



Leader en exploration pétrolière au Québec



SECOND QUARTER
Unaudited interim financial statements
as at March 31, 2010



UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE - AND SIX-MONTH PERIODS ENDED MARCH 31, 2010

Declaration concerning the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at March 31, 2010, as well as the statements of income and comprehensive income, shareholders' equity, deferred exploration expenses, and cash flows for the three- and six-month periods ended on March 31, 2010. No external auditors' firm examined or verified these interim financial statements.



BALANCE SHEET

	As at March 31 2010 \$	As at September 30 2009 \$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents	4,089,007	4,833,084
Receivables	3,318,152	2,029,860
Prepaid expenses	40,830	356,068
Investments cashable during the next fiscal year	380,000	380,000
	7,827,989	7,599,012
Equity investments	-	595,200
Fixed assets	233,717	150,530
Oil and gas properties (Note 3)	3,009,946	2,333,394
Deferred exploration expenses (Note 4)	19,149,632	13,346,303
	30,221,284	24,024,439
LIABILITIES		
Current liabilities		
Payables and accrued expenses	1,417,669	1,661,967
Futures taxes	1,818,561	913,549
	3,236,230	2,575,516
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	28,100,827	21,674,783
Contributed surplus – Stock options	1,293,490	1,957,120
Contributed surplus – Expired stock options	783,366	225,721
Deficit	(3,192,629)	(2,408,701)
	26,985,054	21,448,923
	30,221,284	24,024,439

On behalf of the Board

(signed) *André Proulx*
Director

(signed) *Vincent Causse*
Director



STATEMENT OF INCOME AND COMPREHENSIVE INCOME (unaudited)

	Periods ended March 31			
	2010	2009	2010	2009
	(three months)	(three months)	(six months)	(six months)
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Project income	-	9,052	1,781	9,052
Interest income	6,646	18,869	11,489	82,647
Gain on disposal of rolling stock	-	-	12,148	-
	6,646	27,921	25,418	91,699
OPERATING EXPENSES				
Administrative expenses (Appendix A)	571,512	432,297	874,920	654,788
General expenses (Appendix B)	-	-	-	-
Transport costs and overriding royalty interest related to production testing	-	-	2,118	-
	571,512	432,297	877,038	654,788
NET LOSS BEFORE OTHER ITEM AND INCOME TAXES	(564,866)	(404,376)	(851,620)	(563,089)
OTHERS ITEMS				
Gain on disposal of shares	44,434	-	439,597	-
Loss on financial assets held for trading	(40,700)	(180,000)	(499,200)	(720,000)
LOSS BEFORE INCOME TAXES	(561,132)	(584,376)	(911,223)	(1,283,089)
Future income taxes	(158,440)	(127,792)	(127,295)	(176,834)
NET LOSS AND COMPREHENSIVE INCOME	(402,692)	(456,584)	(783,928)	(1,106,255)
BASIC AND DILUTED NET EARNINGS (NET LOSS) PER SHARE	(0.0092)	(0.0112)	(0.018)	(0.0271)



STATEMENT OF SHAREHOLDER'S EQUITY

	Capital stock		Contributed surplus		Deficit	Total
	Number	\$	Stock options	Expired stock options		
		\$	\$	\$	\$	\$
Audited balance at September 30, 2008	40,914,219	21,674,783	1,877,170	195,946	(1,553,790)	22,194,105
Share issuance costs	-	(4,298)	-	-	-	(4,298)
Other activities						
Expired stock options	-	-	(7,500)	7,500	-	-
Net loss	-	-	-	-	(1,106,255)	(1,106,255)
Unaudited balance at March 31, 2009	40,914,219	21,670,485	1,869,670	203,446	(2,660,045)	21,083,556
Audited balance at September 30, 2009	40,914,219	21,674,783	1,957,120	225,721	(2,408,701)	21,448,923
Issued during the period						
Cash	7,960,568	7,129,910	-	-	-	7,129,910
Stock options exercised	1,192,500	806,585	(289,585)	-	-	517,000
Share issuance costs						
Future income taxes	-	(1,032,307)	-	-	-	(1,032,307)
Other	-	(478,144)	-	-	-	(478,144)
Other activities						
Stock-based compensation	-	-	183,600	-	-	183,600
Expired stock options	-	-	(162,675)	162,675	-	-
Expired broker warrants	-	-	(394,970)	394,970	-	-
Net loss	-	-	-	-	(783,928)	(783,928)
Unaudited balance at March 31, 2010	50,007,287	28,100,827	1,293,490	783,366	(3,192,629)	26,985,054

