

**TECHNICAL REVIEW OF
CERTAIN P&NG HOLDINGS OF
PÉTROLIA INC. IN QUEBEC
AND NEW BRUNSWICK
(As of September 30, 2008)**



Worldwide **Petroleum** *Consultants*

Copies: Pétrolia Inc. (4 copies)
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Electronic (1 copy)

Project No.: 3180.17309

Prepared For: Pétrolia Inc.

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Introduction

This report was prepared by Sproule Associates Limited ("Sproule") at the request of Mr. Pierre Houle, of Pétrolia Inc. Pétrolia Inc. is hereinafter referred to as "the Company." The effective date of this report is September 30, 2008, and it consists of the disclosure information required by NI 51-101 regarding the Statement of Reserves Data and Other Oil and Gas Information. This report was prepared in January 2009 for the purpose of reporting the Company's activities related to Other Oil and Gas Information in accordance with Items 6.1, 6.2, 6.6, and 6.7 of Form 51-101F1.

This report is included in one volume which consists of an Introduction and Discussion. The Introduction includes the summary of evaluation standards and procedures and pertinent author certificates, the Discussion includes general commentaries regarding the company's properties and activities as they pertain to the required sections of Form 51-101F1.

The Company provided all of the required information in December 2008 to prepare this report.

Field Operations

In the preparation of this report, a field inspection of the properties was not performed. The relevant engineering data were made available by the Company or obtained from public sources and the non-confidential files at Sproule Associates Limited. No material information regarding the data included in this report would have been obtained by an on-site visit.

Historical Data, Interests and Burdens

1. Property descriptions, details of interests held, and well data, as supplied by the Company, were accepted as represented. No investigation was made into either the legal titles held or any operating agreements in place relating to the subject properties.
2. Lessor and overriding royalties and other burdens were obtained from the Company. No further investigation was undertaken by Sproule Associates Limited.

Report Standards

This report has been prepared by Sproule Associates Limited using current geological and engineering knowledge, techniques and computer software. It has been prepared within the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta ("APEGGA"). This report adheres in all material aspects to the "best practices" recommended in the COGE Handbook which are in accordance with principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGE Handbook is incorporated by reference in National Instrument 51-101.

Forward-Looking Statements

This report may contain forward-looking statements including expectations of future production revenues and capital expenditures. Information concerning reserves may also be deemed to be forward-looking as estimates involve the implied assessment that the reserves described can be profitably produced in future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the underlying risks of the oil and gas industry (i.e., corporate commitment, regulatory approval, operational risks in development, exploration and production; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimations; the uncertainty of estimates and projections relating to production; costs and expenses, and health, safety and environmental factors), commodity price and exchange rate fluctuation.

Exclusivity

This report has been prepared for the exclusive use of Pétrolia Inc., in conjunction with its annual information filing. It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule Associates Limited, and without the complete contents of the report being made available to that party.

Certification

Report Preparation

The report entitled "Technical Review of Certain P&NG Holdings of Pétrolia Inc. in Quebec and New Brunswick (As of September 30, 2008)" was prepared by the following Sproule personnel, whose Certificates are attached:

Original signed by Douglas J. Carsted

Douglas J. Carsted, P.Geol.

Project Leader;

Vice-President, Geoscience

23 / 01 /2009 dd/mm/yr

Sproule Executive Endorsement

This report has been reviewed and endorsed by the following Executive of Sproule:

Original signed by John L. Chipperfield

John L. Chipperfield, P.Geol.

Senior Vice-President

23 / 01 /2009 dd/mm/yr

Permit to Practice

Sproule Associates Limited is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and our permit number is P417.

Certificate

Douglas J. Carsted, B.Sc., P.Geol.

I, Douglas J. Carsted, Vice-President, Geoscience, and Director at Sproule Associates Limited, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
 - a. B.Sc. (Honours) Geology (1982) University of Manitoba, Winnipeg MB, Canada
 - b. B.Sc. Chemistry (1979) University of Winnipeg, Winnipeg MB, Canada
2. I am a registered professional:
 - a. Professional Geologist (P.Geol.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
 - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
 - b. Canadian Society of Petroleum Geologists (CSPG)
 - c. American Association of Petroleum Geologists (AAPG)
 - d. Petroleum Society of Canadian (PetSoc)
 - e. Canadian Well Logging Society (CWLS)
 - f. Indonesian Petroleum Association, Professional Division (IPA)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of Certain P&NG Holdings of Pétrolia Inc. in Quebec and New Brunswick (As of September 30, 2008)" is based on my geological knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule Associates Limited. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Pétrolia Inc.

Original signed by Douglas Carsted

Douglas J. Carsted, P.Geol.

Certificate

John L. Chipperfield, B.Sc., P.Geol.

I, John L. Chipperfield, Senior Vice-President and Director of Sproule Associates Limited, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
 - a. B.Sc. (Honours) Geology (1972) University of Alberta, Edmonton AB, Canada
2. I am a registered professional:
 - a. Professional Geologist (P.Geol.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
 - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
 - b. Canadian Society of Petroleum Geologists (CSPG)
 - c. American Association of Petroleum Geologists (AAPG)
 - d. Petroleum Society of the Canadian (PetSoc)
 - e. Canadian Well Logging Society (CWLS)
 - f. Ontario Petroleum Institute (OPI)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of Certain P&NG Holdings of Pétrolia Inc. in Quebec and New Brunswick (As of September 30, 2008)" is based on my geological knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule Associates Limited. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Pétrolia Inc.

Original signed by John Chipperfield

John L. Chipperfield, P.Geol.

Discussion

Report Date

This report was completed on January 9, 2009. The data and information contained herein relate to Pétrolia's activities during the period October 1, 2007 through September 30, 2008. The effective date of this report is September 30, 2008. Where appropriate, notes have been included in the text to indicate where changes have occurred over the year.

Reserves and Production

As of September 30, 2008 no oil or natural gas reserves have been assigned to any of the properties in which Pétrolia has an interest.

Properties Held by Pétrolia

The Company's land holdings as of September 30, 2008 are located in the Provinces of Quebec and New Brunswick (Figure 1 and Table 1). These include lands held under oil and gas exploration permits (PG) or by underground reservoir exploration permits (RS) issued by the Government of Quebec and by exploration licences issued by the Government of New Brunswick. In total, the interest lands cover an area of 1,561,052 hectares on a gross basis and 1,197,513 hectares on a net basis.

In the Gaspé Peninsula, the land is divided into five blocks, Gaspé, Gastonguay, Gaspésia, Marcel Tremblay and Edgar, covering 854,783 gross hectares. The majority of this land is owned 100 % by Petrolia but, during this reporting period, the Company, as part of two agreements, transferred to its partners Junex and Gastem, a working interest in 30,506 hectares of land on portions of 5 separate permits.

In exchange for working interests and overriding royalties on future production, Junex agreed to renounce to its 50% back-in option at casing point on wells drilled within the Gaspé or the Gastonguay blocks, which cover an area of 633,388 gross hectares. Conversely, the Company renounced its first right of refusal on two blocks of land held by Junex Inc., the Bande Taconique and Baie-des-Chaleurs blocks, which covered an area totaling 588,530 hectares.

Table 1
Pétrolia Land Holdings

Quebec				
Block	Number of Permits	Working Interest (%)	Gross Area (ha)	Net Area (ha)
Gaspé	20 RS ⁽¹⁾	100	343,889	343,889
Gaspé (JOA Junex)	1 RS & portions of 5 RS ⁽¹⁾	50	29,606	14,803
Gaspé (JOA Junex Gastem)		45	900	405
Gastonguay	13 RS ⁽¹⁾	100	258,993	258,993
Sub-Total			633,388	618,090
Gaspésia	7 PG ⁽²⁾	100	138,220	138,220
Edgar	3 PG ⁽²⁾	100	50,010	50,010
Marcel Tremblay	2 PG ⁽³⁾	100	33,165	33,165
Sub-Total			221,395	221,395
Anticosti (Operator)	23 PG ⁽⁴⁾	50	431,046	215, 523
Anticosti (Non-Operated)	6 PG ⁽⁵⁾	50	90,306	45,153
Anticosti (Non-Operated)	6 PG ⁽⁶⁾	25	116,754	29,189
Sub-Total			638,106	289,865
Total Quebec			1,492,889	1,129,350
New Brunswick				
Dalhousie Block 1	100 sections over 3 grids ⁽⁷⁾	100	34,614	34,614
Dalhousie Block 2	71 sections over 2 grids ⁽⁷⁾	100	24,569	24,569
Dalhousie Block 3	29 sections over 1 grid ⁽⁷⁾	100	8,981	8,981
Total New Brunswick			68,163	68,163
Total Pétrolia			1,561,052	1,197,513

(1) Underground reservoir permits obtained November 21, 2005.

