



Leader en exploration pétrolière au Québec



FORM 51-101 F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS AT SEPTEMBER 30TH 2006

January 26th 2007

PREPARED BY

PAUL LAROCHE

INGÉNIEUR GÉOLOGUE GÉOPHYSICIEN PÉTROLIER

871, AVENUE PAINCHAUD, QUÉBEC, (QC), CANADA, G1S 4L7, TÉL: 1- (418) 527-3573, CEL: 1- (418) 953-5160
Paullaroche_geo@sympatico.ca

REPORT 4503



Leader en exploration pétrolière au Québec



FORM 51-101 F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS AT SEPTEMBER 30TH 2006

PREPARED BY

January 26th 2007

(Signé) Paul Laroche

Paul Laroche, ing, geo

PAUL LAROCHE

INGÉNIEUR GÉOLOGUE GÉOPHYSICIEN PÉTROLIER

871, AVENUE PAINCHAUD, QUÉBEC, (QC), CANADA, G1S 4L7, TÉL : 1- (418) 527-3573, CEL : 1- (418) 953-5160
Paullaroche_geo@sympatico.ca

REPORT 4503

TABLE OF CONTENTS 51-101 F1

LIST OF FIGURES.....	v
LIST OF TABLES.....	v
1. INTRODUCTION	1
2. REPORT DATE	2
3. PETROLIA PROPERTIES.....	3
3.1- <u>EXPLORATION PERMITS (LAND WITHOUT RESERVES)</u>	7
3.1.1- GASPÉSIA PROPERTY	7
3.1.2- EDGAR PROPERTY	9
3.1.3- GASPÉ PROPERTY	10
3.1.4- GASTONGUAY PROPERTY	13
3.1.5- DALHOUSIE PROPERTY (NEW BRUNSWICK)	15
3.2- <u>OTHER EARN-IN AND OPTIONS</u>	16
3.2.1- SAINT-SIMON PROPERTY	16
3.2.2- MATAPÉDIA NORD PROPERTY	16
3.2.3- BANDE TACONIQUE PROPERTY	17
3.2.4- BAIE-DES-CHALEURS PROPERTY	17
4. EXPLORATION COSTS INCURRED OVER PROPERTIES.....	18
5. WELL DRILLED BY PETROLIA IN 2006.....	18
6. CURRENT AND FUTURE EXPLORATION.....	19
7. PROFESSIONAL CERTIFICATE.....	20

LIST OF FIGURES

Figure 1: Oil and gas properties in Quebec and New Brunswick, PETROLIA	5
Figure 2: Seismic profiles acquired over the Gaspésia and Edgar Blocks, PETROLIA.....	9
Figure 3: Exploration done by PETROLIA in 2005-2006 over the Gaspé Block.....	13

LIST OF TABLES

Table 1: Oil and gas Properties, PETROLIA	4
Table 2: Gaspésia Permits Block	7
Table 3: Edgar Permits Block.....	10
Table 4: Gaspé Permit Block	11
Table 5: Gastonguay Permit Block	14
Table 6: Dalhousie Permit Block	15
Table 7: Wells drilled by PETROLIA in 2006.....	18

PETROLIA

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS AT SEPTEMBER 30TH 2006

1. INTRODUCTION

This document describes the status on September 30th, 2006 of the oil and gas exploration properties owned by PETROLIA INC (PETROLIA) and the annual activities of the company performed during the year on these properties. The properties are located in the Gaspé Peninsula, Province of Quebec, and in northern New Brunswick.

PETROLIA has mandated Mr. Paul Laroche, a qualified independent Professional Engineer and Geologist to compile with an effective date as of **September 30th, 2006**, the present report in accordance with Annexes 6.1, 6.2, 6.6 and 6.7 of the Form F1 «Statement of reserves and other oil and gas information». The report is in compliance with the NATIONAL INSTRUMENT 51-101 pertaining to the Standards of Disclosure for Oil and Gas Activity by engineers and geologists. Additional information that is pertinent, but not necessarily required by NI 51-101, is also provided in order to promote a better understanding of PETROLIA's activities.

It should be noted that up to September 30th 2006, no hydrocarbon reserves have been confirmed within any of the PETROLIA permits blocks. This report is therefore limited to the “other oil and gas information” part of the 51-101 regulation and consists in a description of the company's properties and activities.

The author had access to all needed data and reports with the assistance of PETROLIA's main office in Québec City. Data from MRNF in Québec City were also consulted and used. A visit in the field in December 2005 was made to observe the company's seismic data acquisition and drilling operations.

PETROLIA

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS AT SEPTEMBER 30TH 2006

2. REPORT DATE

This report was completed on January 26th 2007. The data and information discussed within the report relate to PETROLIA's activities up to the **effective date of September 30th 2006**. Where appropriate, notes have been included in the report text to indicate significant changes that have occurred subsequently.

Data and information contained in this report were provided by PETROLIA. The present report is an independent evaluation of the PETROLIA activities that was performed by Mr. Paul Laroche, P. Eng, and Geo, who is to be considered as a qualified reserves evaluator with respect to all findings and information presented in this document.

