amount owing by an Amalgamating Corporation to another Amalgamating Corporation);
 - (C) any existing cause of action, claim or liability to prosecution of an Amalgamating Corporation shall be unaffected;
 - (D) any civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against Amalco; and
 - (E) a conviction against, or ruling, order or judgment in favour of or against, an Amalgamating Corporation may be enforced by or against Amalco;
- (xii) Articles. The Articles of Arrangement filed shall be deemed to be the articles of amalgamation of Amalco and the Certificate of Arrangement issued in respect of such Articles of Arrangement by the Director under the CBCA which gives effect to the Arrangement shall be deemed to be the certificate of amalgamation of Amalco;
- (xiii) Inconsistency with Laws. To the extent any provision of this Plan of Arrangement is deemed to be inconsistent with applicable laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency; and
- (xiv) Exchange and Cancellation of Securities. On, and because of, the amalgamation:

- (A) each issued and outstanding Pétrolia Share shall be cancelled and in consideration therefor the holders of Pétrolia Shares shall receive one (1) fully paid and non-assessable Amalco Share in respect of each one (1) Pétrolia Shares so cancelled;
- (B) each Replacement Pétrolia Option (whether vested or unvested) shall, without further action on the part of any holder of a Replacement Petrolia Option, be exchanged for an option (each, an "**Amalco Pétrolia Option**") entitling the holder to receive from Amalco, upon the due exercise of such Amalco Pétrolia Option (including without limitation, payment of the exercise price thereof), the number of Amalco Shares equal to the number of Pétrolia Shares subject to the Replacement Pétrolia Option immediately before the Effective Time. The exercise price per Amalco Share subject to the Amalco Pétrolia Option shall be an amount equal the exercise price per Pétrolia Share subject to such Replacement Petrolia Option immediately prior to the Effective Time. All terms and conditions of a Amalco Pétrolia Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Replacement Petrolia Option for which it was exchanged, and shall be governed by the terms of the Petrolia Stock Option Plan that shall become the stock option plan of Amalco and any document evidencing a Replacement Petrolia Option shall thereafter evidence and be deemed to evidence such Amalco Pétrolia Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of a Amalco Pétrolia Option will be increased such that the In-The-Money Amount of the Amalco Pétrolia Option immediately after the exchange does not exceed the In-The-Money Amount of the Replacement Petrolia Option immediately before the exchange;
- (C) each issued and outstanding Pétrolia Warrant shall be cancelled and in consideration therefor the holders of Pétrolia Warrants shall receive one (1) Amalco Pétrolia Warrant in respect of each one (1) Pétrolia Warrant so cancelled;
- (D) each issued and outstanding Pieridae Share shall be cancelled and in consideration therefor the holders of Pieridae Shares shall receive 2.2057526 fully paid and non-assessable Amalco Shares in respect of each Pieridae Share so cancelled, such exchange ratio being based on the following calculation:

$$\frac{X}{Y}$$

where:

X = \$12.50, being the value attributed to each issued and outstanding Pieridae Share (on a fully diluted basis) in connection with the Arrangement; and

Y = \$5.667, being the value attributed to each issued and outstanding Pétrolia Share (on a fully diluted basis) in connection with the Arrangement, after giving effect to the consolidations as contemplated by Subsections 3.1(d), 3.1(e) and 3.1(f) hereof,

and for the purposes of this Subsection 3.1(g)(xiv)(D), the expression "on a fully diluted basis" refers to the total number of Pieridae Shares and Pétrolia Shares, as applicable, that would be outstanding if all possible sources of conversion, such as options, warrants, debentures, bonds, obligations and any other conversion rights to receive common shares, are exercised;

- (E) for each Option Group, each Pieridae Option of that particular Option Group (whether vested or unvested) shall without further action on the part of any Pieridae Optionholder, be exchanged for options ("**Amalco Pieridae Options**") entitling the Pieridae Optionholder to receive from Amalco, upon the due exercise of Amalco Pieridae Options (including without limitation, payment of the exercise price thereof), the number of Amalco Shares equal to the number of Pieridae Shares subject to the Pieridae Options immediately before the Effective Time multiplied by the amount resulting from the calculation set forth in Subsection 3.1(g)(xiv)(D), provided that if the foregoing would result in the issuance of a fraction of an Amalco Share on the exercise of the Amalco Pieridae Options, then the number of Amalco Shares otherwise issued shall be rounded down, without any additional compensation, to the nearest whole number of Amalco Shares. For each holder of Amalco Pieridae Options, the exercise price per Amalco Share subject to the Amalco Pieridae Options shall be, with any modifications that the circumstances require to preserve the In-the-Money Amount, an amount equal to the quotient of: (A) the exercise price per Pieridae Share subject to each Pieridae Option included in that particular Option Group divided by (B) the amount resulting from the calculation set forth in Subsection 3.1(g)(xiv)(D), provided that the aggregate exercise price payable on any particular exercise of Amalco Pieridae Options shall be rounded up to the nearest whole cent. All terms and conditions of a Amalco Pieridae Option, including the term to expiry, vesting and conditions to and manner of exercising, will be the same as the Pieridae Option for which it was exchanged, and shall be governed by the terms of Pétrolia Stock Option Plan and any document evidencing a Pieridae Option shall thereafter evidence and be deemed to evidence such Amalco Pieridae Option. It is intended that subsection 7(1.4) of the Income Tax Act apply to such exchange of options. Accordingly, and notwithstanding the foregoing, if required, the exercise price of a Amalco Pieridae Option will be increased such that the In-the-Money Amount of the Amalco Pieridae Option immediately after the exchange does not exceed the In-the-Money Amount of the Pieridae Option immediately before the exchange;
- (h) the registered office of Amalco shall be changed to the registered office of Pieridae in the province of Alberta;

- (i) Amalco shall issue to such holders the Amalco Securities to which such holder is entitled pursuant to subparagraph 3.1(g)(xiv)(A) to (E), as applicable, and the name of such holder shall be added to the register of holders of Amalco Securities and such holder shall be deemed to be the legal and beneficial owner thereof, free and clear of any liens; and
- (j) Pétrolia, Pieridae and Amalco shall make the appropriate entries in their respective securities registers to reflect the matters referred to in this Section 3.1.

3.2 Supplementary Actions

Notwithstanding that the transaction and events set out in section 3.1 shall occur and shall be deemed to occur in the order therein set out without any further act or formality, both of Pétrolia and Peiridae shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events set out in section 3.1, including without limitation, any resolutions of directors authorizing the issue, exchange or cancellation of shares, any share transfer powers evidencing the exchange of shares and any receipt therefore, and any necessary addition to or deletions from share registers or other registries.

ARTICLE 4 RIGHTS OF DISSENT

4.1 Pétrolia Rights of Dissent

- (a) Each registered Pétrolia Shareholder may exercise Pétrolia Dissent Rights with respect to the Pétrolia Shares held by such Pétrolia Shareholder pursuant to and in the manner set forth in Section 190 of the CBCA and this Section 4.1 in connection with the Arrangement; provided that, notwithstanding Section 190(5) of the CBCA, the written objection to the Pétrolia Arrangement Resolution referred to in Section 190(5) of the CBCA must be received by Pétrolia, c/o DS Lawyers Canada LLP, 891, boul. Charest Ouest, Quebec, Quebec, G1N 2C9, Attention: Kimberley Okell, not later than 5:00 p.m. (Eastern Daylight Time) on the day that is two Business Days immediately preceding the Pétrolia Meeting. Pétrolia Shareholders who duly exercise such Pétrolia Dissent Rights and who:
 - (i) are ultimately entitled to be paid fair value by Pétrolia for their Pétrolia Shares shall be deemed to have transferred such Pétrolia Shares to Amalco free and clear of all liens at the Effective Time in accordance with Section 3.1 hereof without further act or formality; or
 - (ii) are ultimately not entitled, for any reason, to be paid fair value for their Pétrolia Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Pétrolia Shares at the Effective Time and such Pétrolia Shares shall be exchanged for Amalco Shares in accordance with Section 3.1 hereof, but in no case shall Amalco or any other person be required to recognize such holders as Pétrolia Shareholders after the Effective Time and the names of such Pétrolia Shareholders shall be removed from the registers of Pétrolia Shareholders as of the Effective Time.
- (b) In no circumstances shall Pétrolia or any other person be required to recognize a person exercising Pétrolia Dissent Rights unless such person is a registered holder of Pétrolia

Shares in respect of which such Pétrolia Dissent Rights are sought to be exercised and complies with the dissent procedures set forth in Section 190 of the CBCA as may be modified by the Interim Order.

- (c) Neither Pétrolia nor any other person shall be required to recognize a Pétrolia Dissenting Shareholder as a Pétrolia Shareholder at or after the Effective Time.
- (d) In addition to any other restrictions in Section 190 of the CBCA, no person who has voted in favour of the Pétrolia Arrangement Resolution shall be entitled to dissent with respect thereto.

4.2 Pieridae Rights of Dissent

- (a) Each registered Pieridae Shareholder may exercise Pieridae Dissent Rights with respect to the Pieridae Shares held by such Pieridae Shareholder pursuant to and in the manner set forth in Section 190 of the CBCA and this Section 4.2 in connection with the Arrangement; provided that, notwithstanding Section 190(5) of the CBCA, the written objection to the Pieridae Arrangement Resolution referred to in Section 190(5) of the CBCA must be received by Pieridae, c/o Burstall Winger Zammit LLP, Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Attention: Robert Verbuck, not later than 5:00 p.m. (Mountain Time) on the day that is two Business Days immediately preceding the Pieridae Meeting. Pieridae Shareholders who duly exercise such Pieridae Dissent Rights and who:
 - (i) are ultimately entitled to be paid fair value by Pieridae for their Pieridae Shares shall be deemed to have transferred such Pieridae Shares to Amalco free and clear of all liens at the Effective Time in accordance with Section 3.1 hereof without further act or formality; or
 - (ii) are ultimately not entitled, for any reason, to be paid fair value for their Pieridae Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Pieridae Shares at the Effective Time and such Pieridae Shares shall be exchanged for Amalco Shares in accordance with Section 3.1 hereof, but in no case shall Amalco or any other person be required to recognize such holders as Pieridae Shareholders after the Effective Time, and the names of such Pieridae Shareholders shall be removed from the registers of Pieridae Shareholders as of the Effective Time.
- (b) In no circumstances shall Pieridae or any other person be required to recognize a person exercising Pieridae Dissent Rights unless such person is a registered holder of Pieridae Shares in respect of which such Pieridae Dissent Rights are sought to be exercised and complies with the dissent procedures set forth in Section 190 of the CBCA, as may be modified by the Interim Order.
- (c) Neither Pieridae nor any other person shall be required to recognize a Pieridae Dissenting Shareholder as a Pieridae Shareholder at or after the Effective Time.
- (d) In addition to any other restrictions in Section 190 of the CBCA, no person who has voted in favour of the Pieridae Arrangement Resolution shall be entitled to dissent with respect thereto.

ARTICLE 5 CERTIFICATES AND DOCUMENTATION

5.1 Certificates of Pétrolia and Pieridae

From and after the Effective Time, certificates or agreements formerly representing Pétrolia Securities and Pieridae Securities shall represent only the right to receive the consideration to which the holders are entitled to receive under the Arrangement or, as to certificates formerly representing Pétrolia Shares and/or Pieridae Shares held by Pétrolia Dissenting Shareholders and Pieridae Dissenting Shareholders, respectively, to receive the fair value of the Pétrolia Shares or Pieridae Shares represented by such certificates.

5.2 Lost or Stolen Certificates

If any certificate which immediately prior to the Effective Time represented an interest in outstanding Pétrolia Shares or Pieridae Shares that were transferred pursuant to Section 3.1 hereof has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depository will issue and deliver in exchange for such affidavit the certificate(s) representing that number of Amalco Shares to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. Unless otherwise agreed to by Amalco, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Amalco and its transfer agent, which bond is in form and substance satisfactory to Amalco and its transfer agent, or shall otherwise indemnify Amalco and its transfer agent against any claim that may be made against any of them with respect to the certificate(s) alleged to have been lost, stolen or destroyed.

5.3 Amalco Certificates

- (a) Amalco, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Pétrolia Shares of a duly completed Pétrolia Letter of Transmittal and the certificates representing such Pétrolia Shares, will either:
 - (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Pétrolia Letter of Transmittal; or
 - (ii) if requested by such former holder in the Pétrolia Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such holder,

certificates representing the number of Amalco Shares issued to such holder under the Arrangement.
- (b) Amalco, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Pieridae Shares of a duly completed Pieridae Letter of Transmittal and the certificates representing such Pieridae Shares will either:
 - (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Pieridae Letter of Transmittal; or
 - (ii) if requested by such holder in the Pieridae Letter of Transmittal, make available or cause to be made available at the Depository for pickup by such holder,

certificates representing the number of Amalco Shares issued to such holder under the Arrangement.

5.4 No fractional Amalco Shares will be issued

- (a) In the event that a holder of Pétrolia Shares or Pieridae Shares would otherwise be entitled to a fractional Amalco Share upon the issuance of Amalco Shares pursuant to Section 3.1, the number of Amalco Shares issued to such holder, as applicable, shall be rounded up to the next greater whole number of Amalco Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Amalco Shares if the fractional entitlement is less than 0.5.
- (b) In calculating the above fractional interests, all Amalco Shares registered in the name of or beneficially held by such holder of Amalco Shares, or their nominee, shall be aggregated.

5.5 Extinction of Rights

Subject to applicable law, any certificate formerly representing Pétrolia Shares or Pieridae Shares that is not deposited with all other documents as required by this Plan of Arrangement before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and, for greater certainty, the right of the holder of such Pétrolia Shares or Pieridae Shares to receive certificates representing Amalco Shares shall be deemed to be surrendered to Amalco together with all dividends, distributions, redemptions or cash payments thereon held for such holder.

5.6 Distributions with respect to unsurrendered securities

All dividends, distributions and redemptions made with respect to any Amalco Shares, as applicable, issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. Subject to Section 5.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of any applicable withholding and other taxes.

5.7 Withholding Rights

Amalco or the Depositary shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any former Pétrolia Shareholder or former Pieridae Shareholder or other person pursuant to the Arrangement Agreement, including payment pursuant to a Pétrolia Dissent Right or a Pieridae Dissent Right, such amounts as required to be deducted and withheld with respect to such payment under the Income Tax Act or any provision of provincial, state, local, or foreign tax law in each case as amended or succeeded and subject to the provisions of any applicable income tax treaty between Canada and the country where the holder is resident. To the extent that amounts are so withheld and duly remitted to the relevant tax authority, such withheld amounts shall be treated for all purposes as having been paid to the recipient of the payment in respect of which such deduction and withholding was made.

5.8 Paramourncy

From and after the Effective Time:

- (a) this Plan of Arrangement shall take precedence and priority over any and all Pétrolia Securities and Pieridae Securities issued prior to the Effective Time;
- (b) the rights and obligations of the holders of Pétrolia Securities and Pieridae Securities shall be solely as provided in this Plan of Arrangement; and
- (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Pétrolia Securities and Pieridae Securities shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

ARTICLE 6 AMENDMENT

6.1 Amendment

- (a) Pétrolia and Pieridae may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time; provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) filed with the Court and, if made following the Pétrolia Meeting or the Pieridae Meeting, if and as required pursuant to the Interim Order or the Final Order, approved by the Court; and (c) communicated to Pétrolia Securityholders and Pieridae Securityholders, if and as required by the Court.
- (b) Other than as may be required under the Interim Order, any amendment, modification or supplement to this Plan of Arrangement may be proposed by Pétrolia and Pieridae at any time prior to or at the Pétrolia Meeting and the Pieridae Meeting (provided that the other party shall have given prior consent thereto in writing) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Pétrolia Meeting and Pieridae Meeting, as the case may be, shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Pétrolia Meeting or the Pieridae Meeting shall be effective only if: (a) it is consented to by each of Pétrolia and Pieridae; and (b) if required by the Court or applicable law, it is approved by the Pétrolia Securityholders and Pieridae Securityholders voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Amalco; provided that it concerns a matter which, in the reasonable opinion of Amalco, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any Pétrolia Securityholder and Pieridae Securityholder.

**ARTICLE 7
FURTHER ASSURANCES**

7.1 Further Assurances

- (a) Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order further to document or evidence any of the transactions or events set out herein.

- (b) Subject to the terms of the Arrangement Agreement, Pétrolia and Pieridae may agree not to implement the Plan, notwithstanding the approval of the Pétrolia Arrangement Resolution and/or the Pieridae Arrangement Resolution authorizing the Arrangement and the receipt of the Final Order.

SCHEDULE “T”

INTERIM ORDER

[See the following page(s)]

**SUPERIOR COURT
(Commercial Division)**

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

N° : 200-11-024117-171

DATE : June 27, 2017

PRESIDING: THE HONOURABLE DANIEL DUMAIS, s.c.j.

**IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING:
PÉTROLIA INC., a legal person under the *Business Corporations Act* (Quebec),
having its elected domicile at 511 rue Saint-Joseph East, second floor, suite 304,
in the City of Quebec, Province of Quebec, G1K 3B7**

-and-

**PIERIDAE ENERGY LIMITED, a legal person under the *Canada Business
Corporations Act*, having its elected domicile at 400, 3rd Avenue SW, Suite 3700,
in the City of Calgary, Province of Alberta, T2P 4H2**

Petitioners

- and -

HOLDERS OF COMMON SHARES of PÉTROLIA INC.

-and-

HOLDERS OF OPTIONS to acquire Common Shares of PÉTROLIA INC.

-and-

HOLDERS OF WARRANTS to acquire Common Shares of PÉTROLIA INC.