(2) Oil and gas exploration permits obtained April 25, 2006.

(3) Oil and gas exploration permits obtained July 19, 2007.

(4) Oil and gas exploration permits obtained November 15, 2002, May 15, 2003 and December 6, 2005

(5) Oil and gas exploration permits obtained November 15, 2002

(6) Oil and gas exploration permits obtained January 11, 2001 and May 10, 2005

(7) Licences to Search obtained August 15, 2006, expiry August 14, 2009.

In this reporting period, the Company signed an agreement with Hydro-Québec where by the Company becomes the owner of all of Hydro-Québec's interests in the oil and gas exploration permits located on Anticosti Island, in return for an overriding royalty on future petroleum production. The new interests are in 35 exploration permits comprising 638,106 hectares on a gross basis. In 29 permits, the Company has a 50% working interest, 23 permits as operator and six with Corridor Resources as the operator. In six additional permits, the Company has a 25% working interest with Corridor Resources as the operator.

In the reporting period, the Company has also let expire the seismic option negotiated with Gastem Inc. on their Matapédia property, referred to previously as Matapédia Nord, which covered an area of 78,000 hectares.

The permits issued by the Government of Québec give Pétrolia the exclusive right to undertake oil and gas and underground reservoir exploration work for an initial five year period, with the possibility of further annual renewals for another five years, provided certain obligations are fulfilled. These obligations are an annual rental fee of \$0.10 per hectare and a minimum statutory exploration expenditure that must be met each year. The minimum required expenditure must be equivalent to \$0.50 per hectare the first year. The minimum expenditure increases by \$0.50 per hectare in each subsequent year, reaching \$2.50 per hectare in the fifth year. For each additional renewal, the rental fee is fixed at \$0.50 per hectare and the work obligations are equivalent to \$2.50 per hectare.

For the Quebec exploration permits, the Company expended \$5,627,941 in the reporting financial year (2007-2008) to fulfill the minimum work obligation expenditures, based on the permit dates and the number of hectares in each permit, to keep its rights on the various properties. The exploration expenses already incurred over the permits are sufficient to meet the minimum work obligation for the next fiscal year.

The properties held in northern New Brunswick are divided into three blocks totaling 68,163 hectares. These blocks are referred to as Dalhousie Block 1, Dalhousie Block 2 and Dalhousie Block 3 and consist of Licences to Search that were obtained on August 15, 2006, and which have an expiry date of August 14, 2009.

The licenses to search issued by the Government of New Brunswick give Pétrolia the exclusive right to undertake oil and gas exploration work for an initial three year term. During this initial three year term, the Company must spend a minimum of \$10.00 per hectare and pay an annual rental fee of \$0.15 per hectare. The required minimum work obligation expenditure over these licences during the initial three calendar years is \$681,630. At the end of the initial term, Pétrolia will have the option to abandon the licences and release them to the Crown, renew the licences for a further three year term under the same conditions or convert them to leases, with an annual rental of \$4.00 per hectare.

The following sections present additional information regarding each of the blocks held by the Company.

Exploration Permits

GASPÉSIA PROPERTY

This block is owned 100% by the Company and is the western-most block located on the Gaspé Peninsula (Figures 1 and 2). It was acquired in 2002 and now covers 7 oil and gas exploration permits having a total surface area of 138,220 hectares (Table 2). 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.

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2002PG632	01/05/2002	19,229	100	19,229
2002PG633	01/05/2002	18,746	100	18,746
2002PG634	01/05/2002	21,192	100	21,192
2002PG636	01/05/2002	17,706	100	17,706
2002PG637	01/05/2002	20,701	100	20,701
2002PG638	01/05/2002	20,748	100	20,748
2002PG642	01/05/2002	19,898	100	19,898
TOTAL		138,220		138,220

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 reach the oil window.

Over the last year, the Company 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. The Company'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. The interpretation of this new data is expected in early 2009.

In order to help prioritize exploration targets, the Company 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. The results of this geochemical survey, combined with the interpretation of the new seismic data, will enable better definition of potential drilling targets.

A previous study sponsored by the Company 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.

The Company's exploration objective in the Gaspésia area is to build a sound 3-D geological model that will integrate existing field data (gravity and magnetic) with the regional seismic data, geochemical survey results and the surface geology. The 3-D model will help validate the geophysical data and develop a consistent geological understanding of the region. After a comprehensive evaluation of the property, a recommendation will be made to either acquire a detailed seismic survey over existing leads, or to continue the regional seismic survey program.

The Company is actively seeking one or more partners to assist in the exploration of this vast area.

EDGAR PROPERTY

This property is owned 100% by Pétrolia and consists of three oil and gas exploration permits (PG) acquired in April 2006 (Figures 1 and 2). It is located in the northeastern extension of the Gaspésia Block. Because of the interesting results obtained from a 2007 government thermal maturation study over this area, the Company acquired the exploration land over a large intrusive structure. The thermal maturation results indicate that the large dome structure (Lemieux) mapped in the central part of the Edgar property showed the potential for oil preservation. Table 3 lists the three permits, which cover a total area of 50,010 ha.

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2006PG874	25/04/2006	21,157	100	21,157
2006PG875	25/04/2006	14,128	100	14,128
2006PG876	25/04/2006	14,725	100	14,725
TOTAL		50,010		50,010

MARCEL TREMBLAY PROPERTY

This property is owned 100% by Pétrolia and consists of two oil and gas exploration permits (PG) acquired in July 2007 (Figures 1 and 2). It is located directly to the north of the Gaspésia Block and has a total surface area of 33,165 hectares (Table 4).

**Table 4
Marcel Tremblay Block Permits**

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2007PG931	19/07/2007	19,563	100	19,563
2007PG931	19/07/2007	13,602	100	13,602
TOTAL		33,165		33,165

The Company has not conducted any detailed work on this property as yet and is awaiting the results of exploration work being conducted on the Gaspésia property to the south

GASPÉ PROPERTY

The Gaspé property is located in the east-central part of the Gaspé Peninsula (Figures 1 and 3). 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. The block is comprised of 21 underground reservoir exploration permits (RS) covering some 3,744 km² (Table 5). A royalty of 7.5% on future production encumbers the following 11 permits: 2005RS102, 2005RS104, 2005RS105, 2005RS108, 2005RS109, 2005RS110, 2005RS111, 2005RS112, 2005RS119, 2005RS120 and 2005RS122 on the Gaspé Block.

Note that the RS permit numbers replaced the previous Junex PG permits in 2005. The same outlines were kept but, due to a change in the government permit size calculations, the new permits are somewhat reduced in size. The total area covered by the contract permits is now 179,781 hectares (the true area) instead of the 181,198 hectares stated in the contract.

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 Devonian reef features and Devonian or Silurian hydrothermal breccias in fracture zones near major faults.

Haldimand Project

The Haldimand discovery was made by Petrolia in 2006. Under their development agreement, signed in early May, 2008, Petrolia and its partners, Junex and Gastem, respectively agreed to take 45, 45, and 10 percent shares, respectively, in Petrolia's Haldimand No. 1 well, in addition to the exploration rights for petroleum and natural gas within a 9 km² square, centered on the discovery well (Figure 3).

Petrolia Haldimand No. 1 was drilled on a single seismic line, hence the extension of the deposit on either side of this line is unknown. The productive sands were cased and the casing was perforated over only 22 of the 150 metres of potential productive interval. It is therefore possible that other zones, if they were perforated, might contribute towards an increase in production from the discovery well.

The geometry of the deposit, the reservoir characteristics and the potential output of the discovery well are unknown. In order to assess the reserves, the partners must define its boundaries, as well as the physical characteristics of the reservoir. In the near term, its goal is to put the Haldimand Field into production on a realistic schedule and, especially, to have a recognized independent firm provide a certified estimate of the minimum reserves. With this document in hand, the value of the Haldimand discovery will be recorded on Petrolia's books.

In order to accelerate the exploration work, the partners undertook, upon signature of the agreement, to allocate a minimum of \$5 million during the first year. Accordingly, a new exploration program was established. This program comprises four main activities, three of which have already been completed or are being carried out:

1. A down-hole recorder, placed during 2006 in the Petrolia Haldimand No. 1 Well to evaluate the behavior of the producing zones, was recovered. A fluid sample was collected from the bottom of the well under reservoir conditions to enable the characteristics of the Haldimand reservoir fluid to be established and provide additional information on the physical properties of the reservoir. Among other matters, it will be possible to set a production rate for the well and for any future wells, so as to not harm the reservoir and have a negative impact on the long-term recovery rate.
2. A three-dimensional seismic survey over a total area of 13 km², centered on the Petrolia Haldimand No. 1 well, was conducted in the early autumn of 2008. The results provide an excellent three-dimensional image of the Haldimand accumulation and help to maximize the chances of success when selecting the next targets for drilling. This image will be an essential tool during the reserves certification process.