On the 30th of September 2006, no oil or gas reserves had yet been attributed to the PETROLIA properties.

PETROLIA

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS AT SEPTEMBER 30TH 2006

3. PETROLIA PROPERTIES

As of September 30th 2006, the PETROLIA's 100% owned properties in the Provinces of Quebec and New Brunswick (**Figure 1 and Table 1**), including land covered by oil and gas exploration permits (PG) or by underground reservoir exploration permits (RS) delivered by the Government of Quebec and by exploration licences delivered by the Government of New Brunswick, cover a total area of 990,592 net hectares.

In the Gaspé Peninsula, the 100% owned properties are divided into four (4) blocks totalling 922,429 net hectares. PETROLIA has accorded to JUNEX INC a 50% back-in option in case of discovery over two of these blocks (Gaspé and Gastonguay) covering 633,388 hectares. Other new properties obtained in August 2006, in northern New Brunswick, are divided into three (3) blocks totalling 68 163 net hectares.

In addition, PETROLIA obtained a first right of refusal in 2005 on two JUNEX INC permits blocks (Bande Taconique and Baie-des-Chaleurs) covering 588 530 hectares. The company also negotiated a seismic option over GASTEM INC's Matapédia property (78 000 hectares).

The permits issued by the Government of Québec give PETROLIA 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 renewal 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 and are increasing by \$0.50 per hectare every subsequent year, to reach \$2.50 per hectare 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.

Table 1: Oil and gas Properties, PETROLIA

PROPERTY	INCLUDING	AREA
QUEBEC		
100% PETROLIA (First right of refusal and 50% back-in on PETROLIA's interest accorded to JUNEX)		
GASPÉ	21 permits RS ⁽²⁾	374 395 hectares
GASTONGUAY	13 permits RS ⁽²⁾	258 993 hectares
Sub-total		633 388 hectares
100% PETROLIA		
GASPÉSIA	12 permits PG ⁽¹⁾	239 031 hectares
EDGAR	3 permits PG ⁽³⁾	50 010 hectares
Sub-total		289 041 hectares
TOTAL PERMITS IN QUEBEC		<u>922 429 hectares</u>
NEW BRUNSWICK		
100% PETROLIA		
DALHOUSIE BLOCK 1	100 sections over 3 Grids ⁽³⁾	34 614 hectares
DALHOUSIE BLOCK 2	71 sections over 2 Grids ⁽³⁾	24 569 hectares
DALHOUSIE BLOCK 3	29 sections over 1 Grid ⁽³⁾	8 981 hectares
TOTAL PERMITS IN NEW BRUNSWICK		<u>68 163 hectares</u>
OTHER EARN-IN AND OPTIONS		
0% PETROLIA (First right of refusal accorded by JUNEX INC)		
BANDE TACONIQUE		175 734 hectares
BAIE-DES-CHALEURS		412 796 hectares
Total		588 530 hectares
0% PETROLIA (Seismic option accorded by GASTEM INC)		
MATAPÉDIA NORD		77 501 hectares

(1): Oil and gas exploration permits delivered in 2002

(2): Underground reservoirs permits delivered to PETROLIA on November 21st 2005.

