



Leader en exploration pétrolière au Québec



SECOND QUARTER
Unaudited interim financial statements
as at March 31, 2009



UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2009

Declaration concerning the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at March 31, 2009, as well as the statements of income and comprehensive loss, shareholders' equity, deferred exploration expenses, and cash flows for the three- and six-month periods ended on March 31, 2009. No external auditors' firm examined or verified these interim financial statements.

Pétrolia Inc.
(Oil and gas exploration company)



BALANCE SHEET

| | As at March 31 2009 \$ (unaudited) | As at September 30 2008 \$ (audited) |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 6,961,685 | 11,275,057 |
| Receivables | 2,039,274 | 3,027,612 |
| Prepaid expenses | 19,580 | 72,344 |
| | 9,020,539 | 14,375,013 |
| Equity investment, Gastem Inc, 1,000,000 common shares | 320,000 | 1,040,000 |
| Fixed assets | 175,190 | 194,563 |
| Oil and gas properties (Note 5) | 2,244,501 | 2,090,152 |
| Deferred exploration expenses (Note 6) | 11,046,126 | 9,131,887 |
| | 22,806,356 | 26,831,615 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables and accrued expenses | 225,888 | 2,963,760 |
| Future taxes | 233,724 | 291,187 |
| | 459,612 | 3,254,947 |
| Future taxes | 1,263,188 | 1,382,559 |
| | 1,722,800 | 4,637,506 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 21,670,485 | 21,674,783 |
| Contributed surplus – Stock options | 1,869,670 | 1,877,170 |
| Contributed surplus – Expired stock options | 203,446 | 195,946 |
| Deficit | (2,660,045) | (1,553,790) |
| | 21,074,367 | 22,194,109 |
| | 22,806,356 | 26,831,615 |

On behalf of the Board

(signed) *André Proulx*
Director

(signed) *Vincent Causse*
Director



STATEMENT OF INCOME AND COMPREHENSIVE LOSS

| | Periods ended March 31 | | | |
|---|-------------------------------|-----------------------|---------------------|---------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | (three months) | (three months) | (six months) | (six months) |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| REVENUE | | | | |
| Project income | 9,052 | - | 9,052 | - |
| Interest income | 18,869 | 37,479 | 82,647 | 77,103 |
| Gain on disposal of rolling stock | - | - | - | 3,724 |
| | 27,921 | 37,479 | 91,699 | 80,827 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Stock-based compensation | - | 207,450 | - | 207,450 |
| Salaries and fringe benefits | 109,067 | 84,187 | 196,484 | 144,984 |
| Insurance | 10,313 | 9,878 | 20,627 | 19,218 |
| Information to shareholders | 33,497 | 28,356 | 41,180 | 43,154 |
| Promotion and entertainment | 13,729 | 1,917 | 44,513 | 19,063 |
| Office supplies | 4,789 | 10,329 | 8,063 | 14,094 |
| Capital taxes | 164,124 | - | 164,124 | - |
| Professional fees | 37,548 | 10,714 | 41,857 | 20,857 |
| Telecommunications | 2,727 | 5,700 | 5,922 | 11,618 |
| Interest on loans | - | 603 | - | 944 |
| Depreciation of tangible fixed assets | 14,963 | 8,905 | 29,584 | 15,262 |
| Costs attributable to exploration expenses | - | (22,624) | - | (27,025) |
| Others | 41,540 | 47,691 | 102,434 | 71,076 |
| | 432,297 | 393,106 | 654,788 | 540,695 |
| NET LOSS BEFORE OTHER ITEM AND INCOME TAXES | (404,376) | (355,627) | (563,089) | (459,868) |
| OTHER ITEM | | | | |
| Unrealized gain (loss) on financial assets held for trading | (180,000) | 200,000 | (720,000) | 310,000 |
| LOSS BEFORE INCOME TAXES | (584,376) | (155,627) | (1,283,089) | (149,868) |
| Future income taxes | (127,792) | (48,046) | (176,834) | (80,904) |
| NET LOSS AND COMPREHENSIVE LOSS | (456,584) | (107,581) | (1,106,255) | (68,964) |
| BASIC AND DILUTED NET EARNINGS (NET LOSS) PER SHARE | (0.0112) | (0.0035) | (0.0271) | (0.0023) |