3. A surface geochemical survey, consisting of measurements of the concentrations and composition of the hydrocarbons adsorbed by clays in the soils, was carried out on the same grid as the 3-D seismic survey. About 215 samples, spaced 200 metres apart, were collected over the entire grid. These samples will facilitate the selection of the next sites for drilling and will also provide an analogue for similar surveys carried out over similar structures in the Haldimand fairway.

4. The partners will decide on the site for a confirmation well, based on the results obtained during the previous stages. Drilling should begin in early 2009.

The results of this work should enable Petrolia and its partners to establish a development plan to put the deposit into production in a gradual and efficient manner.

Bourque Project

The Bourque Project (Figure 3) was initiated in 2007 and is located in the northwestern portion of the Gaspé property. Its main objectives are the limestone reefs of the West Point Formation. During the Devonian, the present-day Gaspé region was a sea bottom located close to the equator, where there were environments favorable for the growth of reef complexes. The Devonian also saw the growth of the reef complexes of the Western Canadian Sedimentary Basin. In 1947, the discovery of the giant Leduc oilfield, whose production has since exceeded 100 million barrels of oil, was a turning point for oil exploration in Alberta. Since that time, numerous major oil and gas deposits have been discovered in these ancient reefs within Alberta.

The Bourque project is located in the northwestern portion of the Gaspé Property, 30 km east of Murdochville and 70 km west of the town of Gaspé. This property consists of four permits, 100% owned by Petrolia.

On August 5, 2008, Petrolia signed a farmout agreement with a private oil company in the amount of \$20 million. This sum will be invested in exploration and development work for the project. The terms of the agreement are as follows:

In order to earn a 70% interest in the four leases of the Bourque property, the Company shall, without Petrolia's financial participation, spend \$20 million during the next five years according the following terms:

- During the first 18 months, the Company shall spend a minimum of \$2.5 million on a 3D seismic program to secure its right to participate in this agreement;
- During the coming three years, the Company shall invest an amount of \$8 million in exploration work to earn a 24% stake in the property;

- During the coming five years, the Company may increase its stake to 48% by investing a cumulative amount of \$16 million, or increase its stake to 70% by investing an additional \$4 million for a total amount of \$20 million;
- In consideration of the \$20 million investment, the Company may be reimbursed up to \$6 million, which will be taken from Petrolia's production revenues;
- Royalties of 5.5% are payable on the production from these four leases;
- For the duration of this agreement, Petrolia will act as the operator under the oversight of a bipartite executive committee.

The first phase of the work, a three-dimensional (3D) seismic survey over an area of 60 km², was carried out during the summer of 2008. The seismic will provide a three-dimensional image of the subsurface that will delimit the limestone reefs in the West Point Formation and target potential hydrocarbon traps. The seismic data acquired are being processed, with the data quality being very good. The interpretation of these new data will be performed in early winter 2009. To evaluate one of the targets, an exploration well, drilled to a target depth of approximately 3,000 metres, is scheduled for 2009.

This agreement is of critical importance for Petrolia, not only in respect of the amounts invested but, above all, because it enables the exploration of a type of trap that has major potential for petroleum. The discovery of hydrocarbons in a Devonian reef would open the door to petroleum exploration in other areas of the Gaspé region. By joining forces with a partner to explore this property, Petrolia aims to share the risks associated with this type of investment, while, at the same time, benefiting from the expertise of its partners.

**Table 5
Gaspé Block Permits**

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2005RS102 ⁽¹⁾	21/11/2005	17,898	100	17,898
2005RS103	21/11/2005	24,120	100	24,120
2005RS104 ⁽¹⁾	21/11/2005	13,419	100	13,419
2005RS105 ⁽¹⁾	21/11/2005	10,634	100	10,634
2005RS108 ⁽¹⁾	21/11/2005	17,395	100	17,395
2005RS109 ⁽¹⁾	21/11/2005	22,901	100	22,901
2005RS110 ⁽¹⁾	21/11/2005	18,830	100	18,830
2005RS111 ^(1,2)	21/11/2005	12,676	87.0	11,027
2005RS112 ^(1,2)	21/11/2005	20,838	87.1	18,151
2005RS113	21/11/2005	12,533	100	12,533
2005RS118	21/11/2005	21,595	100	21,595
2005RS119 ⁽¹⁾	21/11/2005	14,842	100	14,842
2005RS120 ^(1,2)	21/11/2005	10,110	50	5,055
2005RS121	21/11/2005	24,873	100	24,873
2005RS122 ^(1,2)	21/11/2005	20,238	84.3	17,052
2005RS123 ^(2,3)	21/11/2005	23,943	88.6	21,222
2005RS129	21/11/2005	14,448	100	14,448
2005RS130	21/11/2005	18,962	100	18,962
2005RS131	21/11/2005	16,124	100	16,124
2005RS132	21/11/2005	17,374	100	17,374
2005RS133	21/11/2005	20,642	100	20,642
TOTAL		374,395		359,097

(1) Subject to a royalty of 5.0% to 7.5% on future production. (2) Portions of lease subject to a JOA agreement with Junex. (3) Portion of lease subject to a JOA agreement with Junex and Gastem).

GASTONGUAY PROPERTY

The Gastonguay property is located in the east-central part of the Gaspé Peninsula (Figures 1 and 3). It is subdivided into 13 underground reservoir exploration permits (RS) covering an area of 2,590 km² (Table 6)

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 meters, 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.

Reconnaissance and data-compilation work will be necessary before the property can be evaluated. If the results are encouraging, the Company will proceed with a regional seismic program.

Table 6
Gastonguay Block Permits

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST (%)	NET AREA (ha)
2005RS100	21/11/2005	21,977	100	21,977
2005RS101	21/11/2005	23,278	100	23,278
2005RS106	21/11/2005	22,645	100	22,645
2005RS107	21/11/2005	21,309	100	21,309
2005RS114	21/11/2005	15,186	100	15,186
2005RS115	21/11/2005	18,496	100	18,496
2005RS116	21/11/2005	24,174	100	24,174
2005RS117	21/11/2005	21,596	100	21,596
2005RS124	21/11/2005	17,483	100	17,483
2005RS125	21/11/2005	16,374	100	16,374
2005RS126	21/11/2005	18,057	100	18,057
2005RS127	21/11/2005	15,800	100	15,800
2005RS128	21/11/2005	22,618	100	22,618
TOTAL		258,993		258,993

ANTICOSTI PROPERTY

The Anticosti property (Figures 1 and 4) is located on Anticosti Island. In the current fiscal reporting year, the Company obtained an interest in the mineral rights over an area of 638,106 hectares (gross) from Hydro-Quebec and will assume the obligations in the agreements with Corridor Resources Inc. The interests range from 25% to 50% in 35 permits on the island. As a result of this acquisition, the Company now has interests in 18% of all land-based permits issued in Quebec. Figure 1 shows the Company's working interest position on Anticosti Island. Figure 4 shows the location of the various permits, which are listed in Table 7.

Anticosti Island is part of the Siluro-Ordovician carbonate platform that occupies the northern portion of the Gulf of Saint Lawrence, off the Gaspé Peninsula. This platform extends eastward as far as Newfoundland. On the west, it meets the Saint Lawrence Lowlands platform, which extends as far as Texas.

Over the last fifty years, several world-class discoveries have been made in geological settings similar to that of Anticosti Island. Among the largest are the Albion and Scipio fields. These older fields have produced more than 200 million barrels of oil equivalent. More recently, Talisman Energy Inc. has discovered significant quantities of natural gas in similar rock formations in the New England area of the United States.

A number of oil companies have explored Anticosti Island over the last 50 years. In total, 17 wells have been drilled on the island. Approximately 850 line kilometers of modern 2D seismic data has also been acquired since the end of the 1990s. Eight exploration wells have been drilled on the modern 2D seismic: five drilled by Shell and three by Corridor Resources and Hydro-Québec, in 2003.

The feature that makes Anticosti Island particularly attractive for oil exploration is the shallow depths of the potential reservoirs. Dividing the island in two along its length, the potential targets in the northern half of the island are shallow and have the potential for oil. The targets in the southern half of the island are much deeper and the area is primarily prospective for natural gas and condensate.

The Company reports that it has identified several targets that are ready for drilling, with depths ranging from 900 m to 1,500 m. The most recent wells have shown the existence of hydrothermal-type carbonate reservoirs with interesting reservoir characteristics. Although only formation water has so far been found in them, the data obtained from these reservoirs suggest that the reservoirs would be capable of producing fluids at rates in excess of 1,000 barrels per day. These are reservoirs with exceptional characteristics, by far the best encountered in Quebec to date.