-and-

HOLDERS OF COMMON SHARES of PIERIDAE ENERGY LIMITED

-and-

**HOLDERS OF OPTIONS to acquire Common Shares of PIERIDAE ENERGY
LIMITED**

-and-

THE DIRECTOR UNDER THE CANADA BUSINESS CORPORATIONS ACT, having an office at C.D. Howe Building, West Tower, 7th Floor, 235 Queen Street West, Ottawa, Ontario K1A 0H5

Impleaded Parties

JUDGMENT
(on an application for the issuance of an interim order)

[1] The Court is seized of a motion for interim and final orders regarding the approval of a corporate arrangement pursuant to sections 133, 192 and 248 of the CBCA¹ and sections 297 to 303 of the QBCA².

[2] There are two petitioners. The first one is Pétrolia inc. It was incorporated in 2002. This corporation is currently governed by the provisions of the QBCA. It is an oil and gas exploration company which owns interests in oil and gas licences covering 16 000 km², which represents almost 23% of the Quebec territory under lease.

[3] Pétrolia is a reporting issuer within the meaning of the Securities Act in Quebec as well as in Alberta and British Columbia. This company is listed on TSXV where its shares are traded under the symbol «PEA».

[4] The second petitioner, Pieridae, was incorporated in May 2012. It is a privately held corporation based in Calgary. It is focused on natural gas mainly on the development of the Goldboro LNG project.

[5] Both companies entered into an agreement on May 15, 2017³. They prepared a plan of arrangement which will enable the two corporations to combine their assets and become a fully integrated energy company.

[6] Due to the complexity of this restructuration, the petitioners opted to proceed through the mechanism of arrangement prescribed by section 192 of the CBCA. This process requires the approval of the shareholders and the authorization of the Court.

[7] To this end, the Court's intervention is sought at two stages. The first concerns the request of an interim order which mainly deals with the calling of a meeting of the shareholders, the holders of options and warrants and the manner they should be

¹ *Canada Business Corporations Act*, R.S.C., 1985, c-44.

² *Quebec Business Corporations Act*, R.S.Q., C. S-31.1.

³ See exhibit P-1.

informed in order to vote on the proposed plan. It also orders how shareholders must act if they want to contest the arrangement or exercise their right to dissent.

[8] The second step follows the approval of the plan, if accepted by shareholders. The Court must then issue a final order to complete the restructuring.

[9] At present, the Court is only concerned with the interim order. As confirmed by case law⁴, this initial request is filed and heard *ex parte*.

[10] Without describing the arrangement in details⁵, it can be briefly summarized as follows:

- Pétrolia will ask, by resolution, to continue its corporate existence under the CBCA (instead of QBCA);
- A new category of Pétrolia preferred shares (non-transferable and non-voting) will be created. These preferred shares will entitle its holders to certain rights on the Anticosti island claim;
- Pétrolia shareholders will be asked to adopt a resolution to reduce its stated capital;
- Pieridae will raise and complete a private placement of \$50,000,000 to help financing the future operations⁶;
- Pétrolia and Pieridae will be amalgamated and become a new entity named Amalco. The mechanism and monetary impact of this amalgamation, including the value attached to the shares, are established by the proposed arrangement;
- The creditors are not directly impacted.

[11] This restructuring obviously involves many steps and conditions. These consequences as well as the financial information, are explained in the arrangement agreement filed as exhibit P-1 and in the letters and joint management information circular filed as exhibits P-2, P-9A, P-10A and P-12. The dates of the meeting and hearing of the final order are not scheduled yet because petitioners have not received

⁴ *In the matter of a proposed arrangement by 45133541 Canada inc.*, 2009 QCCS 6444, par. 25; *Re Molson Inc.*, 2004 CanLII 46628, par. 54.

⁵ This arrangement was the subject matter of an extensive press release filed on SEDAR on May 15, 2017. See exhibit P-5.

⁶ According to the press release : «*It is a condition of the transaction that Pieridae will complete the Private Placement of \$50,000,000 described below, which funds are expected to allow Amalco to reach the finale investment decision with respect to the Goldboro LNG Project and to fund Amalco's operations and general working capital requirements.*» See exhibit P-5, p. 3.

approval of the TSXV. However, they will be provided in the material to be sent to the shareholders.

[12] As requested by section 192(5) of the CBCA, a notice of the application for an interim and a final order has been given to the Director appointed under the CBCA. This notice brought an exchange of correspondence and discussions between the director and the representatives of the petitioners⁷.

[13] In a letter dated June 20, 2017⁸, the office of the director indicated:

« We acknowledge receipt of the email sent on June 16, 2017 and subsequent correspondence enclosing, among others, the following documents:

- 1. Motion for interim and final orders regarding the approval of an arrangement in draft form;*
- 2. Plan of Arrangement, in draft form; and*
- 3. Notice of Annual General and Special Meeting of Shareholders of Pétrolia Inc. and Annual General and Special Meeting of Shareholders of Pieridae Energy Limited and Joint Information Circular.*

Based on the foregoing information filed in support of the interim hearing, please be informed that the staff of the Director has determined that the Director does not need to appear or be heard on the application.

Please provide a copy of the interim order and any documentation filed with the court on the application for final order to the Director for review prior to the hearing for final order.

Sincerely, »

[14] The Court was informed, at the hearing, that the draft proposed as an interim order was the one contemplated in the June 20 letter.

[15] During this same hearing, the Court questioned the applicant's lawyers in order to better understand the meaning and the reasons behind the numerous conclusions sought. Some of them were subsequently withdrawn while others were modified.

[16] Two issues remain unsettled and will be addressed at the end of the reasons. They relate to the United Securities Act of 1933 and the notice to be given, or not, to the Autorité des marchés financiers («AMF»).

[17] As mentioned earlier, the completion and realisation of the plan of arrangement are subject to the acceptance of the shareholders of both companies, the authorization of the Court and to all other approvals to be obtained from the regulating authorities.

⁷ See exhibit P-13.

⁸ See exhibit P-14.

[18] The present interim order does not have to analyse and appreciate the content of the arrangement, its fairness or its reasonability. It simply entitles the process to go ahead if the provisions of section 192 CBCA are met. It also makes sure that any dissenting shareholder will have the right to choose to sell its shares if he complies with the expressed conditions.

[19] As Justice Clément Gascon wrote in *45133541 Canada inc.*:

« [20] *At this moment, the Court is only concerned with the Interim Orders' side of the Application.*

[21] *At this interim stage, the purpose of the Application is to obtain an order for the calling of meetings of the affected unsecured Noteholders, secured Noteholders and Lenders to approve the contemplated Arrangement, as well as other orders relating to procedural matters in relation thereto.*

[22] *In other words, the purpose of the Interim Order is to "set the wheels in motion" for the approval process relating to the Arrangement and to set out the parameters to reach that objective.*

[23] *Consequently, the affected unsecured Noteholders, secured Noteholders and Lenders being called to a meeting to vote on the Arrangement, they are not prejudiced by the Application at this early stage. They will have ample opportunity, if need be, to apply to the Court for relief, be it prior or after the contemplated meetings.*

[24] *In this regard, as the Supreme Court recently ruled, at the Final Order stage, Applicants will have to satisfy the Court that the Arrangement is fair and reasonable through a two-pronged framework and thus demonstrate:*

- a) *that it has a valid business purpose; and*
- b) *that the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way. »*

[20] To issue the interim order, the Court must be convinced that the applicants act in good faith and that they comply with the statutory requirements of the CBCA.

[21] The Court has no reasons to believe or suspect, in this case, that petitioners are not acting in good faith. Their project is well described, its goal is legitimate.

[22] As for the requirements, they are described as follows in previous decisions:

« [56] *Regarding the fulfillment of the statutory requirements, the Applicants must establish, at this interim stage, that¹¹¹:*

- 1) *the Arrangement constitutes an "arrangement" as defined under Subsection 192(1) CBCA;*

2) *they are not "insolvent" as defined in Subsections 192(2) (a) and (b) CBCA;*

3) *it is not "practicable" for them to effect a fundamental change in the nature of the Arrangement under any other provision of the CBCA; and*

4) *they gave notice of the Application to the CBCA Director appointed under Section 260 »⁹*

11. *BCE (Arrangement relatif à)*, 2007 QCCS 3878, at para. 27 (Que. S.C.), Silcoff J.; *Re Molson inc.*, J.E. 2005-241, at para. 28 (Que. S.C.), Lalonde J.; *Re St. Lawrence & Hudson Railway Co.*, [1998] O.J. No. 3934, at para. 13 (Ont. C.J. Gen. Div.), Blair, J.

[23] These four conditions are met. Here is why.

[24] First, the arrangement plan constitutes an arrangement as specifically defined in section 192 b, f and h of the CBCA. A new corporation will result from the amalgamation of the two petitioners and there will be exchange of securities.

[25] Second, the transformation appears complex from a business and legal point of view. The test is not the impossibility to proceed through the usual channel. What it needs is a consideration of its practicability. The Court is convinced, in this case, that it is not practicable to pursue the arrangement under other provisions of the CBCA.

[26] Many precedents¹⁰ recognize that the practicability condition must receive a broad interpretation. Section 2.06 of the policy concerning arrangements under section 192 of the CBCA reads:

« The Director endorses the view that the impracticability requirement means something less than «impossible» and, generally, that the test would be satisfied by demonstrating that it would be inconvenient or less advantageous to the corporation to proceed under other provisions of the Act. The Director endorses this view subject to a concern that the arrangement provisions of the Act not be utilized to subvert the procedural or substantive safeguards applicable to other sorts of transactions possible under the Act. »

[27] Third, notice of the application has been given to the CBCA director who has received the documentation and *«does not need to appear or be heard»* at this stage.

[28] Finally, the insolvency requirement seems, *a priori*, more problematic. Section 192(2) CBCA states:

⁹ See also *Mines Virginia inc. (Arrangement relatif à)*, 2014 QCCS 6157.; *Mega Brands (Arrangement relatif à)* 2010 QCCS 646.

¹⁰ *In the matter of the arrangement by Molson inc.*, 2004 CanLII 46628, (C.S.) par. 46, quoting jurisprudence.

- « (2) *For the purposes of this section, a corporation is insolvent,*
- (a) *where it is unable to pay its liabilities as they become due; or*
- (b) *where the realisable value of the assets of the corporation are less than the aggregate of its liabilities and stated capital of all classes »*

[29] Here, Pétrolia meets the condition of 192(2) a) as appears from the affidavit of Myron A. Tétreault and the financial statements¹¹. However, section 192(2) b) is not satisfied at this point. This is the reason why the director requested a modification to the arrangement to reduce the stated capital of Pétrolia. The shareholders will have to accept it at the meeting.

[30] As for Pieridae, its solvency is not shown at this stage.

[31] The applicants referred the Court to three judgments where the situation can be compared to the present case. In these three decisions, the applicants did not meet the insolvency test at the time of the interim order. But they submitted that a resolution would be adopted, before the final order, reducing the stated capital and allowing to respect the prescribed test of solvency.

[32] These three decisions are:

- GT Canada Medical Properties Inc., Re., 2010 ONSC 6760 par. 7-8;
- Cinar Corp. v. Shareholders of Cinar Corp., J.E. 2004-713 (Que. S.C.), par. 18-19;
- Century Mining Corporation, 2011 ONSC 5622, par. 39.

[33] In the second one, Mr. Justice Silcoff wrote:

« [18] With respect to the second solvency test provided in subsection 192(2)(b), as stated in the Application, it is proposed that Petitioner's stated capital will be reduced at the Meeting as a result of the adoption of the Stated Capital Resolution, (as defined in the Management Proxy Circular, Exhibit R-1) which will be submitted to the CINAR Shareholders prior to the vote on the Arrangement Resolution (as defined in the Management Proxy Circular, Exhibit R-1) and which is a condition of the completion of the Arrangement.

[19] Subject to the adoption of the Stated Capital Resolution, the Court is satisfied that Petitioner will, at the time of the Final Order, be solvent within the meaning of subsection 192(2) CBCA.

¹¹ See section 3.1 of the notes to consolidated financial statements, exhibit P-2, annex F, p. 10.

[34] In their allegation 105 of the motion, the petitioners write: «*Prior to the implementation of the arrangement and pursuant to approval of the Pétrolia Reduction of Stated Capital resolution (as described in more detail in the information circular), Pétrolia will not be insolvent as of the hearing of the final order pursuant to subsection 192(2) of the CBCA.*»

[35] In this context, the Court accepts that the conditions are met and will issue the interim order sought.

[36] Two questions remain. First, should Pétrolia have noticed the *AMF* since it is currently a provincial corporation? This would be the case if the new company, Amalco, was created or originated from a provision of the QBCA. But not in this instance. Pétrolia will ask its shareholders to approve a resolution to continue its existence under the CBCA. If this resolution is adopted, Pétrolia will become a federal corporation, governed by the CBCA¹². Therefore, the arrangement is subject to the CBCA, not the QBCA. But it will be important that the Quebec registrar be informed as soon as the continuance resolution is adopted.

[37] Lastly, the motion asks for the following conclusion in relation with a request for an exemption under the United Securities Act of 1933:

« **ORDERS** that upon being advised that it is the intention of the Petitioners to rely on this Court's approval of the Arrangement referenced in this Order, including the declaration that the Arrangement referenced in this Order is substantively and procedurally fair and reasonable, as the basis for a claim to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "1933 Act"), provided by Section 3(a)(10) thereof, and pursuant to the securities laws or regulations of any foreign jurisdiction, the whole with respect to the issuance, exchange or distribution of the pursuant to the Arrangement referenced in this Order (including without limitation the issuance of the "Amalco Shares" and the "Amalco Preferred Shares" (as each such term is defined below));

[38] As mentioned during the hearing, the Court does not see why this order is necessary. Petitioners expressed their intention (see allegation 41 (z) of the motion) and they do not need an order, at least now, to acknowledge this intention.

¹² See section 303 of QBCA included in division 11 titled : «*Continuance under the laws of a jurisdiction other than Quebec*». Section 303 reads : «*This act (QBCA) ceases to apply to the corporation as of the date and if applicable, the time shown on the certificate of discontinuance issued by the enterprise registrar.*»

FOR THESE REASONS, THE COURT:

[39] **GRANTS** the Interim Order sought in the present Motion;

[40] **DISPENSES** Petitioners Pétrolia Inc. ("**Pétrolia**") and Pieridae Energy Limited ("**Pieridae**") of the obligation, if any, to notify any person other than the Director appointed pursuant to the *Canada Business Corporations Act* (the "**CBCA**") with respect to the Interim Order;

[41] **DECLARES** that, as used in this Interim Order, unless otherwise defined, capitalized terms shall have the respective meanings set forth in the present Motion;

[42] **DECLARES** that, for the purposes of this Interim Order, any reference herein to the holder of a security or of an obligation shall be deemed to include both the legal and beneficial holders, if any;

[43] **ORDERS** that:

- (a) **all holders (the "Pétrolia Shareholders") of Pétrolia's issued and outstanding common shares (the "Pétrolia Shares"),**
- (b) **all holders (the "Pétrolia Optionholders") of Pétrolia's outstanding options (the "Pétrolia Options") to purchase Pétrolia Shares issued pursuant to Pétrolia's stock option plan adopted by Pétrolia on October 22, 2004 (the "Pétrolia Stock Option Plan"), and**
- (c) **all holders (the "Pétrolia Warranholders") of Pétrolia's warrants to purchase Pétrolia Shares (the "Pétrolia Warrants"),**

be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order to be rendered herein (the Pétrolia Shareholders, Pétrolia Optionholders and Pétrolia Warranholders being collectively referred to herein as the "Pétrolia Securityholders");

[44] **ORDERS** that:

- (a) **all holders (the "Pieridae Shareholders") of the Pieridae issued and outstanding common shares (the "Pieridae Shares"), and**
- (b) **all holders (the "Pieridae Optionholders") of Pieridae's outstanding options (the "Pieridae Options") to purchase Pieridae Shares issued pursuant to Pieridae's stock option plan adopted by Pieridae (the "Pieridae Stock Option Plan"),**

be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order to be rendered herein (the Pieridae Shareholders and Pieridae Optionholders being collectively referred to herein as the “Pieridae Securityholders”);

[45] [...]