(3): Oil and gas exploration permits delivered to PETROLIA in 2006

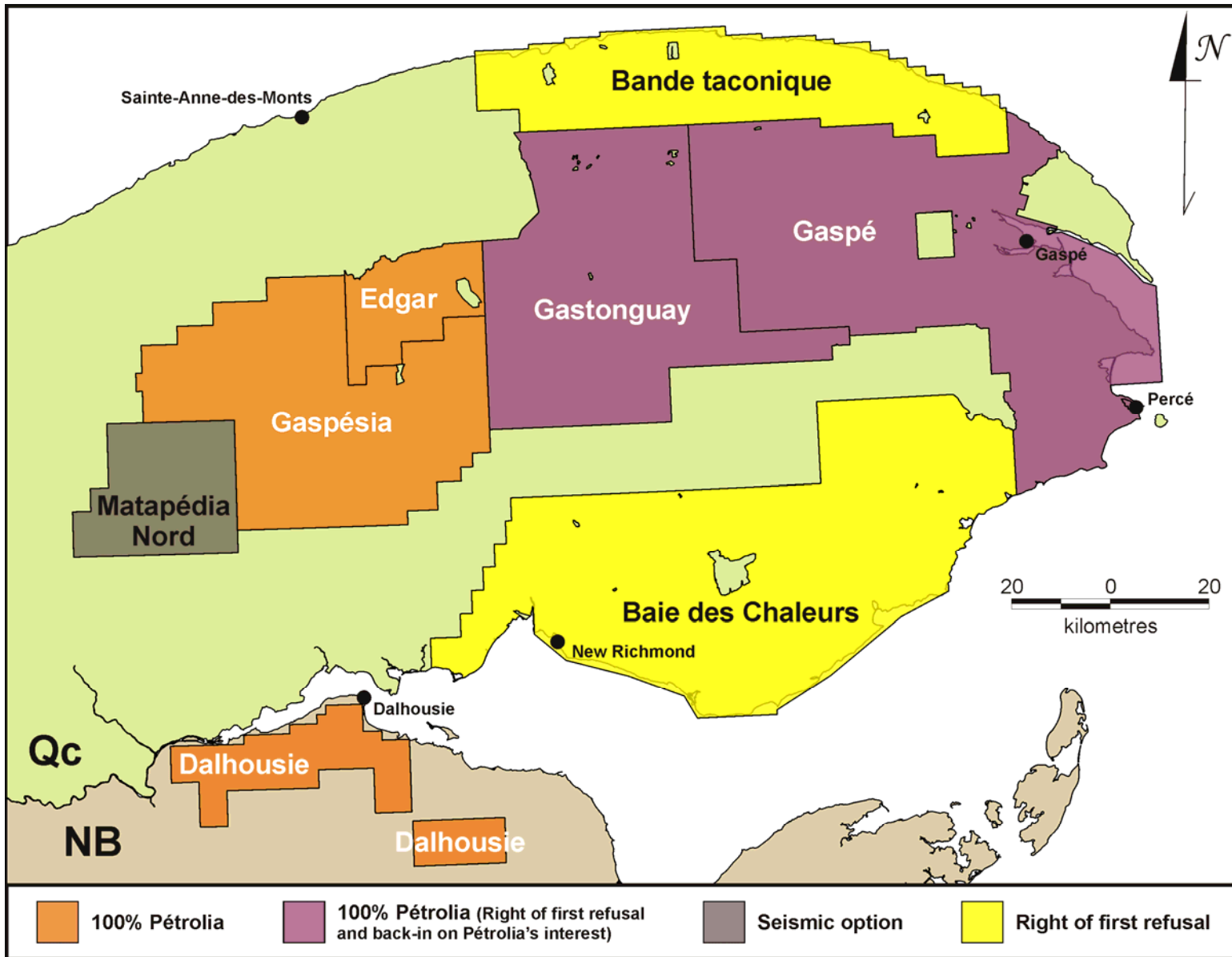


Figure 1: Oil and gas properties in Quebec and New Brunswick, PETROLIA.

Based on renewal dates and the respective size of the Quebec exploration permits, PETROLIA will have to fulfill minimum work obligation expenditures in the order of **\$ 1,296,132** for the next financial year (in 2006-2007) 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 licenses to search issued by the Government of New Brunswick give PETROLIA the exclusive right to undertake oil and gas exploration work for an initial three year term in spending a minimum of \$10.00 per hectare during the term and in paying an annual rental of \$0.15 per hectare. The required minimum work obligation expenditure over these New Brunswick permits during the next three calendar years is **\$ 681,630**. At the end of the initial term, PETROLIA will have the option to abandon the area and release it to the Crown, to renew the exploration licence for a further three year term under the same conditions or to convert it to a lease with an annual rent of \$4.00 per hectare.

The following sections present additional details about each permits blocks on the knowledge acquired, on the exploration work performed by PETROLIA during the past year and on the proposed exploration program to be executed during the next financial year.

3.1- EXPLORATION PERMITS (LAND WITHOUT RESERVES)

3.1.1- GASPÉSIA PROPERTY

This 100% owned PETROLIA's property is the westernmost located on the Gaspé Peninsula (**Figure 1**). It was acquired in 2002 and covers 12 oil and gas exploration permits having a total surface area of more than 2 390 km². It covers a part of the Connecticut Valley – Gaspé Synclinorium showing important partly thrustured Silurian-Devonian sedimentary thicknesses lying over a highly deformed Cambrian-Ordovician substratum (**Table 2**).

Table 2: Gaspésia Permits Block

PERMITS	ACQUISITION / RENEWAL DATE	AREA
2002PG632	01/05/2002	19 229 Ha
2002PG633	01/05/2002	18 746 Ha
2002PG634	01/05/2002	21 192 Ha
2002PG635	01/05/2002	20 569 Ha
2002PG636	01/05/2002	17 706 Ha
2002PG637	01/05/2002	20701 Ha
2002PG638	01/05/2002	20 748 Ha
2002PG639	01/05/2002	16 804 Ha
2002PG640	01/05/2002	18 587 Ha
2002PG641	01/05/2002	20 913 Ha
2002PG642	01/05/2002	19 898 Ha
2002PG643	01/05/2002	23 938 Ha
TOTAL		239 031 Ha

The Gaspésia Block is located in the center of the Connecticut Valley-Gaspé Synclinorium basin where important anticlinal structures and numerous fault traps are interpreted from surface geology and also observed on existing seismic data within stratas of the Devonian, Silurian and Ordovician periods. 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 of the general area is gas prone but locally, in the north-central part, it could reach the oil window.