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF DEFERRED EXPLORATION EXPENSES (unaudited)

	Periods ended March 31			
	2010 (three months) \$ <small>(unaudited)</small>	2009 (three months) \$ <small>(unaudited)</small>	2010 (six months) \$ <small>(unaudited)</small>	2009 (six months) \$ <small>(unaudited)</small>
EXPLORATION EXPENSES				
Drilling	2,249,945	108,489	6,591,570	156,681
Geology	161,883	353,523	266,496	627,107
Geophysical surveys	38,988	145,031	135,475	2,492,032
General exploration expenses	-	-	8,690	-
	2,450,816	607,043	7,002,231	3,275,820
DEDUCTIONS				
Exploration subsidies	370,226	173,797	1,020,841	756,388
Partner contributions	-	67,745	178,061	605,193
	370,226	241,542	1,198,902	1,361,581
NET INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD	2,080,590	365,501	5,803,329	1,914,239
BALANCE, BEGINNING OF PERIOD	17,069,042	10,680,625	13,346,303	9,131,887
BALANCE, END OF PERIOD	19,149,632	11,046,126	19,149,632	11,046,126



STATEMENT OF CASH FLOWS (unaudited)

	Periods ended March 31			
	2010 (three months) \$ <small>(unaudited)</small>	2009 (three months) \$ <small>(unaudited)</small>	2010 (six months) \$ <small>(unaudited)</small>	2009 (six months) \$ <small>(unaudited)</small>
OPERATING ACTIVITIES				
Net loss	(402,692)	(456,584)	(783,928)	(1,106,255)
Items not affecting cash				
Depreciation of fixed assets	20,477	14,963	33,540	29,584
Future income taxes	(158,440)	(127,792)	(127,295)	(176,834)
Stock-based compensation	183,600	-	183,600	-
Gain on disposal of rolling stock	(44,434)	-	(439,597)	-
Unrealized loss on financial assets held for trading	40,700	180,000	499,200	720,000
	(360,789)	(389,413)	(634,480)	(533,505)
Net change in non-cash operating working capital items	(1,290,400)	(231,329)	(181,080)	(246,565)
	(1,651,189)	(620,742)	(815,560)	(780,070)
FINANCING ACTIVITIES				
Capital stock issuance	415,825	-	7,646,910	-
Share issuance costs	-	(2,755)	(478,144)	(4,298)
	415,825	(2,755)	7,168,766	(4,298)
INVESTING ACTIVITIES				
Disposal of rolling stock	55,435	-	535,597	-
Acquisition of fixed assets	(53,895)	-	(116,727)	(10,211)
Acquisition of oil and gas properties	(119,906)	(95,208)	(676,552)	(154,349)
Increase in deferred exploration expenses net of deductions	(2,283,617)	(1,340,319)	(6,839,601)	(3,364,444)
	(2,401,983)	(1,435,527)	(7,097,283)	(3,529,004)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,637,347)	(2,059,024)	(744,077)	(4,313,372)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,726,354	9,020,709	4,833,084	11,275,057
CASH AND CASH EQUIVALENTS, END OF PERIOD	4,089,007	6,961,685	4,089,007	6,961,685
CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:				
Cash	2,838,455	13,138	2,838,455	13,138
Money market fund	1,250,552	6,948,547	1,250,552	6,948,547
	4,089,007	6,961,685	4,089,007	6,961,685



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2010

1. INSTRUMENT OF INCORPORATION AND NATURE OF ACTIVITIES

The Company, incorporated under part IA of the Québec Companies Act, is an oil and gas exploration company. Its stock has been listed on the TSX Venture Exchange since February 16, 2005, under the symbol PEA.