PÉTROLIA

As to the Convening of the Pétrolia Meeting

[46] **ORDERS** that Pétrolia is authorized and directed to call, hold and conduct an annual and special meeting (the “**Pétrolia Meeting**”) of the Pétrolia Shareholders to be held at the **Delta Montreal Hotel, 475 President-Kennedy Avenue, Montréal, Quebec H3A 1J7, Montreal, Quebec, on the “Pétrolia Meeting Date” (described below) at 10:00 a.m. (Eastern Daylight Time)**, for the purpose of, among other things, considering and, if deemed advisable, passing, with or without variation, the special resolution (the “**Pétrolia Arrangement Resolution**”) of Pétrolia Shareholders relating to an arrangement under Section 192 of the CBCA involving Pétrolia and Pieridae (the “**Arrangement**”), substantially in the same form as the plan of arrangement set forth in Schedule E to the draft of the Information Circular providing for notes to the Pétrolia Shareholders and to the Pieridae Shareholders of the Pétrolia Meeting and of the Pieridae Meeting, respectively, and the accompanying management information circular together with any amendments thereto or supplements thereof and any registration statement, information circular or proxy statement which may be prepared and mailed in connection with either such meeting pursuant to applicable law or this Interim Order (the “**Information Circular**”), produced as **Exhibit P-2** and further **DECLARES** that pursuant to the CBCA, Pétrolia is entitled at the Pétrolia Meeting to present to the Pétrolia Shareholders for consideration and, if deemed advisable, passing, the special resolution (the “**Pétrolia Reduction of Stated Capital Resolution**”) to authorize Pétrolia (including, as applicable, its directors) to reduce the stated capital of Pétrolia’s common shares (such that, after such reduction, the realizable value of Pétrolia’s assets would not be less than the aggregate of its liabilities plus the restated stated capital of such shares as contemplated in section 192(2) of the CBCA), which is substantially in the same form as the resolution set forth in **Schedule A-2 to the Information Circular, Exhibit P-2**;

[47] **ORDER** that the date of the Pétrolia Meeting (the “**Pétrolia Meeting Date**”) shall be determined by the Petitioners concurrently with the finalization of the Information Circular (a draft of which is Exhibit P-2), and in respect thereof:

- (a) **the date for transmitting the final form of Information Circular (the “Information Circular Sending Date”) shall be the actual date on which the Petitioners send same to their respective shareholders (as described below) and same should occur within seven (7) days of obtaining all required approvals of the final form of**

Information Circular from all relevant securities regulators (including the TSXV); and

- (b) **The Pétrolia Meeting Date shall be on a date that is no earlier than 25 days, and no later than 45 days, after the Information Circular Sending Date;**

[48] **ORDERS** that the Pétrolia Meeting shall be called, held and conducted in accordance with the notice of annual and special meeting of the Pétrolia Shareholders (the “**Pétrolia Notice of Meeting**”), the CBCA, the articles and by-laws of Pétrolia, the terms of this Interim Order, any further Order of this Court, and the rulings and directions of the Chair of the Pétrolia Meeting, and, to the extent of any inconsistency or discrepancy between this Interim Order and the articles or by-laws of Pétrolia, this Interim Order shall govern;

[49] **DECLARES**, for clarity, that in respect of that portion of the Pétrolia Meeting dealing with the special resolution (the “**Pétrolia Continuance Resolution**”) of Pétrolia Shareholders relating to: (i) the proposed continuance of Pétrolia out of the jurisdiction of Quebec under the *Business Corporations Act* (Quebec) (“**QBCA**”) and into the jurisdiction of Canada under the CBCA (the “**Continuance**”), and (ii) the creation of the Pétrolia Preferred Shares, which is substantially in the same form as the resolution set forth in **Schedule A-1 to the Information Circular, Exhibit P-2**, the QBCA shall apply in lieu of the CBCA inasmuch as such matters are particular to Pétrolia while such corporation is governed by such statute;

As to the Documents Required to be Sent to Persons Entitled to Receive the Pétrolia Notice of Meeting

[50] **ORDERS** that Pétrolia shall give the Pétrolia Notice of Meeting, and that service of the Motion for Final Order (as defined below) shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of the Interim Order, together with the following documents, with such non-material amendments thereto as Pétrolia may deem to be necessary or desirable or which are required by any relevant securities regulator, provided that such amendments are not inconsistent with the terms of the Interim Order (collectively, the “**Pétrolia Notice Materials**”):

- the Information Circular, substantially in the same form as **Exhibit P-2**;
- the Pétrolia Notice of Meeting, incorporated into the Information Circular, **Exhibit P-2**;
- the Pétrolia Continuance Resolution, substantially in the same form as **Schedule A-1 to the Information Circular, Exhibit P-2**;

- the Pétrolia Reduction of Stated Capital Resolution, substantially in the same form as **Schedule A-2 to the Information Circular, Exhibit P-2**;
- the Pétrolia Arrangement Resolution, substantially in the same form as **Schedule B to the Information Circular, Exhibit P-2**;
- the forms of proxy intended for Pétrolia Shareholders (the “**Pétrolia Forms of Proxy**”), substantially in the same form as **Exhibit P-8** which shall be finalized by inserting the relevant dates and other information; and
- the details of what will be the notice of presentation of the motion for the issuance of the Final Order as set out below (the “**Notice of Motion for Final Order**”), which details will be set out in the Court Approval section of the final version of the Draft Information Circular;

[51] **ORDERS** that Pétrolia is authorized to make such amendments, revisions and/or supplements to the draft Information Circular as it and Pieridae, acting jointly, may determine and the Information Circular, as so amended, revised, and/or supplemented, shall be the Information Circular to be distributed in accordance with paragraphs [47](a), [56] and [58];

[52] **DECLARES** that the Information Circular and the other Pétrolia Notice Materials are hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 192 of the CBCA, and Pétrolia shall not be required to send to the Pétrolia Shareholders any other or additional information;

As to Persons Entitled to the Pétrolia Notice Materials

[53] **ORDERS** that the Pétrolia Notice Materials shall be sent to:

- (a) **the registered Pétrolia Shareholders as at the close of business on June 28, 2017 (i.e., the “Pétrolia Record Date” as defined below), at least twenty-five days prior to the date of the Pétrolia Meeting, excluding the date of mailing and the date of the Pétrolia Meeting, by one or more of the following methods:**
 - (1) **by first class prepaid mail, addressed to each registered Pétrolia Shareholder at his, her or its address registered on the share registers of Pétrolia;**
 - (2) **by delivery in person or by recognized courier service to the addresses specified in subparagraph (i) above;**
 - (3) **in the case of non-registered Pétrolia Shareholders, by delivering multiple copies to intermediaries and registered nominees as they are defined in National Instrument 54-101 - Communication with Beneficial Owners of Securities of a**

Reporting Issuer and, in Quebec, with Regulation 54-101 Respecting Communication with Beneficial Owners of Securities of a Reporting Issuer (collectively, “NI 54-101”) to facilitate distribution to non-registered Pétrolia Shareholders, the whole in accordance with NI 54-101; or

(4) by facsimile or electronic transmission to any registered Pétrolia Shareholder identifying himself, herself or itself to the satisfaction of Pétrolia and acting through its representatives, who requests such facsimile or electronic transmission and, if required by Pétrolia, is prepared to pay the charges for such facsimile or electronic transmission;

- (b) *the directors and auditors of Pétrolia, by mailing the Pétrolia Notice Materials by first class prepaid mail addressed to such persons, or by delivery, in person or by recognized courier service, or by facsimile transmission, or by email, or by other electronic transmission at least twenty-one days prior to the date of the Pétrolia Meeting, excluding the date of mailing and the date of the Pétrolia Meeting; and*
- (c) **to the Director appointed pursuant to the CBCA by delivering same, at least twenty-one (21) days prior to the date of the Pétrolia Meeting, in person or by recognized courier service;**

[54] **ORDERS** that Pétrolia may make, in accordance with this Interim Order, such additions, amendments or revisions to the Pétrolia Notice Materials as it determines to be appropriate (the “**Pétrolia Additional Materials**”), which shall be distributed to the persons entitled to receive the Pétrolia Notice Materials pursuant to the Interim Order by the method and in the time determined by Pétrolia to be most practicable in the circumstances;

[55] **DECLARES** that such mailing or delivery of the Pétrolia Notice Materials and of any Pétrolia Additional Materials in accordance with the Interim Order as set out above constitutes good and sufficient service of the Pétrolia Meeting upon all persons, and that no other form of service of the Pétrolia Notice Materials and of any Pétrolia Additional Materials or any portion thereof, or of the Motion need be made, or notice given or other material served in respect of the Pétrolia Meeting to any persons;

[56] [...]

[57] **ORDERS** that a copy of the Pétrolia Notice Materials and of any Pétrolia Additional Materials mailed or delivered to Pétrolia Shareholders pursuant to the Interim Order shall be filed in the Court record following mailing or delivery thereof, and **FURTHER ORDERS** that a certificate (the “Dates Certificate”) shall be filed in the Court record and posted to the website of Pétrolia (and signed by an authorized

representative of Pétrolia) within one (1) week after the Information Circular Sending Date, stating the Petitioners' determination (consistent with this Order) of the following dates:

- (a) **The Information Circular Sending Date (i.e., the date for transmitting the final form of Information Circular);**
- (b) **The Pétrolia Meeting Date (i.e., the date chosen for holding the Pétrolia Meeting);**
- (c) **The Final Order date (i.e., the date chosen for hearing the present Motion as it relates to the Final Order sought); and**
- (d) **The Pétrolia Dissent Deadline (i.e., the deadline for exercising the “Pétrolia Dissent Rights” described below);**

As to Deemed Receipt and Deemed Service of Pétrolia Notice Materials and Any Pétrolia Additional Materials

[58] **DECLARES** that the Pétrolia Notice Materials and any Pétrolia Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

- (e) **in the case of distribution by mail, three (3) Business Days after delivery thereof to the post office;**
- (f) **in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and**
- (g) **in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;**

[59] **DECLARES** that the accidental failure or omission to give notice of the Pétrolia Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Pétrolia Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the convening of the Pétrolia Meeting, provided that if any such failure or omission is brought to the attention of Pétrolia, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

As to the Pétrolia Record Date for Notice and Voting

[60] **ORDERS** that the record date for determination of registered Pétrolia Shareholders entitled to receive the Pétrolia Notice Materials shall be the close of business on June 28, 2017 (the “Pétrolia Record Date”);

[61] **ORDERS** that except as required by applicable securities law, the Pétrolia Record Date will not change in respect or as a consequence of any adjournment(s) or postponement(s) of the Pétrolia Meeting;

As to the Pétrolia Forms of Proxy and the Solicitation of Proxies

[62] **ORDERS** that Pétrolia is authorized to use the forms of proxy, in substantially the same form as **Exhibit P-8**, subject to Pétrolia's ability to insert dates and other relevant information in the final forms of proxy, and Pétrolia is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine;

[63] **ORDERS** that the procedure for the use of proxies at the Pétrolia Meeting shall be as set out in the Information Circular;

[64] **ORDERS** that Pétrolia may in its discretion waive generally the time limits for the deposit of proxies by the Pétrolia Shareholders, if Pétrolia deems it advisable to do so;

As to the Pétrolia Meeting and the Vote on the Continuance Resolution, on the Pétrolia Reduction of Stated Capital Resolution and on the Arrangement Resolution

[65] **ORDERS** that the only persons entitled to attend the Pétrolia Meeting shall be:

- (a) **Pétrolia Shareholders or their respective proxyholders in each case entitled to vote at the Pétrolia Meeting;**
- (b) **Pétrolia's officers, directors, auditors and advisors;**
- (c) **representatives of Pieridae;**
- (d) **the Director; and**
- (e) **other persons with the permission of the Chair of the Pétrolia Meeting;**

[66] **ORDERS** that the only persons entitled to vote at the Pétrolia Meeting on the Continuance Resolution, on the Pétrolia Reduction of Stated Capital Resolution, and on the Arrangement Resolution, shall be the registered holders of Pétrolia Shares, voting as a single class, as at the close of business on the Pétrolia Record Date, or their respective proxyholders;

[67] **ORDERS** that in respect of the vote on the Continuance Resolution, on the Pétrolia Reduction of Stated Capital Resolution, and on the Arrangement Resolution or any matter determined by the Chair of the Pétrolia Meeting to be related to the Arrangement, each registered Pétrolia Shareholder shall be entitled to cast one vote in respect of each Pétrolia Share held;

[68] **ORDERS** that the accidental omission to give Notice of the Pétrolia Meeting, or the non-receipt of such notice, shall not invalidate any resolution passed or proceedings taken at the Pétrolia Meeting and shall not constitute a breach of this Interim Order;

As to Quorum and Voting at the Pétrolia Meeting

[69] **ORDERS** that the quorum required at the Pétrolia Meeting (including without limitation as it relates to each of the Continuance Resolution, the Pétrolia Reduction of Stated Capital Resolution, and the Arrangement Resolution) shall be constituted by at least two (2) persons present and entitled to vote at the Pétrolia Meeting, or being a duly appointed proxyholder, in each case together holding or representing by proxy not less than 10% of the number of outstanding Pétrolia Shares, provided that, if no quorum is present within 15 minutes of the appointed meeting time, the Pétrolia Meeting shall stand adjourned to be reconvened on a day which is not more than 21 days later, as determined by the Chair of the Pétrolia Meeting, in the Chair's sole discretion, and at such reconvened meeting, those persons present in person or by proxy entitled to vote at such meeting will constitute a quorum for the reconvened meeting;

As to the Adjournment of the Pétrolia Meeting and Amendments

[70] **ORDERS** that Pétrolia, if it deems advisable, is specifically authorized to adjourn or postpone the Pétrolia Meeting on one or more occasions, without the necessity of any additional approval of this Court nor the necessity of first convening the Pétrolia Meeting or first obtaining any vote of Pétrolia Shareholders respecting the adjournment or postponement, subject to the terms of the Arrangement Agreement;

[71] **ORDERS** that notice of any adjournment or postponement shall be given by mail, press release or newspaper advertisement, as determined to be the most appropriate method of communication by Pétrolia;

[72] **ORDERS** the Arrangement as so amended, revised or supplemented shall be the Arrangement submitted to the Pétrolia Meeting and the subject of the Arrangement Resolution;

[73] **ORDERS** that at any reconvening of the Pétrolia Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the normal convening of the Pétrolia Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Pétrolia Meeting;

[74] **ORDERS** that for the purpose of the vote on the Continuance Resolution, on the Pétrolia Reduction of Stated Capital Resolution, and the Arrangement Resolution, any spoiled ballots, illegible ballots, defective ballots and abstentions, as determined by the Chair, shall be deemed not to be votes cast by Pétrolia Shareholders and further **ORDER** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Continuance Resolution, of the Pétrolia Reduction of Stated Capital Resolution, and of the Arrangement Resolution;

[75] **ORDERS** that the vote required, in each case, to pass the Continuance Resolution, the Pétrolia Reduction of Stated Capital Resolution, and the Arrangement Resolution, with or without variation, shall be at least 66 $\frac{2}{3}$ % of the aggregate votes cast on the applicable resolution by the Pétrolia Shareholders present in person or represented by proxy at the Meeting voting together as a single class;

[76] **ORDERS** that such vote shall be sufficient to authorize and direct Pétrolia to do all such acts and things as may be necessary or desirable to give effect to the Arrangement Resolution and the Arrangement on a basis consistent with what has been disclosed to the Pétrolia Shareholders in the Pétrolia Notice Materials and in any Pétrolia Additional Materials;

[77] [...]

As to Scrutineers at the Pétrolia Meeting

[78] **ORDERS** that the scrutineers for the Pétrolia Meeting shall be Computershare Trust Company of Canada (acting through its representatives for that purpose) and the duties of the scrutineers shall include:

- (a) **invigilating and reporting to the Chair of the Pétrolia Meeting on the deposit and validity of the proxies;**
- (b) **reporting to the Chair of the Pétrolia Meeting on the quorum of the Pétrolia Meeting;**
- (c) **reporting to the Chair of the Pétrolia Meeting on the polls taken or ballots cast at the Pétrolia Meeting; and**
- (d) **providing to the Pétrolia and to the Chair of the Pétrolia Meeting written reports on matters related to their duties;**

All Other Matters Relating to the Pétrolia Meeting

[79] **ORDERS** that the only forms and means of notice of the Arrangement and all matters incidental thereto (including service of the Motion for Final Order (as defined below) that Pétrolia is required to give to the Pétrolia Optionholders and the Pétrolia Warranholders shall be:

- (a) **the Information Circular substantially in the same form as contained in Exhibit P-2;**
- (b) **the Pétrolia Notice of Meeting, incorporated into the Information Circular, Exhibit P-2;**
- (c) **the Pétrolia Continuance Resolution, substantially in the same form as Schedule A-1 to the Information Circular, Exhibit P-2;**

- (d) the Pétrolia Reduction of Stated Capital Resolution, substantially in the same form as **Schedule A-2 to the Information Circular, Exhibit P-2**;
- (e) the Pétrolia Arrangement Resolution, substantially in the same form as **Schedule B to the Information Circular, Exhibit P-2**;
- (f) **the Notice of Motion for Final Order, which details will be set out in the Court Approval section of the final version of the Draft Information Circular (such sections (a), (b), (c), (d), (e) and (f) being the “Pétrolia Other Equity Information Portion”)**;
- (g) **a cover letter to Pétrolia Optionholders (such cover letter being the “Pétrolia Optionholder Cover Letter”, and together with the Pétrolia Other Equity Information Portion, the “Pétrolia Optionholder Notice Materials”), a copy of the form of Pétrolia Optionholder Cover Letter being filed as Exhibit P-9A**;
- (h) **a cover letter to Pétrolia Warranholders (such cover letter being the “Pétrolia Warranholder Cover Letter”, and together with the Pétrolia Other Equity Information Portion, the “Pétrolia Warranholder Notice Materials”), a copy of the form of Pétrolia Warranholder Cover Letter being filed as Exhibit P-10A**;

in each case with such additions, amendments or revisions thereto as Pétrolia may deem to be necessary or desirable;

[80] **ORDERS** that the Optionholder Notice Materials and the Pétrolia Warranholder Notice Materials shall be delivered:

- (a) **by first class prepaid mail, addressed to each registered Pétrolia Optionholder and each registered Pétrolia Warranholder respectively, at his, her or its address registered on the share registers of Pétrolia; or**
- (b) **by delivery in person or by recognized courier service to the addresses specified in subparagraph (a) above;**

[81] **DECLARES** that (i) the applicable Pétrolia Optionholder Notice Materials and the Pétrolia Warranholder Notice Materials are hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 192 of the CBCA, (ii) Pétrolia shall not be required to send to the Pétrolia Optionholders or the Pétrolia Warranholders any other or additional information, (iii) that such delivery of the Pétrolia Optionholder Notice Materials and the Pétrolia Warranholder Notice Materials in

accordance with the Interim Order as set out above constitutes good and sufficient service;

[82] **ORDERS** that, in all other respects not expressly addressed by the terms of this Order, the terms, restrictions and conditions of the constating documents of Pétrolia, including quorum requirements and all other matters, shall apply in respect of the Pétrolia Meeting;

As to Pétrolia Dissent Rights

[83] **DECLARES** that the QBCA applies on its terms, without amendment or any effect of the present Order, with respect to the right (if any) of any Pétrolia Shareholder to dissent to the Continuance Arrangement;

[84] **DECLARES** that subject to the adoption of the Pétrolia Continuance Resolution, the CBCA applies on its terms, without amendment or any effect of the present Order, with respect to the Pétrolia Reduction of Stated Capital Resolution, including without limitation that there is no statutory right under the CBCA of any Pétrolia Shareholder to dissent to the Pétrolia Stated Capital Arrangement;