After acquiring in 2005 a 40 kilometers long seismic profile to tie the C-008 La Vérendrye No. 1 well to existing government lines toward the east, PETROLIA has planned for 2006 the acquisition of a 126 km high-resolution regional seismic program over the Gaspésia property (*Acquisition of this seismic program took place in December 2006*), in order to integrate the new data into its existing database and then proceed with its interpretation (**Figure 2**).

PETROLIA exploration objective in the Gaspésia area is to build a sound 3-D geological model that will integrate existing potential field data (gravity and magnetic) with the regional seismic data and the surface geology. The 3-D model will help validating the geophysical data and develop a consistent geological understanding of the region. A focused field campaign could be realized to reconcile the mapped geological features with the seismic sections. After a comprehensive evaluation of the property, a recommendation to either drill a shallow target, acquire a detailed seismic survey above a lead, or continue the regional seismic survey will be taken.

PETROLIA is also planning to have an independent petrophysical study made on the La Vérendrye No.1 (C-088) well. It seems necessary to assess the reservoir quality of the Val-Brillant Formation. With the current geological knowledge, the Val-Brillant Formation appears to be the most promising reservoir to explore in this general area. Since this type of reservoir is particularly interesting because of its expected continuity and porosity, the study of the La Vérendrye well will be instrumental in the development of prospects over the Gaspésia property.

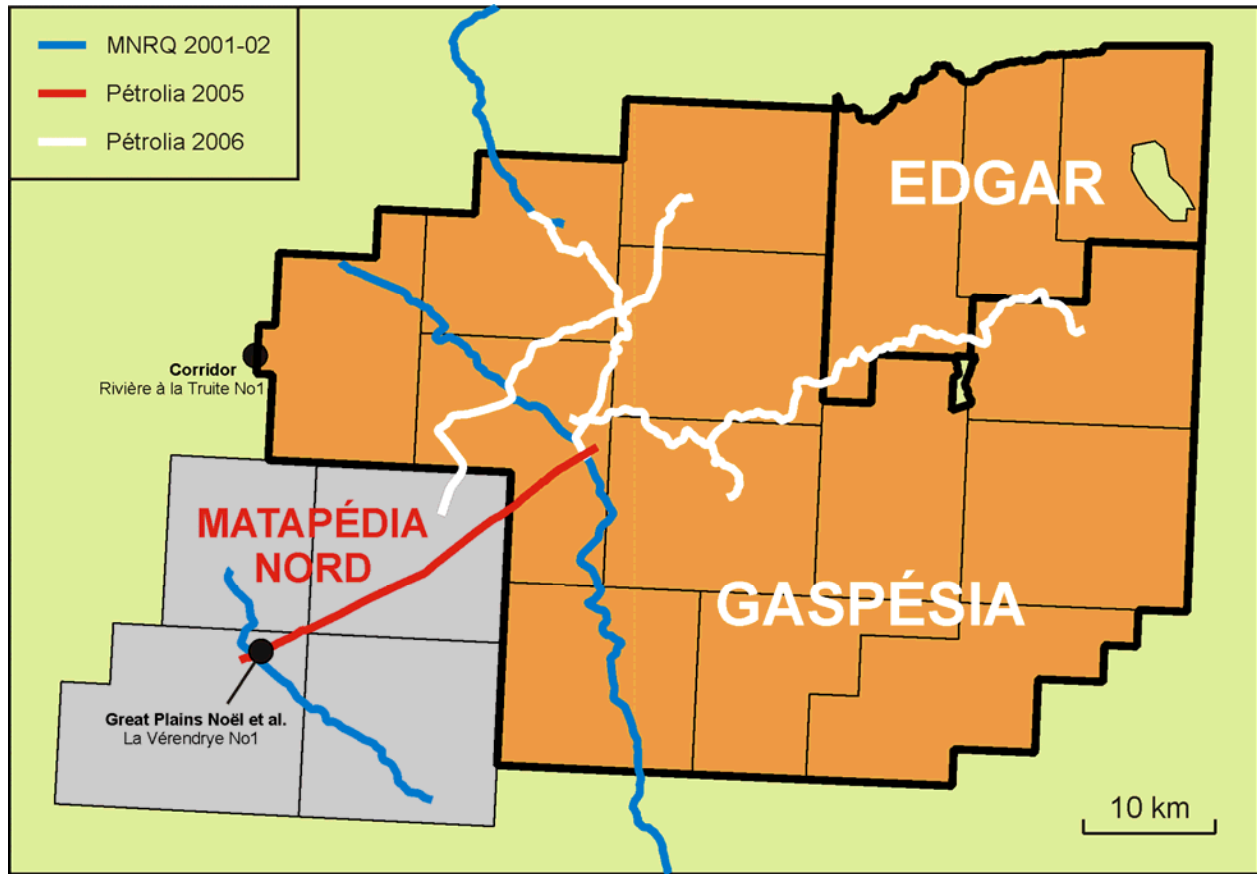


Figure 2: Seismic profiles acquired over the Gaspésie and Edgar Blocks, PETROLIA

3.1.2- EDGAR PROPERTY

This new property is owned 100% by PETROLIA and is composed of three oil and gas exploration permits (PG) acquired in April 2006 (**Figure 1** and **Table 3**). It is located in the northeast extension of the Gaspésie Block. Because of the interesting results obtained from newly acquired government thermal maturation data over this area, PETROLIA requested from the Quebec government the exploration land over a large intrusive structure. The thermal maturation results were indicating that the large dome structure (Lemieux) mapped in the central part of the Edgar property was showing a potential for oil preservation.