The analysis of modern seismic data has enabled the Company to identify a number of potential drilling targets. In order to select the best, it carried out a field survey in 2008 that combined a microbiological with a geochemical technique. This technique consisted of measuring the concentrations and composition of the hydrocarbons adsorbed on soil clays, and measuring the relative concentration of certain species of bacteria that metabolize hydrocarbons. About 1,700 samples were collected along former seismic profiles on the island. The results of this survey are expected to assist in prioritizing the potential targets. The drilling campaign that was to follow this survey has had to be postponed until 2009 owing to logistical problems.

The Company's strategy for the island is to find partners and drill several exploration wells with them as soon as is technically and operationally possible.

Table 7
Anticosti Island Permits

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST	NET AREA (ha)
2001PG544 (3)	11/01/2001	22,340	25	5,585
2002PG683 ⁽¹⁾	15/11/2002	19,869	50	9,935
2002PG684 (1)	15/11/2002	19,726	50	9,863,
2002PG685 (1)	15/11/2002	14,975	50	7,488
2002PG686 (1)	15/11/2002	20,989	50	10,495
2002PG687 (1)	15/11/2002	20,321	50	10,161
2002PG688 (1)	15/11/2002	23,380	50	11,690
2002PG689 (1)	15/11/2002	12,267	50	6,134
2002PG690 (1)	15/11/2002	21,686	50	10,843
2002PG691 (1)	15/11/2002	17,610	50	8,805
2002PG692 (1)	15/11/2002	20,766	50	10,383
2002PG693 (1)	15/11/2002	20,202	50	10,101
2002PG694 (1)	15/11/2002	23,546	50	11,773
2002PG695 (1)	15/11/2002	17,989	50	8,995
2002PG696 (1)	15/11/2002	13,475	50	6,738
2002PG697 (1)	15/11/2002	14,602	50	7,301
2002PG698 (1)	15/11/2002	21,287	50	10,644
2002PG699 (1)	15/11/2002	19,259	50	9,630
2002PG700 (3)	15/11/2002	21,330	25	5,333
2002PG701 (3)	15/11/2002	19,998	25	5,000
2002PG702 (3)	15/11/2002	14,474	25	3,619
2002PG704 (3)	15/11/2002	18,461	25	4,615
2002PG705 (3)	15/11/2002	20,151	25	5,038

**Table 7
Anticosti Island Permits**

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST	NET AREA (ha)
2003PG747 (1)	15/05/2003	23,941	50	11,971
2003PG748 (1)	15/05/2003	12,669	50	6,335
2005PG774 (2)	10/05/2005	10,007	50	5,004
2005PG775 (2)	10/05/2005	17,791	50	8,896
2005PG776 (2)	10/05/2005	17,846	50	8,923
2005PG777 (2)	10/05/2005	15,596	50	7,798
2005PG778 (2)	10/05/2005	13,824	50	6,912
2005PG779 (2)	10/05/2005	15,241	50	7,621
2005PG790 (1)	06/12/2005	17,955	50	8,978
2005PG791 (1)	06/12/2005	18,321	50	9,161
2005PG792 (1)	06/12/2005	19,078	50	9,539
2005PG793 (1)	06/12/2005	17,133	50	8,567
TOTAL		638 106		289,865

(1) Pétrolia Inc. operator

(2) Corridor Resources Inc. operator

(3) Corridor Resources Inc. operator

DALHOUSIE PROPERTY (NEW BRUNSWICK)

This property was acquired by Pétrolia in late August 2006 in the northern part of New Brunswick (Figure 1). It covers an area of 68,163 hectares subdivided in three (3) licence blocks (Table 8). Pétrolia was awarded the Dalhousie property after requesting this acreage from the New-Brunswick Department of Natural Resources. The license area was selected on the basis of the interesting results of a regional thermal maturation study performed by the Geological Survey of Canada, which indicated that the area had potential for oil and gas preservation.

A compilation of geological data has been undertaken as part of the detailed study needed to bring forward prospects. A petrophysical analysis, as well as the thermal maturation study, led to a 39 km 2D seismic survey in the fall of 2008.

The Dalhousie property has potential for gas. It covers an extensive anticlinal structure called the Popelogan Anticline. During the previous fiscal year, the Company established the presence of a system of open fractures in the volcanic rocks occupying the core of the anticlinal structure. Work is under way to determine the nature of these fractures, and to find whether they have previously contained natural gas. This system of open fractures

could constitute a reservoir with exceptional production characteristics if it is present at depth in a large volume of rock.

The Company is exploring the extension of this giant structure towards the north. Within the borders of its permits, the surface expression of the structure remains poorly known, and subject to interpretation. During the current fiscal year, the Company carried out a modeling study of the gravimetric and available magnetic data. The results of this study have enabled the construction of a model that confirms the extension of the anticlinal structure at depth. The model indicates that this gravimetric high zone covers a large area, southeast of the town of Dalhousie. It also shows that the reservoir zone is buried deeply enough for the fractured rocks to act as a reservoir to potentially trap natural gas.

As a potential market for any discovered gas, a thermal power plant is located in the vicinity of the Company's permits. Before 2006, the Dalhousie power station, with an output of 300 megawatts, operated on Orimulsion, a mixture of bitumen and water. Venezuela stopped producing it in 2006 and, since that time, the plant has been using heavy oil. Petrolia estimates that it would take 23 Bcf (billion cubic feet) of natural gas per year to completely replace the petroleum used by this plant. Both for the Company and for northern New Brunswick, a natural-gas discovery would obviously have considerable economic consequences.

**Table 8
Dalhousie Block Permits**

PERMITS	ACQUISITION DATE	GROSS AREA (ha)	WORKING INTEREST	NET AREA (ha)
LICENCE 01 Grid 1119 (39 sections) Grid 1120 (58 sections) Grid 1020 (3 sections)	August 2006	34,614	100	34,614
LICENCE 02 Grid 1021 (14 sections) Grid 1121 (57 sections)	August 2006	24,569	100	24,569
LICENCE 03 Grid 1222 (29 sections)	August 2006	8,981	100	8,981
TOTAL		68,163		68,163

Other Interests

SAINT-SIMON PROPERTY

Following an earn-in agreement signed in August 2005 with Junex Inc., the Company acquired a 10% interest in the Shell Saint-Simon No.1 (A152) well. Junex re-entered the well on its property (permits 2003PG761) located in the St-Lawrence Lowlands, to the south-east of the city of Montréal.

Through the same agreement, in the case of positive results, the Company also has the option to earn 10% over the entire Saint-Simon structure by paying 10% of development, production and transportation costs. In 2006, the 140 mm casing in the Shell Saint-Simon No.1 (A152) well was cut open at a depth of 2,382 meters and the well was sidetracked to a new total depth (TD) of 2,580 meters and prepared for testing. The well is still suspended, until a decision of the operator regarding formation testing. Gastem Inc. also has a 10% interest in this partnership with Junex Inc.