[85] **ORDERS** that in accordance with the right of registered Pétrolia Shareholders to dissent to the Arrangement pursuant to section 190 of the CBCA (the “**Pétrolia Dissent Rights**”) set forth in the Arrangement, any registered Pétrolia Shareholder who wishes to dissent in respect of the Arrangement Resolution: (i) must send a written notice of objection to the Arrangement Resolution (a “**Pétrolia Dissent Notice**”), to be received by Pétrolia, care of DS Avocats Canada LLP, 891, boul. Charest Ouest, Quebec, Quebec, G1N 2C9, attention: Kimberley Okell, not later than 5:00 P.M. (Eastern Daylight Time), on the date that is two “Business Days” (i.e., a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Quebec, Quebec or City of Calgary, Alberta) immediately preceding the Pétrolia Meeting Date (or in the case of any adjournment or postponement of the Pétrolia Meeting, the date that is two “Business Days” before such adjourned or postponed Pétrolia Meeting, in each case rather than at or otherwise prior to the Pétrolia Meeting as provided by subsection 190(5) of the CBCA, and (ii) must otherwise strictly comply with the requirements of the CBCA;

[86] **ORDERS** that registered Pétrolia Shareholders who duly and validly exercise their Pétrolia Dissent Rights (“**Dissenting Pétrolia Shareholders**”) and who are ultimately entitled to be paid by Amalco the fair value for their Pétrolia Shares, (a) shall be deemed to have transferred to Amalco the Pétrolia Shares held by them and in respect of which dissent rights have been duly and validly exercised, without any further act or formality, free and clear of all liens, in consideration of a debt claim against Amalco to be paid the fair value of such Pétrolia Shares and (b) shall be entitled to be paid by Amalco an amount equal to the fair value of such Pétrolia Shares, and shall not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such registered holders of Pétrolia Shares not exercised their dissent rights in respect of such Pétrolia Shares;

[87] **DECLARES** that a Dissenting Pétrolia Shareholder must dissent with respect to all of the Pétrolia Shares held by such person;

[88] **DECLARES** that a registered Pétrolia Shareholder who has delivered a Pétrolia Dissent Notice and who votes in favour of the Arrangement Resolution shall not be considered as having exercised his or her Pétrolia Dissent Rights with respect to the Pétrolia Shares voted in favour of the Arrangement Resolution;

[89] **DECLARES** that a vote against the Arrangement Resolution or an abstention shall not constitute a Pétrolia Dissent Notice;

[90] **ORDERS** that registered Pétrolia Shareholders who duly and validly exercise their Pétrolia Dissent Rights and who are ultimately not entitled, for any reason, to be paid fair value for their Pétrolia Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Pétrolia Shareholder and shall receive the Pétrolia Shareholder Consideration in respect of their Pétrolia Shares on the basis set forth in the Arrangement;

[91] **ORDERS** that in no case shall Pétrolia be required to recognize any Pétrolia Shareholder who duly and validly exercises dissent rights as a Pétrolia Shareholder after 12:01 a.m. (Eastern Daylight Time) (the “**Effective Time**”) on the date shown on the certificate of arrangement issued under the CBCA giving effect to the Arrangement (the “**Effective Date**”);

[92] **ORDERS** that any Dissenting Pétrolia Shareholder wishing to apply to a Court to fix a fair value for Pétrolia Shares in respect of which a Pétrolia Dissent Notice has been duly and validly given must apply to the Superior Court of Quebec (Commercial Division) for the District of Quebec (the “**Court**”) and that for the purposes of the Arrangement contemplated in these proceedings, the Court referred to in Section 190 of the CBCA means the Superior Court of Quebec (Commercial Division) for the District of Quebec;

[93] **ORDERS** that notice to registered Pétrolia Shareholders of their Pétrolia Dissent Rights be given by including information with respect to the Pétrolia Dissent Rights in the Information Circular to be sent to Pétrolia Shareholders in accordance with this Interim Order;

[94] **ORDERS** that, subject to further order of this Court, the rights available to registered Pétrolia Shareholders under the CBCA and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Pétrolia Dissent Rights for registered Pétrolia Shareholders with respect to the Arrangement;

PIERIDAE***As to the Convening of the Pieridae Meeting***

[95] **ORDERS** that Pieridae is authorized and directed to call, hold and conduct an annual and special meeting (the “**Pieridae Meeting**”) of the Pieridae Shareholders to be held at the offices of **Burstall Winger Zammit LLP, Suite 1600, 333 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, on the “Pieridae Meeting Date” described below at 9:00 a.m. (Mountain time)**, for the purpose of, among other things, considering and, if deemed advisable, passing, with or without variation, the special resolution (the “**Pieridae Arrangement Resolution**”) of Pieridae Shareholders relating to the Arrangement, substantially in the same form of plan of arrangement as set forth in Schedule H to the draft “**Information Circular**”, produced as **Exhibit P-2**, the whole including that this Court **GRANT** leave pursuant to section 133(3) of the CBCA extending the time in which Pieridae can hold its annual general meeting of shareholders beyond June 30, 2017, to August 18, 2017;

[96] **ORDERS** that the date of the Pieridae Meeting (the “**Pieridae Meeting Date**”) shall be determined by the Petitioners concurrently with the finalization of the Information Circular (a draft of which is filed as Exhibit P-2), and in respect thereof:

- (a) **the date for transmitting the final form of Information Circular (i.e., the “Information Circular Sending Date”) shall be the actual date on which the Petitioners send same to their respective shareholders (as described below) and same should occur within seven (7) days of obtaining all required approvals of the final form of Information Circular from all relevant securities regulators (including the TSXV); and**
- (b) **The Pieridae Meeting Date shall be on a date that is no earlier than 21 days, and no later than 45 days, after the Information Circular Sending Date;**

[97] **ORDERS** that the Pieridae Meeting shall be called, held and conducted in accordance with the notice of annual and special meeting of the Pieridae Shareholders (the “**Pieridae Notice of Meeting**”), the CBCA, the articles and by-laws of Pieridae, the terms of this Interim Order, any further Order of this Court, and the rulings and directions of the Chair of the Pieridae Meeting, and, to the extent of any inconsistency or discrepancy between this Interim Order and the articles or by-laws of Pieridae, this Interim Order shall govern;

As to the Documents Required to be Sent to Persons Entitled to Receive the Pieridae Notice of Meeting

[98] **ORDERS** that Pieridae shall give the Pieridae Notice of the Pieridae Meeting, and that service of the Motion for Final Order (as defined below) shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of the Interim Order, together with the following documents, with such non-material amendments thereto as Pieridae may deem to be necessary or desirable or which are required by any relevant securities regulator, provided that such amendments are not inconsistent with the terms of the Interim Order (collectively, the “**Pieridae Notice Materials**”):

- the Information Circular, substantially in the same form as **Exhibit P-2**;
- the Pieridae Notice of Meeting, incorporated into the Information Circular, **Exhibit P-2**;
- the Pieridae Arrangement Resolution, substantially in the same form as **Schedule C to the Information Circular, Exhibit P-2**;
- the forms of proxy intended for Pieridae Shareholders (the “**Pieridae Forms of Proxy**”), substantially in the same form as **Exhibit P-11** which shall be finalized by inserting the relevant dates and other information;
- the details of what will be the notice of presentation of the motion for Final Order, which details will be set out in the Court Approval section of the final version of the Draft Information Circular;

[99] **ORDERS** that Pieridae is authorized to make such amendments, revisions, and/or supplements to the draft Information Circular as it and Pétrolia, acting jointly, may determine and the Information Circular, as so amended, revised, and/or supplemented, shall be the Information Circular to be distributed in accordance with paragraphs [96], [105] and [106];

[100] **DECLARES** that the Information Circular and the other Pieridae Notice Materials are hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 192 of the CBCA, and Pieridae shall not be required to send to the Pieridae Shareholders any other or additional information;

As to Persons Entitled to the Pieridae Notice Materials

[101] **ORDERS** that the Pieridae Notice Materials shall be sent to:

- (a) **the registered Pieridae Shareholders as at the close of business on the Pieridae Record Date (as hereinafter defined), at least twenty-one days prior to the date of the Pieridae Meeting, excluding the date of mailing and the date of the Pieridae Meeting, by one or more of the following methods:**

- (1) *by first class prepaid mail, addressed to each registered Pieridae Shareholder at his, her or its address registered on the share registers of Pieridae;*
 - (2) *by delivery in person or by recognized courier service to the addresses specified in subparagraph (i) above;*
 - (3) *in the case of non-registered Pieridae Shareholders, by delivering multiple copies to the brokers, investment dealers, banks, trust companies, nominees or other intermediaries with whom such non-registered Pieridae Shareholders deal with, in respect to their Pieridae Shares ; or*
 - (4) *by facsimile or electronic transmission to any registered Pieridae Shareholder identifying himself, herself or itself to the satisfaction of Pieridae and acting through its representatives, who requests such facsimile or electronic transmission and, if required by Pieridae, is prepared to pay the charges for such facsimile or electronic transmission;*
- (b) **the directors and auditors of Pieridae, by mailing the Pieridae Notice Materials first class prepaid mail addressed to such persons, or by delivery, in person or by recognized courier service, or by facsimile transmission or by email, or by other electronic transmission on at least twenty-one days prior to the date of the Pieridae Meeting, excluding the date of mailing and the date of the Pieridae Meeting; and**
 - (c) **to the Director appointed pursuant to the CBCA by delivering same, at least twenty-one (21) days prior to the date of the Pieridae Meeting, in person or by recognized courier service;**

[102] **ORDERS** that Pieridae make, in accordance with this Interim Order, such additions, amendments or revisions to the Pieridae Notice Materials as it determines to be appropriate (the "**Pieridae Additional Materials**"), which shall be distributed to the persons entitled to receive the Pieridae Notice Materials pursuant to the Interim Order by the method and in the time determined by Pieridae to be most practicable in the circumstances;

[103] **DECLARES** that such mailing or delivery of the Pieridae Notice Materials and of any Pieridae Additional Materials in accordance with the Interim Order as set out above constitutes good and sufficient service of the Pieridae Meeting upon all persons, and that no other form of service of the Pieridae Notice Materials and of any Pieridae

Additional Materials or any portion thereof, or of the Motion need be made, or notice given or other material served in respect of the Pieridae Meeting to any persons;

[104] **DECLARES** that an affidavit signed by the person responsible for the sending of the Pieridae Notice Materials and of any Pieridae Additional Materials shall constitute conclusive proof of service of the Pieridae Notice Materials and of any Pieridae Additional Materials on the addressees;

[105] **ORDERS** that a copy of the Pieridae Notice Materials and of any Pieridae Additional Materials mailed or delivered to Pieridae Shareholders pursuant to the Interim Order shall be filed in the Court record following mailing or delivery thereof, and **FURTHER ORDERS** that the Dates Certificate shall be filed in the Court record and posted to the website of Pieridae (and signed by an authorized representative of Pieridae) within one (1) week after the Information Circular Sending Date, stating the Petitioners' determination (consistent with this Order) of the following dates:

- (a) **The Information Circular Sending Date (i.e., the date for transmitting the final form of Information Circular);**
- (b) **The Pieridae Record Date (i.e., the record date for determination of registered holders of Pieridae Shares entitled to receive the Pieridae Notice Materials);**
- (c) **The Pieridae Meeting Date (i.e., the date chosen for holding the Pieridae Meeting);**
- (d) **The Final Order Date (i.e., the date chosen for hearing the present Motion as it relates to the Final Order sought); and**
- (e) **The Pieridae Dissent Deadline (i.e., the deadline for exercising the "Pieridae Dissent Rights" described below);**

As to Deemed Receipt and Deemed Service of Pieridae Notice Materials and Any Pieridae Additional Materials

[106] **DECLARES** that the Pieridae Notice Materials and any Pieridae Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

- (a) **in the case of distribution by mail, three (3) Business Days after delivery thereof to the post office;**
- (b) **in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and**
- (c) **in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;**

[107] **DECLARES** that the accidental failure or omission to give notice of the Pieridae Meeting to, the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Pieridae Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the convening of the Pieridae Meeting, provided that if any such failure or omission is brought to the attention of Pieridae, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

As to the Pieridae Record Date for Notice and Voting

[108] **ORDERS** that the record date for determination of registered holders of Pieridae Shares entitled to receive the Pieridae Notice Materials shall be the close of business on the date that is 30 days prior to the Pieridae Meeting Date, provided that if such date is not a Business Day, the Pieridae Record Date shall be the Business Day preceding the date that is 30 days prior to the Pieridae Meeting Date (the “**Pieridae Record Date**”);

[109] **ORDERS** that except as required by applicable securities law, the Pieridae Record Date will not change in respect or as a consequence of any adjournment(s) or postponement(s) of the Pieridae Meeting;

[110] **ORDERS** that Pieridae is authorized to use the forms of proxy, in substantially the same form as **Exhibit P-11**, subject to the Pieridae’s ability to insert dates and other relevant information in the final forms of proxy, and Pieridae is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine;

[111] **ORDERS** that the procedure for the use of proxies at the Pieridae Meeting shall be as set out in the Information Circular;

[112] **ORDERS** that Pieridae may in its discretion waive generally the time limits for the deposit of proxies by the Pieridae Shareholders, if Pieridae deems it advisable to do so;

As to the Pieridae Meeting and the Vote on the Arrangement Resolution

[113] **ORDERS** that the only persons entitled to attend the Pieridae Meeting shall be:

- (a) **the Pieridae Shareholders or their respective proxyholders in each case entitled to vote at the Pieridae Meeting;**
- (b) **Pieridae’s officers, directors, auditors and advisors;**
- (c) **representatives of Pétrolia;**
- (d) **the Director; and**
- (e) **other persons with the permission of the Chair of the Pieridae Meeting;**

[114] **ORDERS** that the only persons entitled to vote at the Pieridae Meeting on the Arrangement Resolution shall be the registered holders of Pieridae Shares, as at the close of business on the Pieridae Record Date, or their respective proxyholders voting as a single class;

[115] **ORDERS** that in respect of the vote on the Pieridae Arrangement Resolution or any matter determined by the Chair of the Pieridae Meeting to be related to the Arrangement, each registered Pieridae Shareholder shall be entitled to cast one vote in respect of each Pieridae Share held;

[116] **ORDERS** that the accidental omission to give Pieridae Notice of Meeting, or the non-receipt of such notice, shall not invalidate any resolution passed or proceedings taken at the Pieridae Meeting and shall not constitute a breach of this Interim Order;

As to Quorum and Voting at the Pieridae Meeting

[117] **ORDERS** that the quorum required at the Pieridae Meeting as it relates to the Pieridae Arrangement Resolution shall be constituted by at least two persons present and entitled to vote at the Pieridae Meeting, or being a duly appointed proxyholder, together holding or representing by proxy not less than 50% of the number of outstanding Pieridae Shares provided that, if no quorum is present within 15 minutes of the appointed meeting time, the Pieridae Meeting shall stand adjourned to be reconvened on a day which is not more than 21 days later, as determined by the Chair of the Pieridae Meeting, in the Chair's sole discretion, and at such reconvened meeting, those persons present in person or by proxy entitled to vote at such meeting on the Pieridae Arrangement Resolution will constitute a quorum for the reconvened meeting;

As to the Adjournment of the Pieridae Meeting and Amendments

[118] **ORDERS** that Pieridae, if it deems advisable, is specifically authorized to adjourn or postpone the Pieridae Meeting on one or more occasions, without the necessity of first convening the Pieridae Meeting or first obtaining any vote of Pieridae Shareholders respecting the adjournment or postponement, subject to the terms of the Arrangement Agreement;

[119] **ORDERS** that notice of any adjournment or postponement shall be given by mail, press release or newspaper advertisement, as determined to be the most appropriate method of communication by Pieridae;

[120] **ORDERS** the Arrangement as so amended, revised or supplemented shall be the Arrangement submitted to the Pieridae Meeting and the subject of the Pieridae Arrangement Resolution;

[121] **ORDERS** that at any reconvening of the Pieridae Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Pieridae Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Pieridae Meeting;

[122] **ORDERS** that for the purpose of the vote on the Pieridae Arrangement Resolution, any spoiled ballots, illegible ballots, defective ballots and abstentions, as determined by the Chair, shall be deemed not to be votes cast by Pieridae Shareholders and further **ORDERS** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Pieridae Arrangement Resolution;

[123] **ORDERS** that the vote required to pass the Pieridae Arrangement Resolution, with or without variation, shall be at least 66⅔% of the votes cast on the Pieridae Arrangement Resolution by the Pieridae Shareholders present in person or represented by proxy at the Meeting, voting together as a single class;

[124] **ORDERS** that such vote shall be sufficient to authorize and direct Pieridae to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Arrangement on a basis consistent with what has been disclosed to the Pieridae Shareholders in the Pieridae Notice Materials and in any Pieridae Additional Materials;

As to Scrutineers at the Pieridae Meeting

[125] **ORDERS** that the scrutineers for the Pieridae Meeting shall be Burstall Winger Zammit LLP (acting through its representatives for that purpose) and the duties of the scrutineers shall include:

- (a) **invigilating and reporting to the Chair of the Pieridae Meeting on the deposit and validity of the proxies;**
- (b) **reporting to the Chair of the Pieridae Meeting on the quorum of the Pieridae Meeting;**
- (c) **reporting to the Chair of the Pieridae Meeting on the polls taken or ballots cast at the Pieridae Meeting; and**
- (d) **providing to Pieridae and to the Chair of the Pieridae Meeting written reports on matters related to their duties;**

All Other Matters Relating to the Pieridae Meeting

[126] **ORDERS** that the only forms and means of notice of the Arrangement and all matters incidental thereto (including service of the Motion for Final Order (as defined below) that Pieridae is required to give to the Pieridae Optionholders shall be:

- (a) **the Information Circular substantially in the same form as contained in Exhibit P-2;**
- (b) **the Pieridae Notice of Meeting, incorporated into the Information Circular, Exhibit P-2;**