Table 3: Edgar Permits Block

PERMITS	ACQUISITION / RENEWAL DATE	AREA
2006PG874	25/04/2006	21 157 Ha
2006PG875	25/04/2006	14 128 Ha
2006PG876	25/04/2006	14 725 Ha
TOTAL		50 010 Ha

Petrolia intends to confirm the oil potential of the Edgar property first by performing a complementary detailed thermal maturation study. After a positive result is obtained from this more specific study, a detailed exploration program will then be developed to verify the local hydrocarbons potential.

3.1.3- GASPÉ PROPERTY

The Gaspé exploration permits Block is located in the eastern-central part of the Gaspé Peninsula (**Figure 1**). PETROLIA initially acquired these permits from JUNEX INC in 2005 and has concentrated a large part of its exploration to date on this property. The Block is composed of 21 underground reservoir exploration permits (RS) covering some 3 744 km² (**Table 4**). A royalty of 7.5% on future production is affecting the following 11 permits: 2005RS102, 2005RS104, 2005RS105, 2005RS108, 2005RS109, 2005RS110, 2005RS111, 2005RS112, 2005RS119, 2005RS120 and 2005RS122 on the Gaspé Block.

***NOTE:** The RS permits numbers replaced in 2005 the previous JUNEX PG permits. The same outlines were kept but, due to a change in government permits 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 surface) instead of 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 manifested for this region by explorers for more than a century. Most of the early work involved shallow drilling and were lacking either a geological description or geophysical logs. Since 1999, better knowledge was acquired from the results of 7 wells and more than 500 Km of seismic lines that lead to PETROLIA's first

involvement. Main exploration targets correspond to contact zones between the Devonian Gaspé sandstone and limestone. Other potential targets over the property are Devonian reefs features and Devonian or Silurian hydrothermal breccias in fracture zones near major faults.

Table 4: Gaspé Permit Block

PERMITS	ACQUISITION / RENEWAL DATE	AREA
2005RS102	21/11/2005	17 898 Ha
2005RS103	21/11/2005	24 120 Ha
2005RS104	21/11/2005	13 419 Ha
2005RS105	21/11/2005	10 634 Ha
2005RS108	21/11/2005	17 395 Ha
2005RS109	21/11/2005	22 901 Ha
2005RS110	21/11/2005	18 830 Ha
2005RS111	21/11/2005	12 676 Ha
2005RS112	21/11/2005	20 838 Ha
2005RS113	21/11/2005	12 533 Ha
2005RS118	21/11/2005	21 595 Ha
2005RS119	21/11/2005	14 842 Ha
2005RS120	21/11/2005	10 110 Ha
2005RS121	21/11/2005	24 873 Ha
2005RS122	21/11/2005	20 238 Ha
2005RS123	21/11/2005	23 943 Ha
2005RS129	21/11/2005	14 448 Ha
2005RS130	21/11/2005	18 962 Ha
2005RS131	21/11/2005	16 124 Ha
2005RS132	21/11/2005	17 374 Ha
2005RS133	21/11/2005	20 642 Ha
TOTAL		374 395 Ha

PETROLIA began its exploration program of the Gaspé Property by acquiring new 2-D seismic profiles to detail the most interesting shallow structures in 2005 and then, drilled three wells on different structures in 2005-2006 (**Figure 3**):

The PETROLIA-Le Ber No.1 (C129) well was spudded at the end of August 2005 on the Le Ber structure located within permit 2005RS119. It drilled through the York River and the York Lake Formations before reaching T.D. at 823.7 mKb in the Indian Cove Formation. Oil shows were encountered while drilling. The well was suspended and the rig released in early November 2005.

The PETROLIA-Wakeham No.1 (C130) well was spudded in early November 2005 within the 2005RS112 permit. It drilled to a depth of 702 mKb through the York River and the Indian Cove Formations. Oil shows were encountered while drilling and one sample was recuperated. The well was suspended and the rig released on December 22nd 2005.

The PETROLIA-Haldimand No. 1 (C131) well was spudded on November 5th 2005. The well is located on permit 2005RS123. It drilled through the Battery Point and the York River Formations to a total depth of 1436 mKb. The well produced through perforations between 950 and 1150 m a stabilized 34 barrels of light oil per day and 34 mcf/d of gas during production tests. The well was completed and the rig was released on March 31st 2006. Partners in the well were GASTEM INC (10% farm-in) and JUNEX INC (45% after discovery).