STATEMENT OF SHAREHOLDERS' EQUITY

| | <u>Capital Stock</u> | | <u>Contributed surplus</u> | | <u>Deficit</u> | <u>Total</u> |
|--|----------------------|------------|----------------------------|------------------------------|----------------|--------------|
| | <u>number</u> | <u>\$</u> | <u>Stock options</u> | <u>Expired stock options</u> | | |
| | | | <u>\$</u> | <u>\$</u> | | |
| Audited balance at September 30, 2007 | 29,208,252 | 7,728,400 | 636,968 | 195,901 | (779,263) | 7,782,006 |
| Issued during the year | | | | | | |
| Cash | 11,416,665 | 14,749,999 | - | - | - | 14,749,999 |
| Broker warrants exercised | 201,802 | 106,716 | (30,031) | - | - | 76,685 |
| Stock options exercised | 87,500 | 56,692 | (21,692) | - | - | 35,000 |
| Share issuance costs | - | (967,024) | - | - | - | (967,024) |
| Other activities | | | | | | |
| Stock-based compensation | - | - | 1,291,970 | - | - | 1,291,970 |
| Expired broker warrants | - | - | (45) | 45 | - | -- |
| Net loss | - | - | - | - | (774,527) | (774,527) |
| Audited balance at September 30, 2008 | 40,914,219 | 21,674,783 | 1,877,170 | 195,946 | (1,553,790) | 22,194,109 |
| Share issuance costs | - | (4,298) | - | - | - | (4,298) |
| Other activities | | | | | | |
| Expired broker warrants | - | - | (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 |

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF DEFERRED EXPLORATION EXPENSES

| | Periods ended March 31 | | | |
|--|---|---|---|---|
| | 2009 (three months) \$ <small>(unaudited)</small> | 2008 (three months) \$ <small>(unaudited)</small> | 2009 (six months) \$ <small>(unaudited)</small> | 2008 (six months) \$ <small>(unaudited)</small> |
| EXPLORATION EXPENSES | | | | |
| Analyses | - | 6,622 | - | 6,622 |
| Drilling | 108,489 | 30,969 | 156,681 | 69,670 |
| Geology | 353,523 | 123,362 | 627,107 | 218,998 |
| Geophysical surveys | 145,031 | 488,627 | 2,492,032 | 500,995 |
| General supervision | - | 22,624 | - | 27,025 |
| Stock-based compensation | - | 104,550 | - | 104,550 |
| | 607,043 | 776,754 | 3,275,820 | 927,860 |
| DEDUCTIONS | | | | |
| Exploration subsidies | 173,797 | 275,686 | 756,388 | 275,686 |
| Partner contributions | 67,745 | - | 605,193 | - |
| | 365,501 | 501,068 | 1,914,239 | 652,174 |
| INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD | | | | |
| | 365,501 | 501,068 | 1,914,239 | 652,174 |
| BALANCE, BEGINNING OF PERIOD | | | | |
| | 10,680,625 | 7,217,283 | 9,131,887 | 7,066,177 |
| BALANCE, END OF PERIOD | | | | |
| | 11,046,126 | 7,718,351 | 11,046,126 | 7,718,351 |