- (c) the Pieridae Arrangement Resolution, substantially in the same form as **Schedule C to the Information Circular, Exhibit P-2**;
- (d) the details of what will be the notice of presentation of the motion for Final Order, which details will be set out in the Court Approval section of the final version of the Draft Information Circular (such sections (a), (b), (c), (d), (e) and (f) being the “**Pieridae Other Equity Information Portion**”);
- (e) a cover letter (such cover letter being the “**Pieridae Other Equity Cover Letter**”, and together with the Pieridae Other Equity Information Portion, the “**Pieridae Other Equity Notice Materials**”), a copy of the form of Pieridae Other Equity Cover Letter being filed as **Exhibit P-12A**;

in each case with such additions, amendments or revisions thereto as Pieridae may deem to be necessary or desirable;

[127] **ORDERS** that the Pieridae Other Equity Notice Materials shall be delivered:

- (a) **by first class prepaid mail, addressed to each registered Pieridae Optionholder at his, her or its address registered on the share registers of Pieridae; or**
- (b) **by delivery in person or by recognized courier service to the addresses specified in subparagraph (a) above;**

[128] **DECLARES** that (i) the applicable Pieridae Other Equity Notice Materials are hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 192 of the CBCA, (ii) Pieridae shall not be required to send to the Pieridae Optionholders any other or additional information, (iii) that such delivery of the Pieridae Other Equity Notice Materials in accordance with the Interim Order as set out above constitutes good and sufficient service;

[129] **ORDERS** that, in all other respects not expressly addressed by the terms of this Order, the terms, restrictions and conditions of the constating documents of Pieridae, including quorum requirements and all other matters, shall apply in respect of the Pieridae Meeting;

As to Pieridae Dissent Rights

[130] **ORDERS** that in accordance with the rights of registered Pieridae Shareholders to dissent to the Arrangement pursuant to section 190 of the CBCA (the “**Pieridae Dissent Rights**”) set forth in the Plan of Arrangement, any registered Pieridae Shareholder who wishes to dissent in respect of the Pieridae Arrangement Resolution: (i) must send a written notice of objection to the Pieridae Arrangement Resolution (a “**Pieridae Dissent Notice**”) to be received by Pieridae, care of Burstall, Winger Zammit

LLP, suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, attention: Robert Verbuck, not later than 5:00 P.M. (Mountain Time), on the date that is two “Business Days” (i.e., a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Quebec, Quebec or City of Calgary, Alberta) immediately preceding the Pieridae Meeting Date (or in the case of any adjournment or postponement of the Pieridae Meeting, the date that is two “Business Days” before such adjourned or postponed Pieridae Meeting, in each case rather than at or otherwise prior to the Pieridae Meeting as provided by subsection 190(5) of the CBCA, and (ii) must otherwise strictly comply with the requirements of the CBCA;

[131] **ORDERS** that registered Pieridae Shareholders who duly and validly exercise their Pieridae Dissent Rights (each a “**Dissenting Pieridae Shareholder**”) and who are ultimately entitled to be paid by Amalco the fair value for their Pieridae Shares, (i) shall be deemed to have irrevocably transferred to Amalco the Pieridae Shares held by them and in respect of which dissent rights have been duly and validly exercised, without any further act or formality, free and clear of all liens, in consideration of a debt claim against Amalco to be paid the fair value of such Pieridae Shares and (ii) shall be entitled to be paid by Amalco an amount equal to the fair value of such Pieridae Shares, and shall not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such registered holders of Pieridae Shares not exercised their dissent rights in respect of such Pieridae Shares;

[132] **DECLARES** that a Dissenting Pieridae Shareholder must dissent with respect to all of the Pieridae Shares held by such person;

[133] **DECLARES** that a registered Pieridae Shareholder who has delivered a Pieridae Dissent Notice and who votes in favour of the Arrangement Resolution shall not be considered as having exercised his or her Pieridae Dissent Rights with respect to the Pieridae Shares voted in favour of the Arrangement Resolution;

[134] **DECLARES** that a vote against the Pieridae Arrangement Resolution or an abstention shall not constitute a Pieridae Dissent Notice;

[135] **ORDERS** that registered Pieridae Shareholders who duly and validly exercise their Pieridae Dissent Right and who are ultimately not entitled, for any reason, to be paid fair value for their Pieridae Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Pieridae Shareholder and shall receive the Pieridae Shares Consideration in respect of their Pieridae Shares on the basis set forth in the Arrangement;

[136] **ORDERS** that in no case shall Pieridae be required to recognize any registered Pieridae Shareholder who duly and validly exercises Pieridae Dissent Rights as a Pieridae Shareholder after the Effective Time on the Effective Date;

[137] **ORDERS** that any Dissenting Pieridae Shareholder wishing to apply to a court to fix a fair value for Pieridae Shares in respect of which an Pieridae Dissent Notice has

been duly and validly given must apply to the Superior Court of Quebec (Commercial Division) in and for the District of Quebec, and that for the purposes of the Arrangement contemplated in these proceedings, the Court referred to in Section 190 of the CBCA means the Superior Court of Quebec (Commercial Division) in and for the District of Quebec;

[138] **ORDERS** that notice to registered Pieridae Shareholders of their Pieridae Dissent Rights be given by including information with respect to the Pieridae Dissent Rights in the Information Circular to be sent to Pieridae Shareholders in accordance with this Interim Order;

[139] **ORDERS** that, subject to further order of this Court, the rights available to registered Pieridae Shareholders under the CBCA and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Pieridae Dissent Rights for registered Pieridae Shareholders with respect to the Arrangement;

As to the Arrangement

[140] **ORDERS** that the Petitioners may amend, modify and/or supplement the Arrangement at any time and from time to time provided that any such amendment, modification and/or supplement is not adverse to the economic interest of any Pétrolia and/or Pieridae Shareholders:

- (a) **any such amendment, modification and/or supplement made before or at the Pétrolia Meeting, shall be communicated in writing to the Pétrolia Shareholders, Pétrolia Optionholders and Pétrolia Warrantholders and to the Director prior to or at the Pétrolia Meeting;**
- (b) **any such amendment, modification and/or supplement made before or at the Pieridae Meeting, shall be communicated in writing to the Pieridae Shareholders and Pieridae Optionholders and to the Director prior to or at the Pieridae Meeting;**
- (c) **any such amendment, modification and/or supplement made after the Pétrolia Meeting or the Pieridae Meeting and before the hearing of the Motion for Final Order shall be approved by this Court and subject to such terms and conditions this Court may deem appropriate and required in the circumstances; and**
- (d) **any such amendment, modification and/or supplement made after the Final Order hearing shall be approved by this Court and subject to such terms and conditions this Court may deem appropriate and required in the circumstances, unless it is non-material and concerns a matter which is of an administrative**

nature required to better give effect to the implementation of this Arrangement;

[141] [...]

[142] [...]

As to Presentation of the Final Order

[143] **ORDERS** that, subject to the approval by Pétrolia Shareholders of the Arrangement Resolution and Pieridae Shareholders of the Pieridae Arrangement Resolution, in the manner set forth in the Interim Order, the Petitioners may apply for this Court to sanction the Arrangement by way of a final judgment (the “**Motion for Final Order**”);

[144] [...]

[145] **ORDERS** that the Motion for Final Order be presented on August 2, 2017 or as soon thereafter as counsel may be heard or at any other date this Court sets or as is required in order to reflect that said Motion is to be presented at least two days after the later of: (a) the Pétrolia Meeting Date; and (b) the Pieridae Meeting Date (and as shown in the Dates Certificate filed in the Court record by the Dates Certificate Deadline), before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Québec, at the Quebec City Courthouse (Palais de justice de Quebec), located at 300, boulevard Jean-Lesage, Québec, Québec, G1K 8K6, in Room 3.14 at 8:45 (such date of the actual hearing being the “**Final Order Date**”);

[146] **ORDERS** that the mailing and delivery of the Pétrolia Notice Materials, Pieridae Notice Materials and of any Pétrolia Additional Material and/or Pieridae Additional Material constitutes good and sufficient service of the Motion and good and sufficient notice of presentation of the Motion for a Final Order to all persons, whether those persons reside within Quebec or in another jurisdiction;

As to Appearances and Contestation of the Final Order

[147] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Motion for Final Order shall be Pétrolia, Pieridae, the Director and any person that:

- (a) **files an appearance with this Court’s registry and serves same on: (i) counsel to Pétrolia (DS Lawyers Canada LLP, c/o Mtre Patrick Goudreau, 1080 Beaver Hall Hill, Suite 2100, Montréal (Québec) H2Z 1S8, Fax: (514) 284-3235), and (ii) counsel to Pieridae (BCF LLP, c/o Mtre Gary Rivard, 1100, boul. René-Lévesque West, 25th Floor, Montréal (Québec) H3B 5C9, Fax: (514) 397-8515) and Burstall Winger Zammit LLP, c/o Mr. Robert Verbuck, Suite 1600, 333 - 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Fax: (403) 266-6016) no later than 4:30 p.m. (Eastern Daylight Time) on or before the date that is two (2) weeks prior to the Final Order Date; and**

- (b) **if such appearance is with the view to contesting the Motion for Final Order, serves on each of the above mentioned counsel and files with this Court's registry – no later than 4:30 p.m. (Montréal time), on or before the date that is ten (10) calendar days before the Final Order Date (or in the event that such date is not a date on which the Court is open, then on the next date on which the Court is open) – a written contestation supported as to the facts by affidavit(s), and exhibit(s) if any, without which such contestation the appearing person shall not be permitted to contest the Motion for Final Order;**

Miscellaneous

[148] **ALLOWS** the Petitioners to file any further evidence they deem appropriate by way of supplementary affidavit or otherwise, in connection with the Motion for Final Order;

[149] **ORDERS** that the Petitioners be entitled, at any time, to seek leave to vary the Interim Order upon such terms and such notice as this Court deems just;

[150] **ORDERS** the provisional execution of the Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[151] **ORDERS** that **Exhibits P-2, P-3 and P-4** be placed under seal in the records of the Superior Court of Quebec and that it not be disclosed, published or disseminated, directly or indirectly, without prior authorization of this Court;

[152] **DECLARES** that this Interim Order shall have full force and effect in all other Provinces and Territories of Canada and shall be enforced in the courts of each of the other Provinces and Territories of Canada in the same manner in all respects as if this Interim Order had been made by the Court enforcing it;

[153] **ORDERS** that this Court respectfully seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province, as well as any court or any judicial, regulatory or administrative body of the United States of America or elsewhere, to act in aid of and to assist this Court in carrying out the terms of this Interim Order;

[154] **THE WHOLE** without costs.

DANIEL DUMAIS, S.C.J.

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M^e Kimberley Okell
DS Avocats
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Attorneys of Petitioner (Pétrolia inc.)

M^e Julie Dorion
BCF avocats
Casier 12

Attorney of Petitioner (Pieridae Energy Limited)

Hearing date : June 21, 2017

SCHEDULE “J”

PROFORMA FINANCIAL STATEMENTS OF AMALCO

[See the following page(s)]

Pieridae Energy Limited [“Amalco”]

Pro forma consolidated balance sheets

[in thousands of dollars]

As at March 31, 2017

[unaudited]

	Pieridae Energy Limited	Pétrolia Inc.	Pro forma adjustments	Pieridae Energy Limited Pro forma consolidated
	\$	\$	\$	\$
Assets				
Current				
Cash and cash equivalents <i>[note 3[e]]</i>	190	892	24,632	37,202
			<i>[note 3[b], [f]]</i> 11,488	
Cash and cash equivalents held for exploration	—	4,137	—	4,137
Receivables	—	454	—	454
Prepaid expenses	—	203	—	203
Inventories	—	88	—	88
Restricted cash	31	—	—	31
Other current assets	12	—	—	12
Conversion right <i>[note 3[d]]</i>	1,792	—	(1,792)	—
	2,025	5,774	34,328	42,127
Security deposits	—	600	—	600
Investments in associates <i>[note 3[b]]</i>	3,824	36,550	(36,550)	3,824
Property, plant and equipment, net	3,359	307	—	3,666
Exploration and evaluation assets <i>[note 3[b]]</i>	—	25,870	12,523	38,393
	9,208	69,101	10,301	88,610
Liabilities and shareholders' equity				
Current				
Accounts payable and accrued liabilities <i>[note 3[c]]</i>	16,015	1,116	1,250	10,183
			<i>[note 3[h]]</i> (8,198)	
Current portion of deferred lease inducements	—	18	—	18
Current portion of bank borrowings	—	7	—	7
Partner advances for planned exploration work	—	1,727	—	1,727
Promissory notes	2,154	—	—	2,154
Goldboro Land Mortgage	3,200	—	—	3,200
Convertible loan <i>[note 3[d]]</i>	6,420	—	(6,420)	—
Provision for contingent liability	—	350	—	350
Liability related to flow-through shares	—	179	—	179
Total current liabilities	27,789	3,397	(13,368)	17,818

Pieridae Energy Limited [“Amalco”]

Pro forma consolidated balance sheets

[in thousands of dollars]

As at March 31, 2017

[unaudited]

	Pieridae		Pieridae	
	Energy Limited	Pétrolia Inc.	Pro forma	Energy Limited
	\$	\$	adjustments	Pro forma
	\$	\$	\$	consolidated
	\$	\$	\$	\$
Non-current				
Long-term liability <i>[note 3[h]]</i>	—	—	8,198	8,198
Partner's share in security deposits	—	294	—	294
Deferred lease inducements	—	193	—	193
Bank borrowings	—	12	—	12
Provision for site restoration	—	1,474	—	1,474
Deferred tax liabilities <i>[note 3[b]]</i>	—	4,712	(4,712)	—
Total liabilities	27,789	10,082	(9,882)	27,989
Shareholders' equity				
Share capital <i>[note 3[a]]</i>	44,668	67,669	(67,669)	127,009
<i>[note 3[b]]</i>			51,192	
<i>[note 3[d]]</i>			6,300	
<i>[note 3[e]]</i>			24,632	
<i>[note 3[g]]</i>			217	
Contributed surplus <i>[note 3[a]]</i>	6,238	6,006	(6,006)	6,021
<i>[note 3[g]]</i>			(217)	
Retained earnings (deficit) <i>[note 3[a]]</i>	(70,866)	(14,656)	14,656	(73,788)
<i>[note 3[d]]</i>			(1,672)	
<i>[note 3[c]]</i>			(1,250)	
Other comprehensive income	1,479	—	—	1,479
Total shareholder's equity	(18,481)	59,019	20,183	60,721
Non-controlling interests	(100)		—	(100)
Total equity	(18,581)	59,019	20,183	60,621
Total liabilities and equity	9,208	69,101	10,301	88,610

See accompanying notes

Pieridae Energy Limited [“Amalco”]

Pro forma consolidated statements of loss

[in thousands of dollars]

For the three months ended March 31, 2017

[unaudited]

	Pieridae Energy Limited	Pétrolia Inc.	Pro forma adjustments	Pieridae Energy Limited Pro forma consolidated
	\$	\$	\$	\$
Revenue				
Project management	—	12	—	12
	—	12	—	12
Expenses				
Terminal development	207	—	—	207
Employee benefits	704	42	—	746
Professional fees	—	153	—	153
Travel	13	22	—	35
Depreciation on property, plant and equipment	2	5	—	7
Other administrative expenses [note 3[c]]	—	185	1,250	1,435
Financial income and expenses	—	10	—	10
Loss before the following	(926)	(405)	(1,250)	(2,581)
Other expenses (income)				
Share of associates' loss	30	33	—	63
Impairment of property, plant and equipment	—	228	—	228
Impairment of exploration and evaluation assets	—	19,208	—	19,208
Loss on conversion right	718	—	—	718
Loss on loan conversion [note 3[d]]	—	—	1,672	1,672
Interest expense (income)	381	(6)	—	375
Foreign exchange gain	15	—	—	15
	1,144	19,463	1,672	22,279
Loss before income taxes	(2,070)	(19,868)	(2,922)	(24,860)
Income tax recovery	—	(3,392)	—	(3,392)
Net loss for the period	(2,070)	(16,476)	(2,922)	(21,468)

See accompanying notes

Pieridae Energy Limited [“Amalco”]

Pro forma consolidated statements of loss

[in thousands of dollars]

For the twelve months ended December 31, 2016

[unaudited]

	Pieridae Energy Limited	Pétrolia Inc.	Pro forma adjustments	Pieridae Energy Limited Pro forma consolidated
	\$	\$	\$	\$
Revenue				
Project management	—	103	—	103
	—	103	—	103
Expenses				
Terminal development	10,236	—	—	10,236
Employee benefits	3,426	724	—	4,150
Professional fees	444	590	—	1,034
Travel	97	70	—	167
Depreciation on property, plant and equipment	7	24	—	31
Other administrative expenses [note 3[c]]	—	679	1,250	1,929
Financial income and expenses	—	36	—	36
Loss before the following	(14,210)	(2,020)	(1,250)	(17,480)
Other expenses (income)				
Share of associates' loss	125	136	—	261
Gain on conversion right	(659)	—	—	(659)
Loss on loan conversion [note 3[d]]	—	—	1,672	1,672
Interest expense (income)	1,535	(29)	—	1,506
Foreign exchange gain	(1,123)	—	—	(1,123)
	(122)	107	1,672	1,657
Loss before income taxes	(14,088)	(2,127)	(2,922)	(19,137)
Income tax recovery	—	(187)	—	(187)
Net loss for the year	(14,088)	(1,940)	(2,922)	(18,950)

See accompanying notes

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

1. Basis of presentation

The accompanying unaudited pro forma consolidated statement of financial position of Pieridae Energy Limited ["Amalco" or the "Company"], as at March 31, 2017 and the unaudited pro forma consolidated statements of loss and comprehensive loss for the three months ended March 31, 2017 and the year ended December 31, 2016 [the "unaudited pro forma consolidated financial statements"] have been prepared by management to reflect the proposed arrangement agreement [the "Arrangement" or "Transaction"]. The unaudited pro forma consolidated financial statements were prepared for illustrative purposes only. The unaudited pro forma consolidated financial statements were prepared for inclusion in an information circular and should be read in the context of that document.