The development works on the PETROLIA-Haldimand well and any significant investments in the exploration program of the properties having a back-in option in case of PETROLIA's discoveries will resume as soon as a Joint Operating Agreement (JOA) is signed with JUNEX. Both JUNEX and PETROLIA have agreed to base the negotiations on a standard Canadian oil industry contract. The development plan for the Haldimand field will necessitate a thorough evaluation of the first well (C131) to ensure that its full potential is recognized and to know if a re-entry program will be necessary. The seismic interpretation allows for the drilling of at least one step-out well that will confirm the oil discovery. In parallel to the drilling activities, PETROLIA intends to support the acquisition of a high-quality 3-D seismic survey that will establish lateral extensions of the oilfield.

Up to now, PETROLIA has prioritized conventional oil plays on the Gaspé Property but it intends in 2007 to also focus additional exploration efforts to verify the presence of Westpoint barrier and pinnacle reefs at depths ranging from 1500 m to 3000 m.

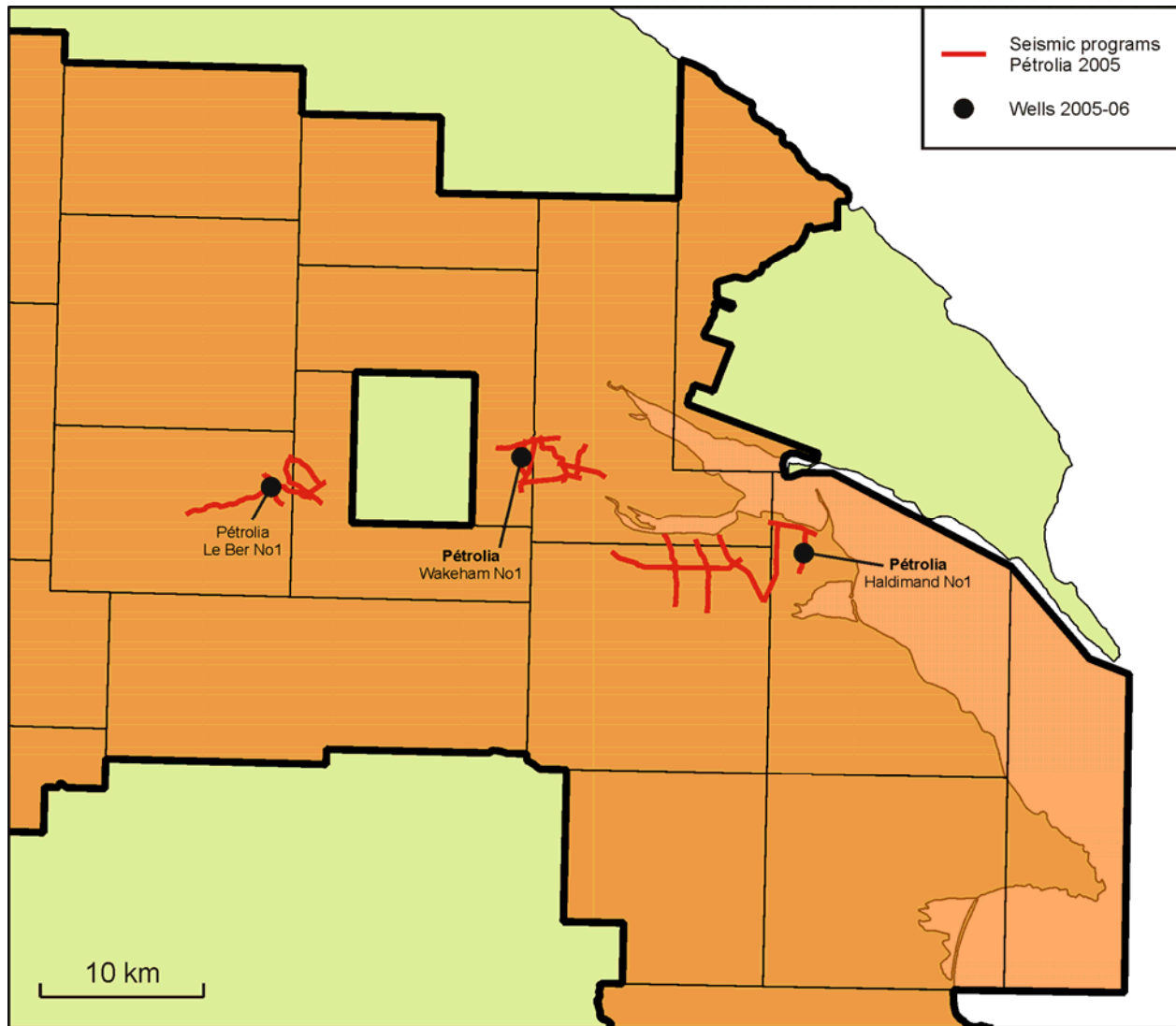


Figure 3: Exploration done by PETROLIA in 2005-2006 over the Gaspé Block

3.1.4- GASTONGUAY PROPERTY

The Gastonguay Block is located in the eastern-central part of the Gaspé Peninsula (**Figure 1**). It is subdivided in 13 underground reservoir exploration permits (RS) covering an area of 2 590 km² (**Table 5**).