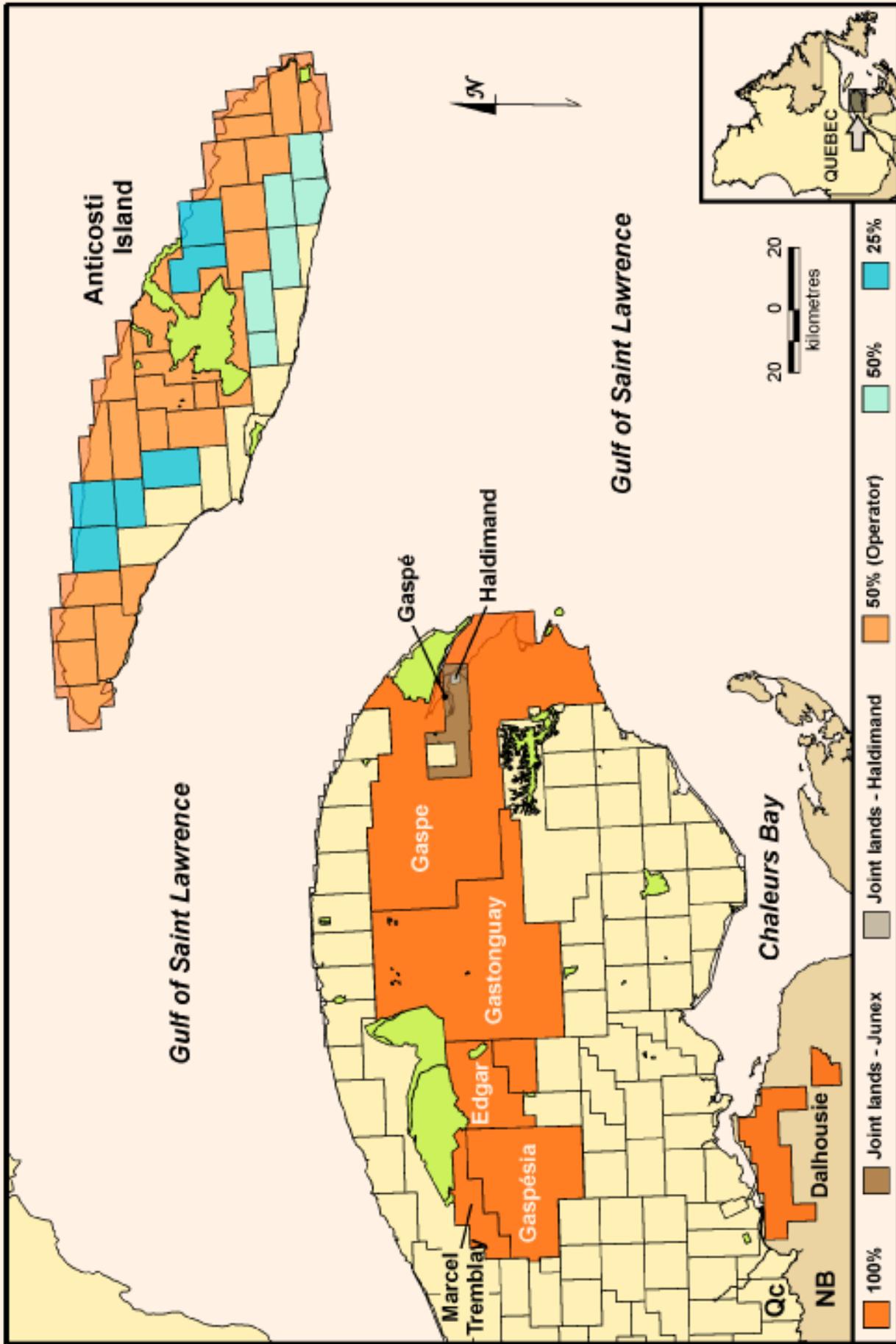
Exploration Costs

In the last fiscal year, the Company expended \$5,722,280 on exploration activities on its permits. As of September 30, 2008, the Company had cumulative exploration expenditures on its oil and gas properties of \$9,131,887.

The Company has informed us that they have met all of the required current financial obligations on all permits.

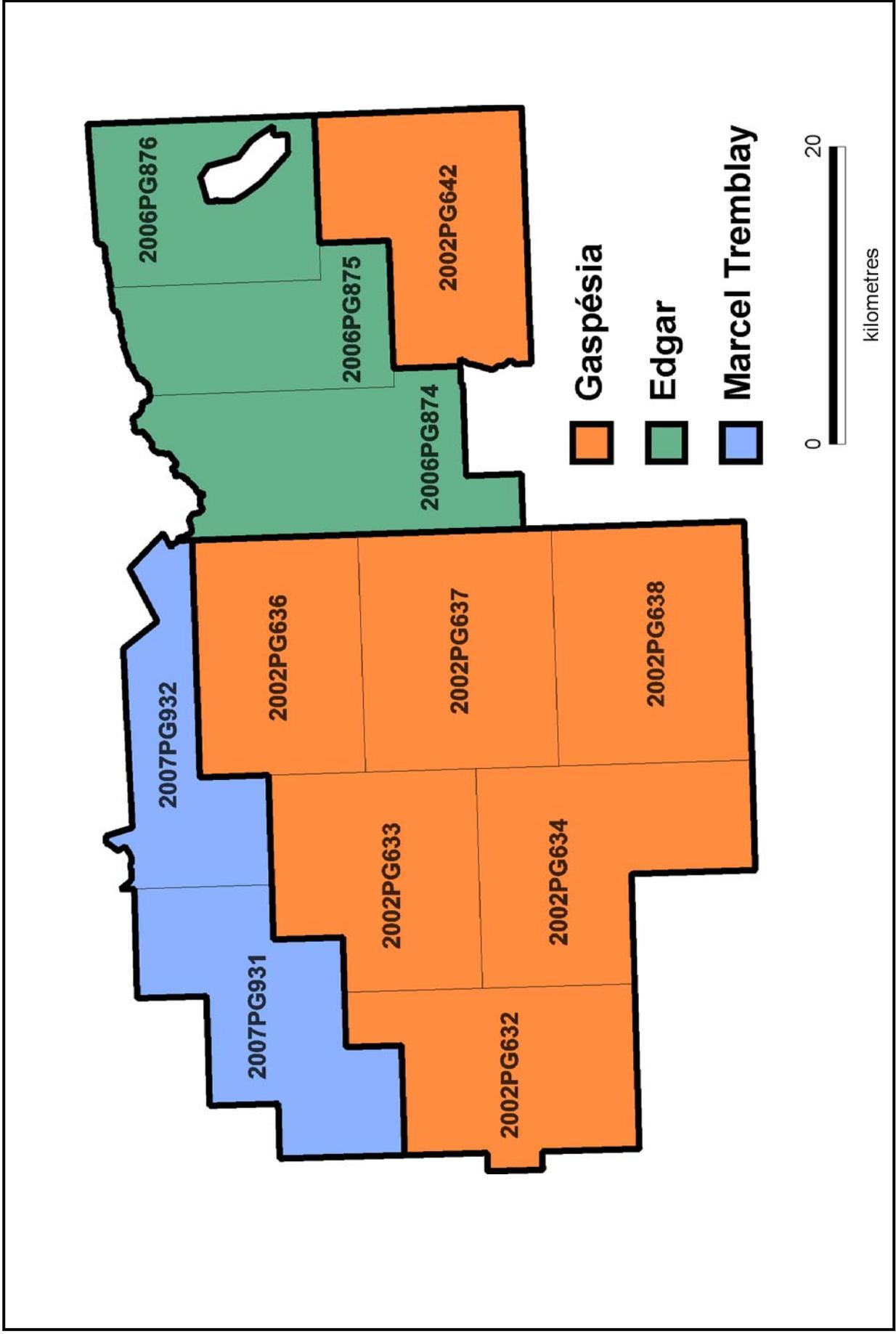
Wells Drilled In 2008

No wells were drilled by the Company during the last year.



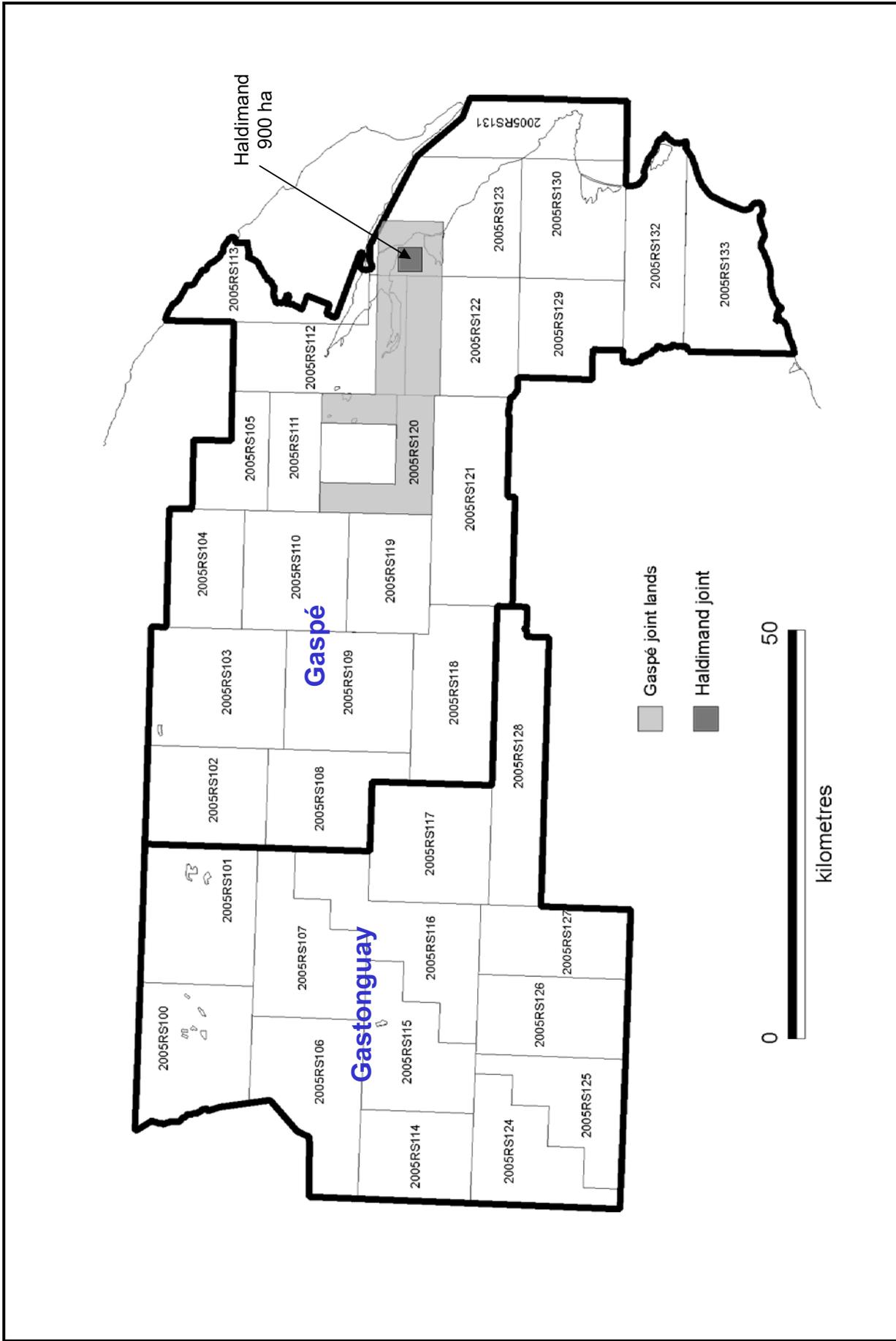
Oil and gas properties held by Pétrolia Inc. in Quebec and New Brunswick