STATEMENT OF CASH FLOWS

| | Periods ended March 31 | | | |
|---|--|--|--|--|
| | 2009 (three months) \$ (unaudited) | 2008 (three months) \$ (unaudited) | 2009 (six months) \$ (unaudited) | 2008 (six months) \$ (unaudited) |
| OPERATING ACTIVITIES | | | | |
| Net loss | (456,584) | (107,581) | (1,106,255) | (68,964) |
| Items not affecting cash | | | | |
| Depreciation of fixed assets | 14,963 | 8,905 | 29,584 | 15,262 |
| Gain on disposal of rolling stock | - | - | - | (3,724) |
| Stock-based compensation | - | 207,450 | - | 207,450 |
| Future income taxes | (127,792) | (48,046) | (176,834) | (80,904) |
| Unrealized gain (loss) on financial assets held for trading | 180,000 | (200,000) | 720,000 | (310,000) |
| | (389,413) | (139,272) | (533,505) | (240,880) |
| Net change in non-cash operating working capital items | (231,329) | 89,671 | (246,565) | 58,965 |
| | (620,742) | (49,601) | (780,070) | (181,915) |
| FINANCING ACTIVITIES | | | | |
| Acquisition of additional financing | - | - | - | 37,889 |
| Capital stock issuance | - | 10,000 | - | 1,836,685 |
| Share issuance costs | (2,755) | (23,225) | (4,298) | (145,536) |
| Repayment of long-term debt | - | (5,089) | - | (8,704) |
| | (2,755) | (18,314) | (4,298) | 1,720,334 |
| INVESTING ACTIVITIES | | | | |
| Acquisition of fixed assets | - | - | (10,211) | (59,630) |
| Acquisition of oil and gas properties | (95,208) | 81,491 | (154,349) | (163,002) |
| Increase in deferred exploration expenses net of deductions | (1,340,319) | (723,261) | (3,364,444) | (913,822) |
| Disposal of rolling stock | - | - | - | 4,906 |
| Disposal of long-term investment | - | 45,000 | - | 45,000 |
| | (1,435,527) | (596,770) | (3,529,004) | (1,086,548) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,059,024) | (664,685) | (4,313,372) | 451,871 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 9,020,709 | 4,165,029 | 11,275,057 | 3,048,473 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 6,961,685 | 3,500,344 | 6,961,685 | 3,500,344 |
| CASH AND CASH EQUIVALENTS ARE AS FOLLOWS: | | | | |
| Cash | 13,138 | 231,209 | 13,138 | 231,209 |
| Money market fund | 6,948,547 | 3,269,135 | 6,948,547 | 3,269,135 |
| | 6,961,685 | 3,500,344 | 6,961,685 | 3,500,344 |



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2009

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. SIGNIFICANT ACCOUNTING POLICES

These unaudited interim financial statements were prepared 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, 2008, with the exception of recent accounting changes. 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.

3. NEW ACCOUNTING POLICIES

The Company has adopted the following new sections from the Handbook of the Canadian Institute of Chartered Accountants ("CICA"), which apply to the Company's interim financial statements for periods beginning on October 1, 2008:

- i) Section 3064, "Goodwill and Intangible Assets," replaces Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." It establishes standards for the recognition, measurement, and presentation of goodwill and intangible assets. Section 1000, "Financial Statement Concepts," was also amended to be consistent with the new section.
- ii) Section 1400, "General Standards of Financial Statement Presentation," establishes the conditions for measuring and presenting the Company's ability to continue as a going concern.

Pétrolia Inc.



(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS

March 31, 2009

3. NEW ACCOUNTING POLICIES

During the quarter, the Company adopted EIC-173 and EIC-174:

- i) On January 20, 2009, the Emerging Issues Committee (EIC) of the CICA adopted abstract no. 173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” (EIC-173), which clarifies that a Company’s own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities. EIC-173 is to be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract.
- ii) On March 27, 2009, the CICA approved abstract no. 174 “Mining Exploration Costs,” which specifies the fact that an entity that initially its capitalized exploration costs has an obligation in the current and subsequent accounting periods to determine whether the value of the exploration costs recorded in assets must be reduced. EIC-174 must be applied to financial statements published after the publication date of the abstract.