On this block which is located over the largest anticlinal structure seen 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 limestone (reefs) and sandstone as well as in Silurian and Ordovician carbonates at depths ranging from 1 000 to 4 000 meters are expected. Only one well, drilled in the eighties was drilled to 1,800 metres on the anticlinal without however reaching the deeper targeted Silurian and Ordovician stratas. PETROLIA's regional seismic program planned this year over the Gaspésia and Edgar Blocks (*Acquired in December 2006*) will determine the optimum layout of additional regional seismic lines to be acquired over the main trends extending eastward in the Gastonguay Block.

Table 5: Gastonguay Permit Block

PERMITS	ACQUISITION / RENEWAL DATE	AREA
2005RS100	21/11/2005	21 977 Ha
2005RS101	21/11/2005	23 278 Ha
2005RS106	21/11/2005	22 645 Ha
2005RS107	21/11/2005	21 309 Ha
2005RS114	21/11/2005	15 186 Ha
2005RS115	21/11/2005	18 496 Ha
2005RS116	21/11/2005	24 174 Ha
2005RS117	21/11/2005	21 596 Ha
2005RS124	21/11/2005	17 483 Ha
2005RS125	21/11/2005	16 374 Ha
2005RS126	21/11/2005	18 057 Ha
2005RS127	21/11/2005	15 800 Ha
2005RS128	21/11/2005	22 618 Ha
TOTAL		258 993 Ha

3.1.5- DALHOUSIE PROPERTY (NEW BRUNSWICK)

This property was acquired by PETROLIA 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) licences blocks (**Table 6**). PETROLIA was awarded the Dalhousie Property after requesting this acreage from the New-Brunswick department of natural resources. The license area was selected on the base of the interesting results of a regional thermal maturation study, performed by the Geological Survey of Canada, which indicated that the area had a potential for oil preservation.

Table 6: Dalhousie Permit Block

PERMITS	ACQUISITION / RENEWAL DATE	AREA
LICENCE 01 Grid 1119 (39 sections) Grid 1120 (58 sections) Grid 1020 (3 sections)	August 2006	13 504 Ha 20 072 Ha <u>1 037 Ha</u> 34 613.7 Ha
LICENCE 02 Grid 1021 (14 sections) Grid 1121 (57 sections)	August 2006	4 839 Ha <u>19 730 Ha</u> 24 568.7 Ha
LICENCE 03 Grid 1222 (29 sections)	August 2006	<u>8,980.5 Ha</u> 8,980.5 Ha
TOTAL		68 163 Ha

During the summer of 2007, PETROLIA intends to verify and complete the thermal maturation study on the land that was acquired. The sampling for the thermal maturation study will be part of a geological campaign to identify potential reservoirs, source rocks, and oil seeps. The fieldwork is planned to continue in 2008 and lead to a 2-D seismic program in 2009 to identify potential oil reservoirs in the subsurface.

3.2- OTHER EARN-IN AND OPTIONS

3.2.1- SAINT-SIMON PROPERTY

Following an earn-in agreement signed in August 2005 with JUNEX INC, PETROLIA 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, PETROLIA also has the option to earn 10% over the entire Saint-Simon structure in paying 10% of development, production and transportation costs. The previous Shell well's 140 mm casing was cut open at a depth of 2 382 meters and the well was drilled to a new total depth (TD) of 2 580 meters and was prepared for testing. The well was still suspended at the end of September, waiting the decision of the operator for formation testing. GASTEM INC is also has a 10% partnership in this JUNEX INC project.

3.2.2- MATAPÉDIA NORD PROPERTY

PETROLIA negotiated a farm-in agreement with GASTEM INC in 2004 which gives PETROLIA the exclusive exploration rights over an area of 780 Km² on permits 2002PG616, 2002PG617, 2002PG618 and 2002PG619 of the Matapédia Nord Property for three years. The Property is adjacent to the Gaspésia Property in the central Gaspé Peninsula.

PETROLIA must explore the permits and propose to drill at least one well within the three year period to earn the rights on the permits for a further two years. In counterpart, PETROLIA will pay a 5% royalty to GASTEM INC on future production. PETROLIA will have exclusive exploitation rights over an area of 10 Km² around each well drilled. GASTEM INC kept an option to obtain a 15 % interest in each producing well by contributing 15 % of the costs. During 2005, PETROLIA acquired seismic data on the Property to tie the La Vérendrye No. 1 well located within the permits, on seismic profile MRN-2001-08 with other existing seismic to the east. The new PETROLIA seismic program recorded in December 2006 is extending this knowledge toward the east of this area

3.2.3- BANDE TACONIQUE PROPERTY

PETROLIA obtained from JUNEX INC a first right of refusal on the Bande Taconique Property. The Property is composed of eight exploration permits covering an area of 1 757 km² on the north shore of the Gaspé Peninsula (**Figure 1**). The past exploration of the area is very limited but available data indicate a good hydrocarbons potential within the Cambrian-Ordovician section which is similar to the one of the Saint-Flavien Field in the St-Lawrence Lowlands (allochthonous zone) and also in the overlying Silurian stratas.