Figure -1



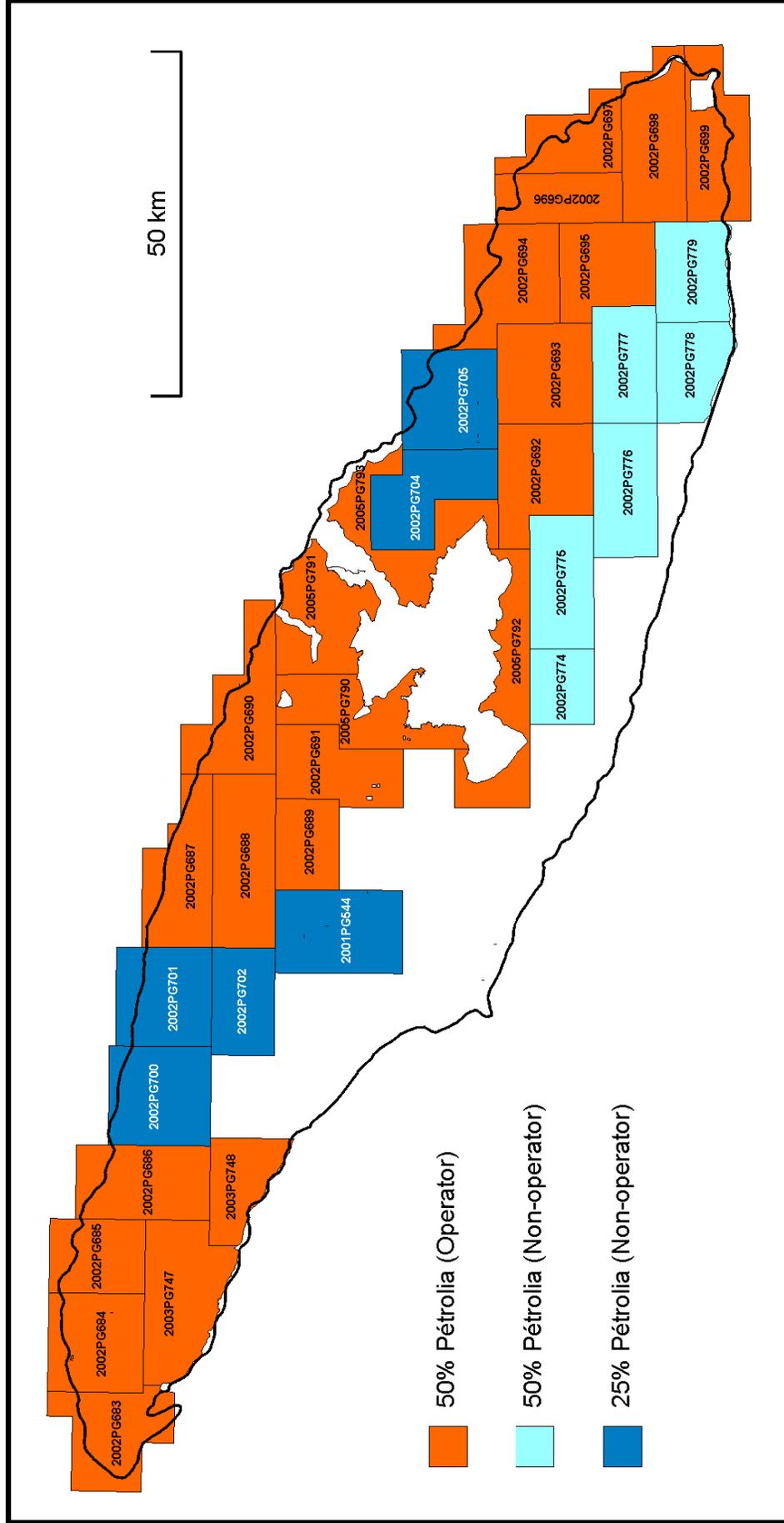
Pétrolia, Gaspésia, Edgar and Marcel Tremblay Lands

Figure -2



Pétrolia, Gaspé, Gastonguay, Gaspé JOA and Haldimand JOA Lands

Figure -3



Pétrolia, Anticosti Island Interest Lands



Pétrolia, New Brunswick Interest Lands

National Instrument 51-101

This report was prepared for the purpose of evaluating the Company's P&NG reserves according to Canadian Oil and Gas Evaluation Handbook (COGEH) reserve definitions and standards and consistent with National Instrument 51-101 (NI 51-101). In accordance with these standards, and by reference in NI 51-101, certain tables are presented for both forecast and constant prices and costs, which summarize the reserves and net present values, as of September 30, 2008.

Form 51-101F2, which follows, presents a Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor.

Forecast Prices and Costs

Table 1 presents a summary of the various reserves categories. Table 2 presents a summary of net present values of future net revenue, before and after income taxes. Table 3 presents the total future net revenue (undiscounted) for the total proved and total proved plus probable reserves categories. Table 4 presents the net present value of future net revenue by production group for the total proved and total proved plus probable reserves categories. As shown in these tables, no reserves have been assigned to the properties in which the Company holds an interest.

Constant Prices and Costs

Constant Prices and Costs are defined in National Instrument 51-101 as the reporting issuer's prices and costs as at the evaluation effective date. The reporting issuer's prices and costs are defined as the actual posted price for oil, natural gas and natural gas by-products, after historical adjustments for transportation, gravity and other factors.

No tables have been included for the constant price case because no reserves have been assigned to the properties in which the Company holds an interest.

Form 51-101F2
Report on Reserves Data
by Independent Qualified Reserves Evaluator or Auditor

Report on Reserves Data

To the Board of Directors of Pétrolia Inc. (the "Company"):

1. We have evaluated the Company's Reserves Data as at September 30, 2008. The reserves data consist of the following:

There are no reserves assigned to the properties held by the Company.

2. The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"), prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue attributed to proved plus probable reserves, estimated using forecast prices and costs on a before tax basis and calculated using a discount rate of 10%, included in the reserves data of the Company evaluated by us as of September 30, 2008, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue (10% Discount Rate)			
			Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
Sproule	"Technical Review of Certain P&NG Holdings of Pétrolia Inc. in Quebec and New Brunswick (As of September 30, 2008)", prepared January 2009	Canada	Nil	Nil	Nil	Nil
Total			Nil	Nil	Nil	Nil

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook.
6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
January 23, 2009

Original signed by Douglas Carsted

Douglas J. Carsted, P.Geol.
Vice-President

Original signed by John Chipperfield

John L. Chipperfield, P.Geol.
Senior Vice-President

Table 1
NI 51-101
Summary of Oil and Gas Reserves
As of September 30, 2008
Forecast Prices and Costs

Reserves

Reserve Category	Light and Medium Oil		Heavy Oil		Coalbed Methane		Natural Gas (non-associated & associated)		Natural Gas (solution)		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved												
Developed Producing	0	0	0	0	0	0	0	0	0	0	0	0
Developed Non-Producing	0	0	0	0	0	0	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0	0	0	0	0	0	0
Total Proved	0	0	0	0	0	0	0	0	0	0	0	0
Probable	0	0	0	0	0	0	0	0	0	0	0	0
Total Proved Plus Probable	0	0	0	0	0	0	0	0	0	0	0	0

Reference: Item 2.2(1) of Form 51-101F1

Table 2
NI 51-101
Summary of Net Present Values of
Future Net Revenue
As of September 30, 2008
Forecast Prices and Costs

	Net Present Values of Future Net Revenue									
	Before Income Taxes Discounted at (%/Year)					After Income Taxes Discounted at (%/Year)				
Reserves Category	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved	0	0	0	0	0	0	0	0	0	0
Developed Producing	0	0	0	0	0	0	0	0	0	0
Developed Non- Producing	0	0	0	0	0	0	0	0	0	0
Undeveloped	0	0	0	0	0	0	0	0	0	0
Total Proved	0	0	0	0	0	0	0	0	0	0
Probable	0	0	0	0	0	0	0	0	0	0
Total Proved Plus Probable	0	0	0	0	0	0	0	0	0	0