The Arrangement agreement dated May 15, 2017 between the Company and Pétrolia Inc. ("Pétrolia") provides the terms with respect to Amalco's acquisition (the "Acquisition") of all of the issued and outstanding common shares, options and warrants of Pétrolia pursuant to a plan of arrangement. The Arrangement involves the following key steps:

- Each issued and outstanding Pieridae Energy Limited ("Old Pieridae") common share ("Pieridae Share") shall be cancelled and in consideration therefor the holders shall receive 2.2057526 Amalco common shares. Amalco is a newly incorporated entity with no assets or liabilities;
- Each issued and outstanding Pétrolia common share and Pétrolia warrant shall be cancelled and in consideration therefor the holders will receive one fully paid and non-assessable Amalco common share and/or one Amalco warrant, as applicable;
- Upon closing of the Arrangement, Amalco will be named Pieridae Energy Limited.

The transaction is expected to close on or about October 12, 2017 [the "effective date"].

The exchange of Amalco common shares for Pieridae Shares is not considered a business combination as there is no change of economic substance and no change to the shareholder group resulting from that transaction. Accordingly, the consolidated financial statements of Amalco will be prepared as a continuation of Old Pieridae's consolidated financial statements.

The acquisition has been accounted for as a business combination using the acquisition method of accounting whereby Amalco, as successor to Old Pieridae, is deemed to be the acquirer of Pétrolia. Amalco is deemed to be the acquirer of Pétrolia as the Arrangement involves the former shareholders of Old Pieridae obtaining control of Pétrolia through the exchange of shares for Pétrolia shares. Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at their fair values with the excess of the aggregate consideration, also recorded at fair value, over the fair value of the identifiable net assets allocated to goodwill. The fair values of the net assets acquired and liabilities assumed will be finalized subsequent to the closing of the Transaction. The consideration paid for Pétrolia will be subject to further refinement as the value of the Amalco shares issued is dependent on an estimate of fair value at the time of closing.

The unaudited pro forma consolidated financial statements have been prepared from information derived from and should be read in conjunction with:

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

- The audited consolidated financial statements of Old Pieridae, together with the accompanying notes thereto, as at and for the year ended December 31, 2016;
- The interim unaudited consolidated financial statements of Old Pieridae, together with the accompanying notes thereto, as at and for the three months ended March 31, 2017;
- The audited consolidated financial statements of Pétrolia, together with the accompanying notes thereto, as at and for the year ended December 31, 2016.
- The interim condensed unaudited consolidated financial statements of Pétrolia., together with the accompanying notes thereto, as at and for the three months ended March 31, 2017;

The line items in the unaudited pro forma consolidated financial statements have been prepared in all material respects using the accounting policies that are permitted by the International Financial Reporting Standards ["IFRS"] and as required by the TSX Venture Exchange Inc. as if those line items were presented as part of a complete set of financial statements. Accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those disclosed in note 2 of Old Pieridae's audited annual consolidated financial statements as at and for the year ended December 31, 2016.

The unaudited pro forma consolidated balance sheet gives effect to the Transaction and assumptions described herein as if they had occurred on March 31, 2017.

The unaudited pro forma consolidated statements of loss for the three months ended March 31, 2017 and the year ended December 31, 2016 give effect to the Transaction and assumptions as if they had occurred on January 1, 2016.

The unaudited pro forma consolidated financial statements will not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the operating synergies and administrative cost savings that could result from the operations of the combined assets.

The unaudited pro forma consolidated financial statements are presented in thousands of Canadian dollars.

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

2. Presentation adjustments

The consolidated statement of loss and comprehensive loss of Pétrolia for the three months ended March 31, 2017 and the year ended December 31, 2016 have been adjusted to conform with Old Pieridae's presentation as follows:

For the three months ended March 31, 2017

[\$ thousands except per share amounts]	Pétrolia Inc. \$	Reclass \$	Pétrolia Inc. reclassified presentation \$
Revenue			
Project management	12	—	12
	12	—	12
Expenses			
Administrative expenses	407	(407)	—
Financial income and expenses	4	6	10
Terminal development	—	—	—
Employee benefits	—	42	42
Professional fees	—	153	153
Travel	—	22	22
Depreciation on property, plant and equipment	—	5	5
Other administrative expenses	—	185	185
Loss before the following	(399)	(6)	(405)
Other expenses (income)			
Share of associates' loss	33	—	33
Impairment of property, plant and equipment	228	—	228
Impairment of exploration and evaluation assets	19,208	—	19,208
Loss on conversion right	—	—	—
Interest expense (income)	—	(6)	(6)
Foreign exchange gain	—	—	—
	19,469	(6)	19,463
Loss before income taxes	(19,868)	—	(19,868)
Income tax recovery	(3,392)	—	(3,392)
Net loss for the year	(16,476)	—	(16,476)

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

For the Year Ended December 31, 2016

[\$ thousands except per share amounts]	Pétrolia Inc. \$	Reclass \$	Pétrolia Inc. reclassified presentation \$
Revenue			
Project management	103	—	103
	103	—	103
Expenses			
Administrative expenses	2,087	(2,087)	—
Financial income and expenses	7	30	37
Terminal development	—	—	—
Employee benefits	—	724	724
Professional fees	—	590	590
Travel	—	70	70
Depreciation on property, plant and equipment	—	24	24
Other administrative expenses	—	679	679
Loss before the following	(1,991)	(30)	(2,021)
Other expenses (income)			
Share of associates' loss	136	—	136
Gain on conversion right	—	—	—
Interest expense (income)	—	(30)	(30)
Foreign exchange loss gain	—	—	—
	136	(30)	106
Loss before income taxes	(2,127)	—	(2,127)
Income tax recovery	(187)	—	(187)
Net loss for the year	(1,940)	—	(1,940)

3. Pro forma assumptions and adjustments

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments:

- [a] The Pro Forma adjustments reflect the elimination of the historical equity accounts of Pétrolia.
- [b] As consideration for the Transaction, Amalco will issue 9,033,307 common shares in exchange for the Pétrolia outstanding common shares. Each Pétrolia common will be exchanged for one common share of Amalco. The estimated fair value of Amalco is \$51,191,880. The Amalco shares are measured at fair value, estimated with reference to the fair value of the Pétrolia shares exchanged for Amalco shares as of the date

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

of execution of the Arrangement agreement between Old Pieridae and Pétrolia on May 15, 2017 and adjusted for the increase in cash a result of the settlement with the Government of Québec (see note 3[f]) as reflected in an amendment to the Arrangement agreement dated August 24, 2017.

The preliminary estimates of the fair values of assets acquired and liabilities assumed relating to the Acquisition are as follows:

	\$ [000s]
Allocation	
Cash ⁽¹⁾	12,380
Cash and cash equivalents for exploration	4,137
Working capital (deficiency)	(408)
Security deposits	600
Interest in associates ⁽²⁾	—
Property, plant and equipment	307
Exploration and evaluation assets	38,393
Partner advances	(1,727)
Provision for contingent liability	(350)
Liability related to flow-through shares	(179)
Partner's share in security deposit	(294)
Deferred lease inducements	(193)
Provision for site restoration	(1,474)
Deferred tax liabilities ⁽³⁾	—
	<u>51,192</u>
Consideration	
Shares issued	<u>51,192</u>

⁽¹⁾ Includes cash of \$11,487,998 in connection with the agreement reached with the Government of Québec (note 3[f]).

⁽²⁾ The carrying amount of Pétrolia's interest in associates as at March 31, 2017 was \$36,550,000. In conjunction with the purchase price allocation, a pro forma adjustment was made to write the interest in associates down to its fair value of nil as oil and gas exploration on Anticosti Island was terminated by the Government of Québec (note 3[f]).

⁽³⁾ The carrying amount of Pétrolia's deferred tax liability as at March 31, 2017 was \$4,712,000. In conjunction with the fair value adjustment to write the interest in associate down to its fair value of nil, the deferred tax liability was reduced to nil and a deferred tax asset of \$3,958,701 was calculated in connection with deductible temporary differences including non-capital loss carryforward amounts. Since it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized, the deferred tax asset has not been recognized.

[c] Accounts payable and accrued liabilities are adjusted for transaction costs of \$1,250,000 including \$650,000 by Old Pieridae and \$600,000 incurred by Pétrolia. These costs include financial advisory, legal and accounting fees, certain costs of preparation, printing and mailing of the Information Circular and other related documents. The adjustments for the transaction costs has been included in the pro forma adjustments to consolidated net loss for the periods ended December 31, 2016 and March 31, 2017.

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

- [d] Pursuant to the Arrangement, Old Pieridae's \$5,000,000 USD convertible debt will be converted into common shares of Old Pieridae at a rate of \$12.50 CAD/share. Converted at the estimated conversion date exchange rate of 1.26, this results in 504,000 common shares being issued at a cost of \$6,300,000. After derecognizing the Conversion Right asset, a loss on conversion of \$1,672,000 has been recognized as an adjustment to pro forma consolidated net loss for the periods ended December 31, 2016 and March 31, 2017.
- [e] As a condition of closing of the Arrangement, Old Pieridae completed a private placement of 1,970,600 subscription receipts at a price of \$12.50/subscription receipt for net proceeds of \$24,632,500. In conjunction with the private placement, Old Pieridae incurred agency commissions of \$1,019,125 on the private placement which will be settled by the issuance of 81,530 compensation shares at a price of \$12.50. All subscription receipts issued in the private placement will automatically be converted into common shares of Old Pieridae immediately prior to the completion of the Arrangement. An adjustment has been made to cash and share capital to recognize the private placement.
- [f] On August 9, 2017, a settlement agreement was reached with the Government of Québec whereby Pétrolia will receive a settlement amount of \$20,500,000 in connection with the termination of oil and gas exploration on Anticosti Island, Québec. Pursuant to the Arrangement Pétrolia will declare a dividend to its common shareholders, determined on the date that the Arrangement becomes effective, in the aggregate amount of \$9,012,002 which will be paid on the closing date of the Arrangement by Pétrolia to its transfer agent for distribution to Pétrolia shareholders thereafter. This dividend represents the "after-tax" distribution of 50% of the settlement amount so received. The undistributed settlement amount retained by Pétrolia has been reflected in these pro forma financial statements as a pro forma adjustment to increase cash by \$11,487,998 which represents the portion of the settlement retained by Pétrolia. The dividend is a transaction of the historical equity accounts of Pétrolia which are eliminated in accordance with 3(a). The settlement will result in the utilization of previously unrecognized deferred tax assets. Accordingly, no pro forma adjustments have been recorded related to the dividend or income taxes.
- [g] Subsequent to March 31, 2017, Old Pieridae will issue 24,167 common shares at a price of \$9 per share as consideration for share for service transactions. The Old Pieridae common shares will be converted to Amalco common shares upon close of the transaction using the conversion factor in note 1.
- [h] On July 29th, 2017 Old Pieridae entered into an agreement with its vendor CB&I UK Limited ("CB&I") whereby the Company agreed to pay GBP1,837,200 (CAD \$3,000,000) of total amounts due to CB&I of GBP6,352,304 (CAD \$11,197,794) on or before September 30, 2017. In exchange for the agreed payment, CB&I has agreed the remaining amount will be paid only if a proceed decision on the LNG Project results in the award of an engineering contract to CB&I or another party. If the Project does not proceed, or at any time Pieridae cancels or abandons the project, the Company has no obligation to pay the remaining amount. The award of an engineering contract is not expected within 12 months so a pro forma entry has been made to reclassify \$8,197,794 to long term. The amounts due to CB&I are non-interest bearing.

Pieridae Energy Limited

Notes to pro forma consolidated financial statements

As at and for the three months ended March 31, 2017 and for the year ended December 31, 2016
[Unaudited]

4. Pro forma share capital and earnings per share

	Number of shares #	Amount \$
	[000s]	
Common shares		
Amalco common shares, inception	—	—
Old Pieridae common shares, March 31, 2017	15,599	44,668
Old Pieridae common shares issued on debt conversion <i>[note 3 [d]]</i>	504	6,300
Old Pieridae common shares issued on private placement <i>[note 3 [e]]</i>	1,971	24,632
Old Pieridae common shares issued as agents' commissions <i>[note 3 [e]]</i>	82	—
Old Pieridae common shares issuable for share for service arrangements	24	217
Old Pieridae common shares prior to Arrangement	18,180	75,817
Cancellation of Old Pieridae common shares	(18,180)	—
Exchange of Amalco shares for Old Pieridae common shares <i>[note 1]</i>	40,101	—
Amalco common shares, prior to Pétrolia acquisition	40,101	75,817
Amalco common shares issued in exchange for Pétrolia common shares	9,033	51,192
Pro forma Amalco share capital, March 31, 2017	49,134	127,009
	Three months ended March 31, 2017	Year ended December 31, 2016
	\$	\$
Earnings (loss) per share		
Net loss for the period	(21,468)	(18,950)
Weighted average number of common shares – basic and diluted	49,134	49,134
Basic and diluted net loss per share	(0.44)	(0.39)

SCHEDULE “K”

SECTION 372 OF THE QBCA – DISSENT RIGHTS

BUSINESS CORPORATIONS ACT (QUEBEC)

SECTION 372

372. The adoption of any of the resolutions listed below confers on a shareholder the right to demand that the corporation repurchase all of the person’s shares if the person exercised all the voting rights carried by those shares against the resolution:

- (1) an ordinary resolution authorizing the corporation to carry out a squeeze-out transaction;
- (2) a special resolution authorizing an amendment to the articles to add, change or remove a restriction on the corporation’s business activity or on the transfer of the corporation’s shares;
- (3) a special resolution authorizing an alienation of corporation property if, as a result of the alienation, the corporation is unable to retain a significant part of its business activity;
- (4) a special resolution authorizing the corporation to permit the alienation of property of its subsidiary;
- (5) a special resolution approving an amalgamation agreement;
- (6) a special resolution authorizing the continuance of the corporation under the laws of a jurisdiction other than Québec; or
- (7) a resolution by which consent to the dissolution of the corporation is withdrawn if, as a result of the alienation of property begun during the liquidation of the corporation, the corporation is unable to retain a significant part of its business activity.

The adoption of a resolution referred to in any of subparagraphs 3 to 7 of the first paragraph confers on a shareholder whose shares do not carry voting rights the right to demand that the corporation repurchase all of the person’s shares.

SCHEDULE “L”

SECTION 190 OF THE CBCA – DISSENT RIGHTS

CANADA BUSINESS CORPORATIONS ACT

SECTION 190

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- **(a)** amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- **(b)** amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- **(c)** amalgamate otherwise than under section 184;
- **(d)** be continued under section 188;
- **(e)** sell, lease or exchange all or substantially all its property under subsection 189(3); or
- **(f)** carry out a going-private transaction or a squeeze-out transaction.

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was passed or the order was made.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) The corporation shall, within ten days after the shareholders pass the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has

been passed, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been passed, send to the corporation a written notice containing

- **(a)** the shareholder's name and address;
- **(b)** the number and class of shares in respect of which the shareholder dissents; and
- **(c)** a demand for payment of the fair value of such shares.

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- **(a)** the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- **(b)** the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- **(c)** the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- **(a)** a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

- **(b)** if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) On an application to a court under subsection (15) or (16),

- **(a)** all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- **(b)** the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- **(a)** withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- **(b)** retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- **(a)** the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- **(b)** the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

SCHEDULE “M-1”

MANDATE OF THE PÉTROLIA BOARD

[See the following page(s)]

MANDAT DU CONSEIL D'ADMINISTRATION (le *Conseil*)

La responsabilité fondamentale du Conseil est de superviser la direction de l'entreprise, dans le but de produire des rendements stables et en croissance pour les actionnaires et de s'assurer que les affaires de la Société sont menées dans le respect de l'éthique et de la légalité, au moyen d'un système convenable de gouvernance.

Le Conseil approuve toutes les questions qui sont expressément de son ressort aux termes des présentes, des lois applicables et des statuts et règlements administratifs de la Société. Le Conseil peut déléguer aux comités du Conseil l'étude préalable des questions qui lui incombent. Les recommandations des comités du Conseil sont assujetties à l'approbation du Conseil. Le Conseil a délégué à la direction l'approbation de certaines questions aux termes de sa résolution permanente sur la délégation d'autorité, en sa version modifiée de temps à autre.

En plus de s'acquitter des autres fonctions pouvant être exigées pour une bonne gérance de la Société, le Conseil assume, directement ou par l'intermédiaire d'un de ses comités, les responsabilités suivantes:

1 Hauts dirigeants et cadres supérieurs

- 1.1 Sélectionner, nommer et évaluer le rendement du Président et Chef de la direction. En collaboration avec ce dernier, le Conseil met au point également une description de poste claire pour le Président et Chef de la direction, ce qui consiste notamment à définir les responsabilités de la direction. En outre, le Conseil approuve les objectifs de la Société dont l'atteinte est sous la responsabilité du Président et Chef de la direction.
- 1.2 Dans la mesure du possible, veiller à ce que le Président et Chef de la direction et les autres hauts dirigeants maintiennent une culture d'intégrité dans l'ensemble de la Société.
- 1.3 Contrôler la mise au point et la mise en œuvre de programmes pour la relève de la direction, notamment nommer et former les cadres supérieurs et surveiller leur rendement. S'assurer d'un plan de relève du Président et Chef de la direction.
- 1.4 Examiner et approuver la rémunération de l'équipe de cadres supérieurs ainsi que la rémunération des administrateurs et veiller à ce que cette rémunération soit concurrentielle, mesurée en fonction de critères de référence appropriés de l'industrie, et accorder des primes en fonction de la contribution à la valeur de l'investissement des actionnaires et du rendement de la Société à court et à long terme.