The oil and gas properties held by the Company are currently in the exploration stage. The Company's long-term profitability is related in part to the costs and success of the exploration and subsequent development programs. The Company has not yet determined whether its properties hold economically viable reserves.

2. FINANCIAL STATEMENT PRESENTATION

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles and are based on the same accounting policies and methods as those mentioned in Note 3 of the Company's annual financial statements as at September 30, 2009. However, they do not include all of the information that must be provided in annual financial statements. These interim financial statements should therefore be read in parallel with the Company's most recent audited annual financial statements.

Certain comparative figures have been reclassified to conform to the presentation adopted during fiscal year 2009.

3. OIL AND GAS PROPERTIES

	March 31, 2010	September 30, 2009
	\$	\$
	(unaudited)	(audited)
Quebec		
Anticosti	278,687	241,006
Gastonguay	638,497	612,595
Gaspésia-Edgar-Marcel-Tremblay	382,914	360,897
Gaspé	1,566,541	979,120
New Brunswick		
Dalhousie	143,307	139,776
	3,009,946	2,333,394

Pétrolia Inc.

(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS

March 31, 2010

4. DEFERRED EXPLORATION EXPENSES

	September 30, 2009	Additions	March 31, 2010
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	1,344,024	22,436	1,366,460
Gastonguay	46,502	7,440	53,942
Gaspésia-Edgar-Marcel-Tremblay	3,475,534	16,201	3,491,735
Gaspé	2,875,327	56,792	2,932,118
Bourque Project	3,364,231	204,612	3,568,844
Haldimand Project	6,331,201	2,305,702	8,636,903
Tar Point No. 1 Project	177,140	4,370,490	4,547,630
Others	102,707	-	102,707
New Brunswick			
Dalhousie	1,085,303	18,558	1,103,861
	<u>18,801,969</u>	<u>7,002,231</u>	<u>25,804,200</u>
Less:			
Exploration subsidies and partner contributions			
Anticosti	442,611	3,365	445,976
Gastonguay	10,683	1,116	11,799
Gaspésia-Edgar-Marcel-Tremblay	325,194	2,430	327,623
Gaspé	462,824	8,519	471,343
Bourque Project	2,844,231	182,044	3,026,275
Haldimand Project	1,301,186	345,855	1,647,042
Tar Point No. 1 Project	62,015	655,573	717,588
Dalhousie	6,922	-	6,922
	<u>5,455,666</u>	<u>1,198,902</u>	<u>6,654,568</u>
	<u>13,346,303</u>	<u>5,803,329</u>	<u>19,149,632</u>

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2010

4. DEFERRED EXPLORATION EXPENSES (continued)

	September 30, 2008	Additions	March 31, 2009
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	1,096,296	211,745	1,308,041
Edgar	230,883	5,597	236,480
Gaspésia	3,119,249	69,232	3,188,481
Gaspé and Gastonguay	8,267,463	2,476,769	10,744,232
Marcel-Tremblay	23,009	6,068	29,077
Saint-Simon	102,707	-	102,707
New Brunswick			
Dalhousie	114,118	506,409	620,527
	<u>12,953,725</u>	<u>3,275,820</u>	<u>16,229,545</u>
Deductions:			
Exploration subsidies and partner contributions			
Anticosti	356,084	74,111	430,195
Edgar	19,754	1,959	21,713
Gaspésia	262,075	24,231	286,306
Gaspé and Gastonguay	3,169,477	1,259,156	4,428,633
Marcel-Tremblay	7,526	2,124	9,650
Dalhousie	6,922	-	6,922
	<u>3,821,838</u>	<u>1,361,581</u>	<u>5,183,419</u>
	<u>9,131,887</u>	<u>1,914,239</u>	<u>11,046,126</u>

5. CAPITAL STOCK

Authorized

Unlimited number of common, participating, voting and no par value shares.