3.2.4- BAIE-DES-CHALEURS PROPERTY

PETROLIA obtained from JUNEX INC a first right of refusal on the Baie-des-Chaleurs Property. The Property is composed of twenty-two (22) exploration permits covering a large area of 4 128 km² on the south side of the Gaspé Peninsula (**Figure 1**). The Baie-des-Chaleurs basin is an almost unexplored region located between two regional faults. Outcropping rocks are mainly Silurian but most of the basin is filled with stratas ranging in ages from Ordovician to Carboniferous. The sequences are relatively undeformed and could have kept more primary porosities. Existing structures and stratigraphic wedges are known from seismic.

4. EXPLORATION COSTS INCURRED OVER PROPERTIES

At year end, on September 30th 2006, PETROLIA had cumulated \$ 2 978 700 in exploration expenditures on its oil and gas properties. These expenses included:

- \$ 2 693 700 in wells drilling and related operations,
- \$ 169 000 in geophysics and
- \$ 116 000 in geological studies.

5. WELL DRILLED BY PETROLIA IN 2006

During the past year, PETROLIA drilled and suspended or completed three (3) wells in the Gaspé area, all located in the Gaspé Property (**Table 7**).

Table 7: Wells drilled by PETROLIA in 2006

NAME AND LOCATION OF WELL	SHARE (%)	T.D. AND RESULTS	STATUS
PETROLIA-Le Ber No.1 (C129) Permit 2005RS119, Gaspé	100	823.7m Oil shows	Suspended
PETROLIA-Wakeham No.1 (C130) Permit 2005RS112, Gaspé	100	702m Oil shows	Suspended
PETROLIA-Haldimand No. 1 (C131) Permit 2005RS123, Gaspé	45	1436m Stabilized 34 Bl/d of Oil and 34 mcf/d of gas	Completed for production
TOTAL NET WELLS	2.45		

6. CURRENT AND FUTURE EXPLORATION

Exploration work performed by PETROLIA during the year 2005-2006 has mainly focused on the Gaspé Property with the drilling of three wells. PETROLIA also defined and prepare to acquire a 2-D seismic program over the Gaspésia and Edgar Properties. During this same year, PETROLIA has staffed its main Québec office with sound professionals and has acquired specific softwares and tools to be able to perform its own interpretation of results from its exploration work.

Following the discovery of oil in the Haldimand No.1 well, JUNEX elected to exercise its back-in position to participate in the development of the field. The development works on the PETROLIA-Haldimand No.1 well and any significant investments in the exploration program of the properties having a back-in option in case of PETROLIA's discoveries will resume as soon as a Joint Operating Agreement (JOA) is signed with JUNEX. Both JUNEX and PETROLIA have agreed to base the negotiations on a standard Canadian oil industry contract.

PETROLIA' schedule work for 2006-2007 is the acquisition and interpretation of a 120 kilometers seismic program over the Gaspésia and Edgar Properties (Completed in December 2006) to define plays for eventual drilling and the development of Haldimand.

The development plan for the Haldimand field will necessitate a thorough evaluation of the first well to ensure that its full potential is recognized and to know if a re-entry program will be necessary. For now, the current seismic allows for the drilling of at least one step-out well that will confirm the oil discovery. In parallel to the drilling activities, PETROLIA intends to support the acquisition of a high-quality 3-D seismic survey that will establish lateral extensions of the oilfield.

7. PROFESSIONAL CERTIFICATE

This is to certify that I am the author of the following report # 4503, completed on the January 26th 2007 for PETROLIA INC:

**FORM 51-101 F-1:
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION
AS AT SEPTEMBER 30TH 2006**

I confirm and attest the following:

1. My name, occupation and address are the following :
Paul Laroche,
Petroleum Geologist and Geophysicist Consultant
871, Avenue Painchaud,
Quebec, Qc, Canada, G1S 4L7
2. I have a Bachelors degree in Applied Sciences in Engineering Geology from Laval University (1969) and a Master's degree in Geology, with an option in Geophysics (1973) from the same university, as well as having acquired numerous certificates from oil and gas exploration and exploitation courses. I have worked in my field of interest in Canada and abroad since my graduation.
3. I am a registered member of the Order of Geologist of Quebec (Ordre des géologues du Québec, OGQ 582) and a registered member of the Order of Engineers of Quebec (Ordre des ingénieurs du Québec, OIQ 10160).
4. I do not have any interest, directly or indirectly, nor do I expect to receive an interest in any properties owned by PETROLIA INC, their personnel, associates and/or any affiliates thereof, in accordance with National Instrument 51-101 requirements.
5. This report is based on a review of the documents and data related to PETROLIA's oil and gas exploration properties that were made available through Mr. Erick Adams of PETROLIA's office in Québec City. I have read National Instrument 51-101 and this report was prepared in accordance with its requirements.

Québec, (Quebec), January 26th, 2007

(signé) Paul Laroche

Paul Laroche, P. eng, geo.