Reference Item 2.2(2) of Form 51-101F1

Notes:

- NPV of FNR include all resource income:
 - Sale of oil, gas, by-product reserves
 - Processing third party reserves
 - Other income
- Income Taxes
 - Includes all resource income
 - Apply appropriate income tax calculations
 - Include prior tax pools

Table 3
NI 51-101
Total Future Net Revenue
(Undiscounted)
As of September 30, 2008
Forecast Prices and Costs

Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Develop- ment Costs (M\$)	Well Abandon - ment Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved	0	0	0	0	0	0	0	0
Proved Plus Probable	0	0	0	0	0	0	0	0

Reference Item 2.2(3)(b) of Form 51-101F1

Table 4
NI 51-101
Net Present Value of Future Net Revenue
by Production Group
As of September 30, 2008
Forecast Prices and Costs

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)
Proved	Light and Medium Crude Oil (including solution gas and associated by-products)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Coalbed Methane	0
	Natural Gas (including associated by-products)	0
		0
Proved Plus		0
Probable	Light and Medium Crude Oil (including solution gas and associated by-products)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Coalbed Methane	0
	Natural Gas (including associated by-products)	0

Reference Item 2.2(3)(c) of Form 51-101F1

Appendix A — Definitions

The following definitions form the basis of our classification of reserves and values presented in this report. They have been prepared by the Standing Committee on Reserves Definitions of the Petroleum Society of the CIM (“CIM”), incorporated in the Society of Petroleum Evaluation Engineers (“SPEE”) Canadian Oil and Gas Evaluation Handbook (“COGE Handbook”) and specified by National Instrument 51-101 (“NI 51-101”).

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and
- a remaining reserve life of 50 years.

Reserves are classified according to the degree of certainty associated with the estimates.

1. Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

2. Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

3. Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. Possible reserves have not been considered in this report.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Each of the reserves categories (proved, probable, and possible) may be divided into developed or undeveloped categories.

4. Developed Reserves

Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

5. Developed Producing Reserves

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

6. Developed Non-Producing Reserves

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

7. Undeveloped Reserves

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from

specific wells, facilities, and completion intervals in the pool and their respective development and production status.

8. Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions in Sections 1, 2 and 3 are applicable to individual reserves entities, which refers to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

- a. There is a 90% probability that at least the estimated proved reserves will be recovered.
- b. There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.
- c. There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgement as to what are reasonable estimates.

9. Remaining Recoverable Reserves are the total remaining recoverable reserves associated with the acreage in which the Company has an interest.

10. Company Gross Reserves are the Company's working interest share of the remaining reserves, before deduction of any royalties.

- 11. Company Net Reserves** are the gross remaining reserves of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.
- 12. Net Production Revenue** is income derived from the sale of net reserves of oil, non-associated and associated gas, and gas by-products, less all capital and operating costs.
- 13. Fair Market Value** is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.
- 14. Barrels of Oil Equivalent (BOE) Reserves** – BOE is the sum of the oil reserves, plus the gas reserves divided by a factor of 6, plus the natural gas liquid reserves, all expressed in barrels or thousands of barrels. Equivalent reserves can also be expressed in thousands of cubic feet of gas equivalent (McfGE) using a conversion ratio of 1 bbl:6 Mcf.
- 15. Oil (or Crude Oil)** – a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons, but does not include liquids obtained from the processing of natural gas.
- 16. Gas (or Natural Gas)** – a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs, but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.
- 17. Non-Associated Gas** – an accumulation of natural gas in a reservoir where there is no crude oil.
- 18. Associated Gas** – the gas cap overlying a crude oil accumulation in a reservoir.
- 19. Solution Gas** – gas dissolved in crude oil.
- 20. Natural Gas Liquids** – those hydrocarbon components that can be removed from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.

Appendix A — Resource Definitions

This discussion has been excerpted from Sections 5.2 and 5.3 of the Canadian Oil and Gas Evaluation Handbook, Second Edition, September 1, 2007.

The following definitions relate to the subdivisions in the SPE-PRMS resources classification framework and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more

contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. *Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.*

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable."

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

Resource Categories

Due to the high uncertainty in estimating resources, evaluations of these assets require some type of probabilistic methodology. Expected value concepts and decision tree analyses are routine; however, in high-risk, high-reward projects, Monte Carlo simulation can be used. In any event, three success cases plus a failure case should be included in the evaluation of the resources (see Section 9 of the Canadian Oil and Gas Evaluation Handbook for details on these methods).

a. Classification of Resources

When evaluating resources, in particular, contingent and prospective resources, the following mutually exclusive categories are recommended:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P₉₀ confidence level.
- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P₅₀/median, or arithmetic average/mean).
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P₁₀ confidence level.

Company Gross Contingent Resources are the Company's working interest share of the contingent resources, before deduction of any royalties.

Company Net Contingent Resources are the gross contingent resources of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.

Fair Market Value is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.

Appendix B — Abbreviations

This appendix contains a list of abbreviations that may be found in Sproule reports, as well as a table comparing Imperial and Metric units. Two conversion tables, used to prepare this report, are also provided.

AOF	absolute open flow
ARTC	Alberta Royalty Tax Credit
BOE	barrels of oil equivalent
bopd	barrels of oil per day
bwpd	barrels of water per day
Cr	Crown
DCQ	daily contract quantity
DSU	drilling spacing unit
FH	Freehold
GCA	gas cost allowance
GOR	gas-oil ratio
GORR	gross overriding royalty
LPG	liquid petroleum gas
McfGE	thousands of cubic feet of gas equivalent
Mcfpd	thousands of cubic feet per day
MPR	maximum permissive rate
MRL	maximum rate limitation
NC	'new' Crown
NCI	net carried interest
NGL	natural gas liquids
NORR	net overriding royalty
NPI	net profits interest
OC	'old' Crown
ORRI	overriding royalty interest
P&NG	petroleum and natural gas
PSU	production spacing unit
PVT	pressure-volume-temperature
TCGSL	TransCanada Gas Services Limited
UOCR	Unit Operating Cost Rates for operating gas cost allowance
WI	working interest

Imperial Units			Metric Units	
M (10 ³)	one thousand	Prefixes	k (10 ³)	one thousand
MM (10 ⁶)	million		M (10 ⁶)	million
B (10 ⁹)	one billion		G (10 ⁹)	one billion
T (10 ¹²)	one trillion		T (10 ¹²)	one trillion
			E (10 ¹⁸)	one milliard
in.	inches	Length	cm	centimetres
ft	feet		m	metres
mi	mile		km	kilometres
ft ²	square feet	Area	m ²	square metres
ac	acres		ha	hectares
cf or ft ³	cubic feet	Volume	m ³	cubic metres
scf	standard cubic feet			
gal	gallons		L	litres
Mcf	thousand cubic feet			
Mcfpd	thousand cubic feet per day			
MMcf	million cubic feet			
MMcfpd	million cubic feet per day			
Bcf	billion cubic feet (10 ⁹)			
bbl	barrels		m ³	cubic metre
Mbbl	thousand barrels			
stb	stock tank barrel		stm ³	stock tank cubic metres
bbl/d	barrels per day		m ³ /d	cubic metre per day
bbl/mo	barrels per month			
Btu	British thermal units	Energy	J	joules
			MJ/m ³	megajoules per cubic metre (10 ⁶)
			TJ/d	terajoule per day (10 ¹²)
oz	ounce	Mass	g	gram
lb	pounds		kg	kilograms
ton	ton		t	tonne
lt	long tons			
Mlt	thousand long tons			
psi	pounds per square inch	Pressure	Pa	pascals
psia	pounds per square inch absolute		kPa	kilopascals (10 ³)
psig	pounds per square inch gauge			
°F	degrees Fahrenheit	Temperature	°C	degrees Celsius
°R	degrees Rankine		K	Kelvin
M\$	thousand dollars	Dollars	k\$	thousand dollars

Imperial Units		Time	Metric Units	
sec	second		s	second
min	minute	min	minute	
hr	hour	h	hour	
day	day	d	day	
wk	week		week	
mo	month		month	
yr	year	a	annum	