2 Stratégie d'affaires / Plans / Budgets

- 2.1 Adopter un processus de planification stratégique, participer au processus et approuver les plans stratégiques et les priorités établis par les cadres supérieurs et, par la suite, examiner tous les ans le plan stratégique et le budget à la lumière des risques et des occasions d'affaires de la Société, et contrôler le rendement de la direction et l'exécution de ces plans.
- 2.2 Approuver les plans annuels d'investissement et d'exploitation et suivre les résultats par rapport à ces plans.

-
- 2.3 Examiner de façon continue si des mesures précises et pertinentes sont mises au point à l'échelle de la Société et si des contrôles et des systèmes d'information adéquats sont en place en ce qui concerne le rendement des affaires.
 - 2.4 Approuver les programmes environnementaux et de sécurité.
 - 2.5 Approuver les modifications importantes proposées par la direction par rapport à la stratégie établie, aux budgets d'investissement et d'exploitation ou aux questions de politique qui divergent avec le cours normal des affaires.
 - 2.6 Approuver les principales acquisitions et aliénations et examiner des stratégies de rechange en réponse à toute offre publique d'achat éventuelle pour augmenter au maximum la valeur de l'investissement des actionnaires.

3 Finance

- 3.1 Approuver l'émission de titres par la Société et les distributions de dividendes aux actionnaires.

4 Audit /Gestion des risques

- 4.1 Veiller à la qualité et à l'intégrité des systèmes comptables et d'information financière ainsi que des procédures de contrôle interne de la Société.
- 4.2 Établir et examiner les principaux risques des activités de la Société ainsi que les politiques et les processus pour veiller à ce que des systèmes et des mesures appropriés soient en place pour gérer ces risques.
- 4.3 Recommander la nomination d'auditeurs externes aux actionnaires lors de leur assemblée.
- 4.4 Approuver la portée des travaux des auditeurs externes et les honoraires pour l'audit annuel, ainsi que la portée des travaux et les honoraires de tous projets ou engagements des auditeurs sans rapport avec l'audit.
- 4.5 Approuver les états financiers intérimaires et annuels, et les rapports de gestion, ainsi que les communiqués de presse.

5 Régie

- 5.1 Établir un processus efficace de gouvernance répondant aux exigences réglementaires applicables.
- 5.2 Tous les ans, établir les comités et leur composition respective.
- 5.3 Au besoin, examiner le mandat du Conseil et des comités de celui-ci, ainsi que les descriptions des postes de Président du Conseil et Président et Chef de la direction, d'administrateur en chef du Conseil et de chacun des Présidents des comités du Conseil.
- 5.4 Établir un programme approprié d'orientation formelle pour les nouveaux administrateurs ainsi qu'un programme de formation continue permettant aux administrateurs d'être informés

des nouveautés juridiques et financières ainsi que des changements dans les pratiques de l'industrie et les pratiques commerciales.

- 5.5 Évaluer chaque année la contribution du Conseil, des comités du Conseil et de tous les administrateurs.
- 5.6 Contrôler les pratiques de la direction par rapport à la politique d'information de la Société pour assurer la communication appropriée et en temps voulu aux actionnaires de renseignements importants sur la Société.
- 5.7 Approuver les candidats aux postes des administrateurs du Conseil lors de l'assemblée annuelle des actionnaires ou en d'autres moments.
- 5.8 Veiller à ce que les compétences des administrateurs se complètent.
- 5.9 Veiller à ce que les questions pertinentes soient soumises au Conseil en temps voulu et avec efficacité et que ce dernier soit bien informé de la rétroaction des actionnaires.
- 5.10 Approuver et examiner périodiquement les politiques de la Société mises au point par la direction sur diverses questions de direction.
- 5.11 Surveiller la conformité avec le Code de déontologie et les lignes directrices en matière de conflits d'intérêts.

6 Engagement de la Société

- 6.1 Veiller et s'assurer que la direction soit au fait et informe le Conseil de toutes les obligations découlant des conventions de souscription avec les investisseurs et toutes les obligations découlant des ententes avec les créanciers de la Société.
- 6.2 S'assurer que la Société se conforme à ses obligations de divulgation, de substance et de délais pour les matières décrites au paragraphe 6.1

Les membres externes du Conseil (qui ne sont pas membres de la direction) peuvent, à leur entière discrétion, se rencontrer en l'absence de la direction sous la présidence de l'administrateur en chef du Conseil, étant entendu qu'aucune résolution du Conseil ne peut être adoptée lors d'une telle rencontre.

SCHEDULE “M-2”

PÉTROLIA’S GOVERNANCE PRACTICES

[See the following page(s)]

PRATIQUE EN MATIÈRE DE GOUVERNANCE

1. Conseil d'administration

a) *Donner la liste des administrateurs qui sont indépendants.*

À l'heure actuelle, Charles Boulanger, Jacques Bourgeois, Martin Bélanger et David Mc Callum sont indépendants.

Le conseil d'administration a établi que les quatre (4) administrateurs qui sont considérés comme indépendants n'ont aucune relation importante ni aucun lien avec la Société découlant 1) de fonctions occupées au sein de la Société, ou 2) de fonctions occupées par des membres de leur famille immédiate, ou 3) des liens qu'ils ont avec les auditeurs des comptes de la Société, ou 4) de fonctions occupées au sein d'autres entités qui ont des membres de conseil ou de comité commun avec la Société ou ses filiales, ou 5) de la rémunération reçue ou des honoraires de consultation reçus, ou 6) du fait que cette personne est à la fois administrateur et salarié d'une Société qui contrôle l'autre ou de Sociétés qui sont contrôlées par la même personne; le tout tel que défini aux articles 1.4 et 1.5 du *Règlement 52-110 sur le comité d'audit*.

b) *Donner la liste des administrateurs qui ne sont pas indépendants et le fondement de cette conclusion.*

Le conseil a conclu que Alexandre Gagnon et Myron Tétreault en raison du lien d'employés qui les unit à la Société, ne sont pas des administrateurs indépendants tel que défini aux articles 1.4 et 1.5 du *Règlement 52-110 sur le comité d'audit*.

2. Mandats d'administrateurs

Indiquer le cas où un administrateur est administrateur d'un autre émetteur qui est émetteur assujéti ou l'équivalent dans un territoire du Canada ou à l'étranger. Indiquer l'administrateur et l'émetteur concerné.

Myron A. Tetreault est administrateur en chef de PHX Energy Services Corp.

3. Orientation et formation continue

Les administrateurs se tiennent informés et reçoivent copie de toute l'information requise et mise à jour lors des conseils d'administration ou des comités. En raison du nombre restreint d'administrateurs et du caractère émergent de la Société, aucun système formel de formation n'est établi. Un manuel de l'administrateur a été mis en place et ce manuel comprend une formation pour les nouveaux administrateurs.

4. Éthique commerciale

Le conseil d'administration reconnaît qu'il assume la responsabilité de superviser la Société en ce qui concerne l'exploitation compétente et éthique de celle-ci. Pour garantir l'exercice de l'indépendance de jugement des administrateurs lors de l'examen des opérations et des contrats dans lesquels un administrateur ou un membre de la haute direction a un intérêt important, ces

transactions sont revues et approuvées que par des administrateurs réunis en comité du conseil et l'administrateur qui a un tel intérêt doit s'abstenir de participer aux discussions et de voter sur le sujet. Une politique de dénonciation est également en place afin de faciliter la dénonciation des fraudes ou de toutes autres actions allant à l'encontre des politiques de l'entreprise.

5. Sélection des candidats au conseil d'administration

Actuellement la candidature des membres actuels du conseil d'administration de la Société est révisée avant de soumettre la candidature du même administrateur à l'assemblée annuelle des actionnaires en évaluant son potentiel et son implication à protéger les intérêts de la Société dans l'année précédente ainsi que son expérience et son expertise dans les différents domaines de géologie, administration et comptabilité. Le comité de régie et rémunération a la responsabilité de recruter des candidats potentiels détenant les qualités recherchées pour ensuite les recommander aux membres du conseil d'administration.

De plus le conseil d'administration a adopté comme politique de considérer qu'un administrateur qui siège pendant plusieurs années au conseil d'administration a une connaissance plus approfondie de la Société et de son histoire lui permettant de prendre des décisions plus éclairées lors des séances du conseil d'administration.

La sélection de nouveaux candidats se fait suite à des références obtenues dans l'industrie.

6. Rémunération

Au cours de l'exercice terminé le 31 décembre 2015, les administrateurs de la Société ont gagné la rémunération indiquée à la rubrique « Rémunération des membres de la haute direction et des administrateurs » de la circulaire de sollicitation de procurations.

7. Autres comités du conseil

La Société a un comité d'audit et un comité de rémunération et de régie et aucun autre comité.

8. Évaluation

Le conseil d'administration s'assure du bon fonctionnement du conseil, du comité d'audit et du comité de rémunération et de régie en s'informant auprès de ses conseillers juridiques, ses consultants et collaborateurs et des auditeurs des lacunes qui pourraient exister et prend les mesures pour les corriger au besoin sans tarder.

SCHEDULE “M-3”

PÉTROLIA’S CHARTER OF THE AUDIT COMMITTEE

[See the following page(s)]

CHARTRE DU COMITÉ D'AUDIT

1. Objectif global

Les membres du comité d'audit sont nommés par le conseil d'administration dans le but d'aider ce dernier à s'acquitter de ses responsabilités de supervision. Le comité de d'audit supervise le processus d'information financière afin de s'assurer de l'équilibre, de la transparence et de l'intégrité de l'information financière que la Société publie. Le comité d'audit examine également ce qui suit: (i) l'efficacité des contrôles financiers internes et du système de gestion des risques de la Société; (ii) l'indépendance du processus d'audit, ce qui comprend la recommandation des auditeurs externes et l'évaluation du rendement de ces derniers; (iii) le processus de supervision de la Société en matière de conformité aux lois et aux règlements régissant l'information financière et (iv) le cas échéant, le processus de supervision de la Société en matière de conformité au code de déontologie de celle-ci.

Dans l'exercice de ses fonctions, le comité d'audit maintient une relation de travail efficace avec le conseil d'administration, la direction et les auditeurs externes. Pour s'acquitter efficacement de leur rôle, les membres du comité d'audit doivent tous acquérir et maintenir leurs compétences et leurs connaissances et notamment comprendre les responsabilités du comité d'audit ainsi que les activités qu'exercent la Société et les risques auxquels elle est assujettie.

2. Autorité

Le comité d'audit a les responsabilités suivantes:

- 2.1 Exercer des activités qui cadrent avec son mandat.
- 2.2 Retenir les services de conseillers, notamment de conseillers indépendants, au besoin, pour s'acquitter de ses fonctions et fixer la rémunération de ceux-ci.
- 2.3 S'assurer que les dirigeants assistent aux réunions du comité d'audit, au besoin.
- 2.4 Demander et obtenir l'accès aux membres de la direction, aux employés et aux renseignements pertinents.
- 2.5 Établir des procédures confidentielles et anonymes pour le traitement des préoccupations d'employés et pour la réception des plaintes concernant la comptabilité, les contrôles internes ou l'audit.
- 2.6 Formuler des recommandations au conseil d'administration, aux fins d'approbation, sur la nomination, la rémunération, l'embauche et le mandat annuel des auditeurs externes.
- 2.7 Approuver les honoraires d'audit et conditions du mandat d'audit ainsi que réviser les politiques applicables à la prestation de services non liés à l'audit par les auditeurs externes et, au besoin, à la pré-approbation de ces services.

2.8 Recevoir le rapport de l'auditeur externe directement de ce dernier.

3. Organisation

Membres

- 3.1 Le conseil d'administration, après chaque assemblée des actionnaires, nomme les membres du comité d'audit et le président de ce comité. En l'absence du président, un membre du comité d'audit peut le remplacer, pourvu que le quorum soit maintenu.
- 3.2 Le comité d'audit est composé de trois membres. Tous les membres doivent être des administrateurs indépendants au sens du Règlement 51-110. Les membres du comité d'audit peuvent être destitués ou remplacés à tout moment par le conseil d'administration. Du moment qu'ils n'occupent plus le poste d'administrateur, ils cessent d'être membres du comité de d'audit.
- 3.3 Les membres du comité d'audit doivent assister à toutes les réunions du comité. Lors de ces réunions, le quorum est atteint si la majorité des membres sont présents par téléphone ou en personne.
- 3.4 Chaque membre du comité d'audit doit avoir les compétences et l'expérience à la mesure de l'exercice des fonctions et responsabilités associées à son poste.
- 3.5 Chaque membre doit posséder des compétences financières et au moins un membre doit avoir une expertise en comptabilité ou une expertise connexe en finance.
- 3.6 Les membres du comité de d'audit sont nommés pour un mandat d'un an.
- 3.7 Le secrétaire du comité d'audit est le secrétaire de la réunion ou toute autre personne que le conseil d'administration nomme.
- 3.8 Le comité d'audit doit inviter le président et chef de la direction, le chef de la direction financière et, au besoin, toute autre personne, sauf lors des rencontres à huis clos auxquelles seuls les membres du comité d'audit ont le droit d'assister.
- 3.9 Les auditeurs externes doivent, au besoin, être invités à faire des présentations au comité d'audit.

Réunions

- 3.10 L'avis des date, heure et lieu des réunions est donné verbalement, par écrit, par télécopieur ou par tout autre moyen électronique à chacun des membres du comité d'audit au moins 48 heures avant l'heure fixée pour la réunion. Tout membre peut, de quelque façon que ce soit, renoncer à recevoir un avis de réunion du comité d'audit. La présence d'un membre à une réunion du comité d'audit constitue une renonciation à l'avis.
- 3.11 Les réunions sont tenues au moins quatre fois par année.

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- 3.12 Des réunions spéciales peuvent, au besoin, être convoquées par le comité d'audit, la direction ou les auditeurs externes.
 - 3.13 Le secrétaire du comité d'audit doit communiquer l'ordre du jour et les documents à l'appui de celui-ci aux membres du comité d'audit suffisamment de temps avant la réunion.
 - 3.14 Le secrétaire du comité d'audit doit communiquer le procès-verbal des réunions aux membres du conseil d'administration et, au besoin, aux auditeurs externes après approbation de ce procès-verbal par le président du comité d'audit.
 - 3.15 Le président du comité d'audit (ou un autre membre du comité d'audit) doit à tout le moins être présent à la réunion du conseil d'administration lors de laquelle les états financiers sont approuvés.
 - 3.16 Le comité d'audit peut convoquer une réunion avec des conseillers juridiques externes, s'il le juge nécessaire.
 - 3.17 Le comité d'audit rencontre les auditeurs externes sans la direction au moins une fois par année.

4. Rôles et responsabilités

Le comité d'audit doit faire ce qui suit:

Contrôles internes

- 4.1 Comprendre l'ensemble des contrôles internes que la direction a mis en place.
- 4.2 Exiger de la direction qu'elle mette en œuvre un processus permettant de cerner les risques importants auxquels la Société s'expose (dont les risques relatifs au portefeuille d'assurance, à la position de change, à tout litige en cours ou imminent, à toute responsabilité éventuelle et au caractère adéquat des provisions dans les comptes de la Société) et qu'elle prenne toutes les mesures nécessaires pour gérer ces risques.
- 4.3 Évaluer l'efficacité globale des contrôles internes et de la méthode de gestion des risques en en discutant avec la direction et les auditeurs externes, et voir si les recommandations faites par les auditeurs externes ont été suivies par la direction.
- 4.4 Recevoir des rapports périodiques de la direction évaluant le caractère adéquat et l'efficacité des contrôles et des procédures de divulgation de l'information et des systèmes de contrôle interne.
- 4.5 Examiner l'évaluation des risques et les politiques de gestion des risques de la Société, y compris sa couverture d'assurance.

Information financière

- 4.6 Surveiller la qualité et l'intégrité du processus comptable et de communication de l'information financière en discutant avec la direction et les auditeurs externes et internes.

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- 4.7 Examiner les grandes questions de comptabilité et d'information financière, y compris les avis professionnels et réglementaires récents, et comprendre leur incidence sur les déclarations financières.
 - 4.8 Superviser le processus périodique d'information financière mis en place par la direction et examiner les états financiers intermédiaires et annuels, le rapport de gestion et les communiqués de presse avant qu'ils soient rendus publics.
 - 4.9 Examiner toutes les analyses ou autres communications écrites rédigées par la direction ou les auditeurs internes ou externes abordant d'importantes questions d'information financière et les décisions prises concernant la préparation des états financiers, notamment les analyses de l'application des principes comptables généralement reconnus.
 - 4.10 S'assurer que des procédures adéquates sont en place pour l'examen de l'information financière tirée ou découlant des états financiers de la Société que celle-ci rend disponible aux actionnaires et évaluer périodiquement le caractère adéquat de ces procédures.
 - 4.11 Rencontrer la direction et les auditeurs externes pour examiner les états financiers, les politiques et estimations comptables clés et les résultats de la vérification.
 - 4.12 S'assurer que les rajustements importants, les différences non ajustées, les désaccords avec la direction et les principales politiques et pratiques comptables font l'objet de discussions avec les auditeurs externes.
 - 4.13 Examiner les litiges, les réclamations ou les autres éventualités de même que les initiatives réglementaires ou comptables pouvant avoir une incidence considérable sur la situation financière ou les résultats d'exploitation de la Société ainsi que le caractère approprié de la divulgation connexe dans les documents examinés par le comité de vérification.
 - 4.14 Approuver les résultats financiers, rapport de gestion, communiqués de presse et/ou documents de même nature et faire les recommandations au conseil au sujet de ces communications.
 - 4.15 S'assurer que la dépréciation des actifs fait l'objet de discussions avec la direction et les auditeurs externes.

Conformité aux lois et aux règlements

- 4.16 Examiner l'efficacité du système de surveillance de la conformité aux lois et aux règlements.
- 4.17 Obtenir régulièrement des comptes rendus de la direction concernant les questions liées à la conformité qui ont une incidence importante sur les états financiers de la Société.
- 4.18 Avoir la certitude que toutes les questions liées à la conformité à la réglementation relatives aux activités de la Société ont été examinées par la direction dans le cadre de la préparation des états financiers.
- 4.19 Examiner les conclusions de rapports importants des autorités de réglementation.