Issued

50,067,287 common shares

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2010

5. CAPITAL STOCK (continued)

Stock-Based Compensation Costs

The Company has a Stock Option plan that allows it to grant a maximum of 10% options to directors, officers, key employees, and suppliers on a continuous basis. The exercise price of each option corresponds to the market price or discounted market price on the day before the option was granted. Granted options cannot last more than five years. Certain options can be exercised immediately upon allocation and others can be exercised according to a vesting schedule.

During the quarter, the Company granted stock options. The fair value of each allocated option was calculated using the Black-Scholes option pricing model and using the following assumptions:

	February 2010	May 2009
Risk-free interest rate	2.25%	2.25%
Expected volatility	102%	103%
Lifetime granted (years)	5 years	5 years
Rate of return of shares	Nil	Nil

Accordingly, the stock-based compensation was distributed as follows:

	February 2010	May 2009
Statement of income	183,600	102,600
Deferred exploration expenses	-	7,125
Total	183,600	109,725

Stock options

The following table summarizes information about the stock options:

	2010		2009	
	Number of options outstanding	Weighted average exercise price \$	Number of options outstanding	Weighted average exercise price \$
Outstanding and exercisable at September 30	4,090,000	0.58	3,907,500	0.58
Granted	270,000	0.89	-	-
Exercised	(1,192,500)	0.43	-	-
Expired	(202,500)	1.18	(25,000)	(0.60)
Outstanding and exercisable as at March 31	2,965,000	1.56	3,882,500	0.58



Pétrolia Inc.
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2010

5. CAPITAL STOCK (continued)

As at March 31, 2010, the stock options granted as part of the Plan are allocated as follows:

Weighted average exercise price	Shares	Expiration date
\$		
0.40	675,000	February 3, 2011
0.58	150,000	May 10, 2011
0.74	50,000	May 21, 2012
0.40	662,500	June 21, 2012
0.60	400,000	February 12, 2013
0.60	150,000	March 3, 2013
1.25	427,500	July 7, 2013
0.74	180,000	May 21, 2014
0.89	270,000	February 25, 2015

Warrants

Outstanding warrants can be exercised as follows:

Exercise price	Shares	Expiration date
\$		
1.50	3,333,332	December 6, 2010
1.30	2,163,161	December 4, 2011
1.00	1,750,000	October 10, 2012
1.00	3,000,000	January 10, 2013



APPENDICES

For the three- and six-month periods ended March 31, 2010

	2010 (three months) \$	2009 (three months) \$	2010 (six months) \$	2009 (six months) \$
A- ADMINISTRATIVE EXPENSES				
Stock-based compensation	183,600	-	183,600	-
Salaries and fringe benefits	150,493	109,067	272,468	196,484
Insurance	10,267	10,313	24,832	20,627
Maintenance and office supplies	11,220	4,789	18,372	8,063
Board of directors expenses	36,608	14,103	57,533	17,510
Information for shareholders	53,321	33,497	63,413	41,180
Office rent	6,860	7,456	13,692	14,337
Promotion and entertainment	45,491	13,729	82,381	44,513
Professional fees	41,185	37,548	89,422	41,857
Capital tax	(9,363)	164,124	(9,363)	164,124
Professional fees	5,192	2,727	9,778	5,922
Depreciation of fixed assets	15,238	14,963	24,007	29,584
Other expenses	21,400	19,981	44,785	70,587
	571,512	432,297	874,920	654,788
B- GENERAL EXPENSES				
Salaries and fringe benefits	288,221	175,468	559,516	299,370
Insurance	146	-	855	1,305
Maintenance and office supplies	4,667	13,195	23,842	18,429
Training	-	21,759	4,797	51,281
Office rent	18,587	18,879	37,173	37,203
Telecommunications	1,858	1,637	4,007	3,136
Depreciation of fixed assets	5,239	5,722	9,533	11,363
Other expenses	1,892	2,213	2,010	5,877
Allocation to deferred exploration work	(315,741)	(210,092)	(642,040)	(421,346)
On allocation	(4,869)	(28,781)	307	(6,618)
	0	0	0	0