Conversion Factors — Metric to Imperial		
cubic metres (m ³) (@ 15°C)	x 6.29010	= barrels (bbl) (@ 60°F), water
m ³ (@ 15°C)	x 6.3300	= bbl (@ 60°F), Ethane
m ³ (@ 15°C)	x 6.30001	= bbl (@ 60°F), Propane
m ³ (@ 15°C)	x 6.29683	= bbl (@ 60°F), Butanes
m ³ (@ 15°C)	x 6.29287	= bbl (@ 60°F), oil, Pentanes Plus
m ³ (@ 101.325 kPaa, 15°C)	x 0.0354937	= thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)
1,000 cubic metres (10 ³ m ³) (@ 101.325 kPaa, 15°C)	x 35.49373	= Mcf (@ 14.65 psia, 60°F)
hectares (ha)	x 2.4710541	= acres
1,000 square metres (10 ³ m ²)	x 0.2471054	= acres
10,000 cubic metres (ha·m)	x 8.107133	= acre feet (ac-ft)
m ³ /10 ³ m ³ (@ 101.325 kPaa, 15° C)	x 0.0437809	= Mcf/Ac.ft. (@ 14.65 psia, 60°F)
joules (j)	x 0.000948213	= Btu
megajoules per cubic metre (MJ/m ³) (@ 101.325 kPaa, 15°C)	x 26.714952	= British thermal units per standard cubic foot (Btu/scf) (@ 14.65 psia, 60°F)
dollars per gigajoule (\$/GJ)	x 1.054615	= \$/Mcf (1,000 Btu gas)
metres (m)	x 3.28084	= feet (ft)
kilometres (km)	x 0.6213712	= miles (mi)
dollars per 1,000 cubic metres (\$/10 ³ m ³) (\$/10 ³ m ³)	x 0.0288951 x 0.02817399	= dollars per thousand cubic feet (\$/Mcf) (@ 15.025 psia) B.C. = \$/Mcf (@ 14.65 psia) Alta.
dollars per cubic metre (\$/m ³)	x 0.158910	= dollars per barrel (\$/bbl)
gas/oil ratio (GOR) (m ³ /m ³)	x 5.640309	= GOR (scf/bbl)
kilowatts (kW)	x 1.341022	= horsepower
kilopascals (kPa)	x 0.145038	= psi
tonnes (t)	x 0.9842064	= long tons (LT)
kilograms (kg)	x 2.204624	= pounds (lb)
litres (L)	x 0.2199692	= gallons (Imperial)
litres (L)	x 0.264172	= gallons (U.S.)
cubic metres per million cubic metres (m ³ /10 ⁶ m ³) (C ₃)	x 0.177496	= barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia)
m ³ /10 ⁶ m ³ (C ₄)	x 0.1774069	= bbl/MMcf (@ 14.65 psia)
m ³ /10 ⁶ m ³ (C ₅₊)	x 0.1772953	= bbl/MMcf (@ 14.65 psia)
tonnes per million cubic metres (t/10 ⁶ m ³) (sulphur)	x 0.0277290	= LT/MMcf (@ 14.65 psia)
millilitres per cubic meter (mL/m ³) (C ₅₊)	x 0.0061974	= gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf)
(mL/m ³) (C ₅₊)	x 0.0074428	= gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf)
Kelvin (K)	x 1.8	= degrees Rankine (°R)
millipascal seconds (mPa·s)	x 1.0	= centipoise

Conversion Factors — Imperial to Metric		
barrels (bbl) (@ 60°F)	x 0.15898	= cubic metres (m ³) (@ 15°C), water
bbl (@ 60°F)	x 0.15798	= m ³ (@ 15°C), Ethane
bbl (@ 60°F)	x 0.15873	= m ³ (@ 15°C), Propane
bbl (@ 60°F)	x 0.15881	= m ³ (@ 15°C), Butanes
bbl (@ 60°F)	x 0.15891	= m ³ (@ 15°C), oil, Pentanes Plus
thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)	x 28.17399	= m ³ (@ 101.325 kPaa, 15°C)
Mcf (@ 14.65 psia, 60°F)	x 0.02817399	= 1,000 cubic metres (10 ³ m ³) (@ 101.325 kPaa, 15°C)
acres	x 0.4046856	= hectares (ha)
acres	x 4.046856	= 1,000 square metres (10 ³ m ²)
acre feet (ac-ft)	x 0.123348	= 10,000 cubic metres (10 ⁴ m ³) (ha·m)
Mcf/ac-ft (@ 14.65 psia, 60°F)	x 22.841028	= 10 ³ m ³ /m ³ (@ 101.325 kPaa, 15°C)
Btu	x 1054.615	= joules (J)
British thermal units per standard cubic foot (Btu/Scf) (@ 14.65 psia, 60°F)	x 0.03743222	= megajoules per cubic metre (MJ/m ³) (@ 101.325 kPaa, 15°C)
\$/Mcf (1,000 Btu gas)	x 0.9482133	= dollars per gigajoule (\$/GJ)
\$/Mcf (@ 14.65 psia, 60°F) Alta.	x 35.49373	= \$/10 ³ m ³ (@ 101.325 kPaa, 15°C)
\$/Mcf (@ 15.025 psia, 60°F), B.C.	x 34.607860	= \$/10 ³ m ³ (@ 101.325 kPaa, 15°C)
feet (ft)	x 0.3048	= metres (m)
miles (mi)	x 1.609344	= kilometres (km)
\$/bbl	x 6.29287	= \$/m ³ (average for 30°-50° API)
GOR (scf/bbl)	x 0.177295	= gas/oil ratio (GOR) (m ³ /m ³)
horsepower	x 0.7456999	= kilowatts (kW)
psi	x 6.894757	= kilopascals (kPa)
long tons (LT)	x 1.016047	= tonnes (t)
pounds (lb)	x 0.453592	= kilograms (kg)
gallons (Imperial)	x 4.54609	= litres (L) (.001 m ³)
gallons (U.S.)	x 3.785412	= litres (L) (.001 m ³)
barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia) (C ₃)	x 5.6339198	= cubic metres per million cubic metres (m ³ /10 ⁶ m ³)
bbl/MMcf (C ₄)	x 5.6367593	= (m ³ /10 ⁶ m ³)
bbl/MMcf (C ₅₊)	x 5.6403087	= (m ³ /10 ⁶ m ³)
LT/MMcf (sulphur)	x 36.063298	= tonnes per million cubic metres (t/10 ⁶ m ³)
gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf) (C ₅₊)	x 161.3577	= millilitres per cubic meter (mL/m ³)
gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf) (C ₅₊)	x 134.3584	= (mL/m ³)
degrees Rankine (°R)	x 0.555556	= Kelvin (K)
centipoises	x 1.0	= millipascal seconds (mPa·s)

Appendix C — National Instrument 51-101 Requirements

Other Oil and Gas Information

Item 5.9 – Disclosure of Resources

- (1) If a reporting issuer discloses anticipated results from resources which are not currently classified as reserves, the reporting issuer must also disclose in writing, in the same document or in a supporting filing:
- a. the reporting issuer's interest in the resources;
 - b. the location of the resources;
 - c. the product types reasonably expected;
 - d. the risks and the level of uncertainty associated with recovery of the resources; and
 - e. in the case of unproved property, if its value is disclosed,
 - i. the basis of the calculation of its value; and
 - ii. whether the value was prepared by an independent party.
- (2) If disclosure referred to in subsection (1) includes an estimate of a quantity of resources in which the reporting issuer has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must
- a. have been prepared or audited by a qualified reserves evaluator or auditor;
 - b. relate to the most specific category of resources in which the resources can be classified, as set out in the COGE Handbook, and must identify what portion of the estimate is attributable to each category; and

- c. be accompanied by the following information:
- i. a definition of the resources category used for the estimate;
 - ii. the effective date of the estimate;
 - iii. the significant positive and negative factors relevant to the estimate;
 - iv. in respect of contingent resources, the specific contingencies which prevent the classification of the resources as reserves; and
 - v. a cautionary statement that is proximate to the estimate to the effect that:
 - A. in the case of discovered resources or a subcategory of discovered resources other than reserves:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or
 - B. in the case of undiscovered resources or a subcategory of undiscovered resources:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”

- (3) Paragraphs 5.9(1)(d) and (e) and subparagraphs 5.9(2)(c)(iii) and (iv) do not apply if:
- a. the reporting issuer includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
 - b. the resources in the written disclosure, taking into account the specific properties and interests reflected in the resources estimate or other anticipated result, are materially the same resources addressed in the previously filed document.

Item 5.10 – Analogous Information

- (1) Sections 5.2, 5.3 and 5.9 do not apply to the disclosure of analogous information provided that the reporting issuer discloses the following:
- a. the source and date of the analogous information;
 - b. whether the source of the analogous information was independent;
 - c. if the reporting issuer is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook, a cautionary statement to that effect proximate to the disclosure of the analogous information; and
 - d. the relevance of the analogous information to the reporting issuer’s oil and gas activities.
- (2) For greater certainty, if a reporting issuer discloses information that is an anticipated result, an estimate of a quantity of reserves or resources, or an estimate of value attributable to an estimated quantity of reserves or resources for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from analogous information, sections 5.2, 5.3 and 5.9 apply to the disclosure of the information.