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- 4.20 Effectuer la révision, au besoin, de la Politique en matière de conventions avec parties reliées et, le cas échéant, faire les recommandations des modifications nécessaires au conseil d'administration.

Travail avec les auditeurs

- 4.21 Examiner les compétences professionnelles des auditeurs (y compris les antécédents et l'expérience de l'associé responsable et du personnel travaillant à la vérification).
- 4.22 Examiner l'indépendance des auditeurs externes et tout conflit d'intérêts éventuel.
- 4.23 Examiner chaque année le rendement des auditeurs externes et formuler des recommandations au conseil d'administration concernant: (i) la nomination des auditeurs externes ou le renouvellement ou la retrait de leur mandat et (ii) la rémunération des auditeurs externes, dans le but de s'assurer que la nature de cette rémunération ne compromet pas l'indépendance de l'auditeur.
- 4.24 Examiner le mandat d'audit proposé des auditeurs externes et leur approche pour l'année en cours compte tenu de la situation de la Société au moment en question et des modifications apportées à la réglementation et aux autres exigences.
- 4.25 Discuter avec les auditeurs externes des problèmes d'audit qu'ils rencontrent dans le cours normal de leur travail d'audit, notamment à l'égard de toute limitation de l'étendue de l'audit ou de l'accès à des renseignements, et examiner l'intervention ou le plan d'action connexe de la direction.
- 4.26 S'assurer que les conclusions et recommandations importantes des auditeurs externes ainsi que les réponses proposées par la direction sont reçues et font l'objet de discussion, et qu'il y soit donné suite.
- 4.27 Discuter avec les auditeurs externes du caractère approprié des politiques comptables appliquées dans les rapports financiers de la Société, notamment: (i) des principales politiques et pratiques comptables appliquées; (ii) des traitements de rechange des renseignements financiers qui ont été examinés par la direction, des ramifications de leur emploi et du traitement privilégié par les auditeurs externes et (iii) de toute autre communication écrite importante entre Pétrolia et les auditeurs externes.
- 4.28 Rencontrer séparément les auditeurs externes afin de discuter avec eux des questions qui, selon le comité d'audit ou les auditeurs, doivent faire l'objet de discussions en privé, et s'assurer que les auditeurs peuvent, au besoin, communiquer avec le président du comité de vérification.
- 4.29 Examiner les politiques applicables à la prestation de services non liés à l'audit par les auditeurs externes et, au besoin, à la pré-approbation de ces services.
- 4.30 Examiner et approuver les politiques d'engagement de la Société en matière d'embauche d'associés et de salariés, actuels ou anciens de l'auditeur externe, lui-même actuel ou ancien.

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- 4.31 Examiner le plan de contrôles internes proposé par la direction pour l'année à venir et s'assurer qu'il y ait une coordination appropriée avec les auditeurs externes.
 - 4.32 Surveiller les travaux de l'auditeur externe dans l'exécution de ses mandats en faveur de la Société et résoudre les désaccords pouvant intervenir entre la direction de la Société et l'auditeur externe, au sujet de l'information financière.

Responsabilités en matière d'information financière

- 4.33 À la première réunion subséquente du conseil d'administration, et aux autres moments où cela est exigé, rendre compte au conseil d'administration des activités du comité d'audit et formuler des recommandations appropriées, comme le conseil d'administration l'exige ou comme le comité d'audit le juge souhaitable.
- 4.34 S'assurer que le conseil d'administration a connaissance des questions qui pourraient avoir une incidence importante sur la situation financière ou les affaires de l'entreprise.
- 4.35 Préparer les rapports requis par la réglementation en ce qui concerne le mandat et les activités du comité d'audit, qui doivent être inclus dans la rubrique sur la gouvernance de la circulaire de sollicitation de procurations par la direction, si applicable.

Évaluation du rendement

- 4.36 Évaluer chaque année le rendement du comité d'audit compte tenu de son mandat, tant du point de vue de l'apport de chacun des membres que du point de vue du comité dans son ensemble, et rendre compte au conseil d'administration des conclusions de cette évaluation.

Examen du mandat du comité

- 4.37 Examiner au besoin le mandat du comité d'audit et discuter des changements devant y être apportés avec le conseil d'administration.
- 4.38 S'assurer que le mandat est approuvé ou ré-approuvé par le conseil d'administration.

Dans le cadre de l'exercice de ses fonctions et responsabilités, le comité d'audit a accès à tous les livres et registres de la Société nécessaires à l'exercice de ses obligations et peut discuter avec les dirigeants et les auditeurs externes de la Société des comptes, registres, documents et autres questions jugées appropriées.

Aucune modification des rôles et responsabilités du comité d'audit n'entre en vigueur sans l'approbation du conseil d'administration.

SCHEDULE “M-4”

**PÉTROLIA’S MANDATE OF THE COMPENSATION AND GOVERNANCE
COMMITTEE**

[See the following page(s)]

MANDAT DU COMITÉ DE RÉMUNÉRATION ET DE RÉGIE

1. Objectif global

Les membres du comité de rémunération et de régie (le *comité R&R*), qui doivent être majoritairement des administrateurs indépendants, sont nommés par le conseil d'administration dans le but d'aider ce dernier à s'acquitter de ses responsabilités de gérance de la Société, et à répondre à ses obligations d'information continue. Le comité R&R doit examiner la nomination des administrateurs et la nomination des cadres supérieurs de la Société, ainsi que leur rémunération globale, et présenter des recommandations appropriées au conseil d'administration. Il doit aussi se charger de l'élaboration et de l'examen d'un plan de relève. Le comité R&R a également la responsabilité générale de définir l'approche par la Société aux questions de régie et de recommander au conseil d'administration un processus efficace de régie compatible avec les exigences réglementaires en vigueur auxquelles la Société est assujettie.

En faisant ses recommandations, le comité R&R doit considérer les besoins de la Société en termes de compétences, d'expérience et de connaissances, compte tenu de la mission, des stratégies, des modèles d'entreprise et des objectifs du conseil d'administration. Le comité R&R doit évaluer le groupe actuel d'administrateurs par rapport à ces exigences et considérer les compétences et les aptitudes que chacun des candidats apporte au conseil d'administration. Le comité R&R doit également vérifier si chaque candidat peut consacrer suffisamment de temps et de ressources à ses obligations en tant que membre du conseil d'administration.

Dans l'exercice de ses fonctions, le comité R&R maintient une relation de travail efficace avec le conseil d'administration, la direction et les autres comités du conseil d'administration. Pour s'acquitter efficacement de son rôle, les membres du comité R&R doivent acquérir et maintenir les compétences et les connaissances nécessaires et comprendre les responsabilités du comité R&R ainsi que les activités qu'exercent la Société et les risques auxquels elle est assujettie.

2. Responsabilités

Le comité R&R a les responsabilités suivantes:

- 2.1 Retenir les services de conseillers, notamment de conseillers indépendants, s'il le juge nécessaire pour s'acquitter de ses fonctions.
- 2.2 Demander et obtenir l'accès aux membres de la direction, aux employés et aux renseignements pertinents.
- 2.3 Sélectionner, garder à son service et congédier un conseiller en rémunération pour faciliter l'évaluation du président et chef de la direction ou d'autres cadres dirigeants et approuver toute rémunération payable par la Société au conseiller, incluant les honoraires, les modalités et les autres conditions d'exécution de ces services.

3. Organisation

Membres

- 3.1 Le conseil d'administration nomme les membres du comité R&R et le président de ce comité. En l'absence du président, un membre du comité R&R peut le remplacer, pourvu que le quorum soit maintenu.
- 3.2 Le comité R&R est composé de trois membres. Les membres doivent être majoritairement des administrateurs indépendants. Les membres du comité R&R peuvent être destitués ou remplacés à tout moment par le conseil d'administration. Du moment qu'ils n'occupent plus le poste d'administrateur, ils cessent d'être membres du comité R&R.
- 3.3 Les membres du comité R&R doivent assister à toutes les réunions du comité. Lors de ces réunions, le quorum est atteint si la majorité des membres sont présents par téléphone ou en personne.
- 3.4 Chaque membre du comité R&R doit avoir les compétences et l'expérience à la mesure de l'exercice des fonctions et responsabilités associées à son poste.
- 3.5 Les membres du comité R&R sont nommés pour un mandat de un an.
- 3.6 Le secrétaire du comité R&R est le secrétaire de la réunion ou toute autre personne que le conseil d'administration nomme.
- 3.7 Le comité R&R invite le président et chef de la direction et, au besoin, toute autre personne (incluant les dirigeants), sauf lors des rencontres à huis clos auxquelles seuls les membres du comité R&R ont le droit d'assister. Le président du comité R&R a le droit de décider qui doit et qui ne doit pas être présent à tout moment au cours d'une réunion du comité R&R.

Réunions

- 3.8 L'avis des dates, heure et lieu des réunions est donné verbalement, par écrit, par télécopie ou par tout autre moyen électronique à chaque membre du comité R&R au moins 48 heures avant l'heure fixée pour la réunion. Tout membre peut, de quelque manière que ce soit, renoncer à recevoir un avis de réunion du comité R&R. La présence d'un membre à une réunion du comité R&R constitue une renonciation à l'avis.
- 3.9 Les réunions sont tenues au besoin, sur convocation par le président du comité R&R.
- 3.10 Des réunions spéciales peuvent être convoquées par le président du comité R&R.
- 3.11 Le secrétaire du comité R&R doit communiquer l'ordre du jour et les documents à l'appui de celui-ci aux membres du comité R&R suffisamment de temps avant la réunion.
- 3.12 Le secrétaire du comité R&R doit communiquer le procès-verbal des réunions aux membres du conseil d'administration après approbation de ce procès-verbal par le président du comité R&R.
- 3.13 Le président du comité R&R (ou un autre membre du comité R&R) doit à tout le moins être présent à la réunion du conseil d'administration lors de laquelle un rapport du comité R&R est présenté.

3.14 Le comité R&R peut convoquer une réunion avec des conseillers juridiques externes, s'il le juge nécessaire.

3.15 Le comité R&R se réunit au moins une fois durant l'année.

4 Rôles et responsabilités

Le comité R&R doit faire ce qui suit:

Ressources humaines

4.1 Examiner les politiques et l'organisation de rémunération de la Société, y compris l'emploi, la rémunération, la formation et le perfectionnement.

4.2 Examiner les politiques salariales et de rémunération de la Société et faire des recommandations au conseil d'administration relativement à l'adoption de ces politiques et à toute modification à ces politiques jugée nécessaire ou obligatoire en raison d'une nouvelle loi ou d'un nouveau règlement.

4.3 Examiner et approuver les buts et objectifs de la Société pertinents à la rémunération du président et chef de la direction, évaluer le rendement du président et chef de la direction à la lumière de ces buts et objectifs, présenter les résultats de cette évaluation au conseil d'administration, et recommander au conseil d'administration le niveau de rémunération du président et chef de la direction en fonction de cette évaluation.

4.4 Approuver l'engagement et la cessation d'emploi, ainsi que la promotion et la rémunération, des cadres supérieurs relevant directement du président et chef de la direction, et la nomination de tous les dirigeants, à l'exception du président et chef de la direction, pour lequel le comité R&R doit présenter des recommandations au conseil d'administration pour approbation.

4.5 Examiner les ressources humaines et la planification de la relève du président et chef de la direction.

4.6 Superviser l'observation par la Société des règlements relatifs aux questions de rémunération.

4.7 Approuver, si nécessaire et dans la mesure requise par les règles et règlements en vigueur de tout organisme de réglementation des valeurs mobilières ou de la bourse, un rapport concernant la rémunération des dirigeants, pour inclusion dans la circulaire de sollicitation de procurations de la Société ou dans un autre document public d'information.

4.8 Examiner, évaluer et, au besoin, réviser le régime d'options d'achat d'actions de la Société et faire des recommandations au conseil d'administration concernant les modifications jugées nécessaires.

4.9 Examiner et recommander au conseil d'administration l'octroi d'options en vertu de tout régime d'options ou régime incitatif à long terme.

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- 4.10 Procéder à un examen de tous les aspects de la rémunération reçue par les membres du conseil d'administration.

Régie

- 4.11 Procéder chaque année à un examen des processus du conseil d'administration et recommander des changements au conseil d'administration au besoin. Cela comprend notamment l'examen des points suivants:
- a) les processus d'orientation stratégique du conseil d'administration;
 - b) les processus de suivi du rendement du conseil d'administration;
 - c) le nombre et la durée convenables des réunions du conseil d'administration;
 - d) la pertinence du programme annuel pour les points d'ordre du jour réguliers des réunions du conseil d'administration; et
 - e) la convenance de l'information fournie aux administrateurs avant et pendant les réunions du conseil d'administration.
- 4.12 S'assurer que tous les administrateurs reçoivent l'orientation et la formation continue nécessaire pour s'acquitter avec efficacité de leurs responsabilités, notamment dans le but de les informer des nouveautés juridiques et financières ainsi que des changements dans les pratiques de l'industrie et les pratiques commerciales.
- 4.13 Examiner et approuver la divulgation de l'information réglementaire annuelle concernant les pratiques de régie de la Société, au besoin.
- 4.14 Dans la mesure où des déviations importantes par rapport au Code de déontologie et lignes directrices en matières de conflits d'intérêts sont communiquées au comité R&R, signaler au conseil d'administration toute déviation importante par rapport à ce Code.
- 4.15 Examiner chaque année le mandat, les fonctions et les responsabilités: (i) du conseil d'administration et de ses membres; (ii) du président du conseil d'administration; (iii) des comités du conseil d'administration et de leurs membres; (iv) des présidents des comités du conseil d'administration; (v) du président et chef de la direction et (vi) recommander tout changement souhaitable.
- 4.16 Déterminer la qualité d'administrateur indépendant parmi les administrateurs.

Structure du conseil d'administration et des comités et nominations

- 4.17 Recommander l'établissement ou la dissolution des comités du conseil d'administration.
- 4.18 Recommander la nomination des membres du conseil d'administration, des membres des comités et des présidents des comités.
- 4.19 Recommander des candidats pour combler les vacances du conseil d'administration, des comités et des présidences de comité.
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- 4.20 Recommander des candidats pour nomination à la fonction de président du conseil d'administration.
 - 4.21 Tenir à jour un plan de relève pour les membres du conseil d'administration, qui prend en considération la composition souhaitée du conseil d'administration, les forces, les aptitudes, l'expérience et la diversité des administrateurs actuels (incluant la diversité des genres), les dates prévues de retraite, l'orientation stratégique de l'organisation et le besoin pour le marché financier d'une forte représentation indépendante.
 - 4.22 Élaborer et tenir à jour un processus et des critères pour repérer, recruter et nommer de nouveaux administrateurs.
 - 4.23 Recommander au conseil d'administration les candidats pour élection au conseil d'administration à l'assemblée annuelle des actionnaires.
 - 4.24 Conseiller le conseil d'administration lorsqu'une question de conflit ou de conflit potentiel est soulevée et peut aboutir à la remise de sa démission par un administrateur.
 - 4.25 Établir un processus pour examiner et surveiller l'efficacité du conseil d'administration dans son ensemble et de chaque membre du conseil d'administration, et présenter des recommandations au conseil d'administration pour améliorer le développement de régie..

Responsabilités en matière d'information

- 4.26 À chacune des réunions, rendre compte au conseil d'administration des activités du comité R&R et formuler des recommandations appropriées.
- 4.27 S'assurer que le conseil d'administration a connaissance des questions qui pourraient avoir une incidence importante sur les affaires de la Société.

Évaluation du rendement

- 4.28 Évaluer chaque année le rendement du comité R&R compte tenu de son mandat tant du point de vue de l'apport de chacun des membres que du point de vue du comité dans son ensemble, et rendre compte au conseil d'administration des conclusions de cette évaluation.
- 4.29 Évaluer chaque année le rendement du comité d'audit compte tenu de son mandat, tant du point de vue de l'apport de chacun des membres que du point de vue du comité dans son ensemble, et rendre compte au conseil d'administration des conclusions de cette évaluation.

Examen du mandat du comité

- 4.30 S'assurer que le mandat du comité est approuvé ou ré-approuvé par le conseil d'administration.
- 4.31 Examiner et présenter des recommandations sur les questions fonctionnelles et opérationnelles en rapport avec le conseil d'administration, dont l'exigence de tenir des réunions du conseil d'administration sans la présence de la direction.

Divers

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- 4.32 Observer la qualité des relations entre la direction et le conseil d'administration et recommander les améliorations jugées nécessaires ou souhaitables.
 - 4.33 De façon générale, discuter des recommandations avec le président et chef de la direction avant de les formuler au conseil d'administration.
 - 4.34 Après avoir consulté le président du conseil d'administration, considérer et approuver, à l'avance et si cela est considéré approprié, les demandes raisonnables d'administrateurs de faire appel à des conseillers externes conformément à la politique de l'organisation concernant l'utilisation de conseillers externes.
 - 4.35 Exercer les activités qui cadre avec son mandat, exercer les autres responsabilités, et assumer les autres obligations et responsabilités qui découlent de l'objet, des fonctions et des responsabilités du comité R&R précisés aux présentes ou qui peuvent être délégués par le conseil d'administration.

Aucune modification des rôles et des responsabilités du comité R&R ne peut entrer en vigueur sans l'approbation du conseil d'administration.

D.F. KING

Any questions and requests for assistance from Pétrolia Shareholders may be directed to Petrolia Inc.'s Proxy Solicitation Agent:

North American Toll Free Phone:

1-866-822-1238

Banks, Brokers and collect calls: 1-201-806-7301

Toll Free Facsimile: 1-888-509-5907

[Email: inquiries@dfking.com](mailto:inquiries@dfking.com)