The adoption of these new sections and these new EICs had no significant impact on the Company’s financial statements.

4. FUTURE ACCOUNTING POLICIES

- i) Section 1582, “Business Combinations,” replaces Section 1581, “Business Combinations.” It establishes standards for the recognition of a businesses combination and is the Canadian equivalent of IFRS 3 (revised), “Business Combinations.” The section will be applied prospectively to business combinations with an acquisition date on or after October 1, 2011. Early application is acceptable.
- ii) Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-controlling Interests,” replace Section 1600, “Consolidated Financial Statements.” Section 1601 defines standards for preparing consolidated financial statements. Section 1602 defines standards for the recognition of non-controlling interests in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are equivalent to the corresponding provisions of IAS 27 (revised), “Consolidated and Separate Financial Statements.” The sections will apply to interim and annual consolidated financial statements for fiscal years beginning on or after October 1, 2011. However, their early adoption is permitted from the start of a fiscal year.

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2009

4. FUTURE ACCOUNTING POLICIES

iii) International Financial Reporting Standards

The CICA Accounting Standards Board (AcSB) has adopted a strategic plan to converge with the International Financial Reporting Standards (IFRS) for companies having accountability obligations. As the AcSB confirmed on February 13, 2008, the conversion requires companies that have accountability obligations to adopt the IFRS fully in 2011. The transition to the IFRS will apply to interim and financial statements for fiscal years begun on or after January 1, 2011. The Company will switch to the new standards according to the schedules established by these new rules and will closely monitor all changes resulting from this convergence.

The Company is currently assessing the impact of adopting these new standards on the financial statements.

5. OIL AND GAS PROPERTIES

| | March 31, 2009 | September 30, 2008 |
|----------------------|-----------------------|---------------------------|
| | \$ | \$ |
| | (unaudited) | (audited) |
| Quebec | | |
| Anticosti | 256,685 | 205,793 |
| Edgar | 21,671 | 15,003 |
| Gaspésia | 331,488 | 257,770 |
| Gaspé and Gastonguay | 1,591,715 | 1,573,529 |
| Marcel Tremblay | 7,738 | 6,633 |
| New Brunswick | | |
| Dalhousie | 35,204 | 31,424 |
| | 2,244,501 | 2,090,152 |

Pétrolia Inc.

(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS

March 31, 2009

6. DEFERRED EXPLORATION EXPENSES

| | 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> |

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
March 31, 2009

6. DEFERRED EXPLORATION EXPENSES

| | September 30, 2007 | Additions | March 31, 2008 |
|-------------------------|--------------------|----------------|------------------|
| | \$ | \$ | \$ |
| | (audited) | | (unaudited) |
| Quebec | | | |
| Edgar | 205,465 | 15,878 | 221,343 |
| Gaspésia | 2,455,102 | 62,402 | 2,517,504 |
| Gaspé and Gastonguay | 4,422,106 | 185,250 | 4,607,356 |
| Saint-Simon | 102,707 | - | 102,707 |
| Marcel Tremblay | 2,529 | 11,779 | 14,308 |
| Anticosti | 23,757 | 615,788 | 639,545 |
| New Brunswick | | | |
| Dalhousie | 19,779 | 36,763 | 56,542 |
| | <u>7,231,445</u> | <u>927,860</u> | <u>8,159,305</u> |
| Less: | | | |
| Exploration subsidies - | | | |
| Edgar | 11,512 | 4,912 | 16,424 |
| Gaspésia | 53,598 | 19,306 | 72,904 |
| Gaspé and Gastonguay | 84,036 | 57,312 | 141,348 |
| Marcel Tremblay | 885 | 3,644 | 4,529 |
| Anticosti | 8,315 | 190,512 | 198,827 |
| Dalhousie | 6,922 | - | 6,922 |
| | <u>165,268</u> | <u>275,686</u> | <u>440,954</u> |
| | <u>7,066,177</u> | <u>652,174</u> | <u>7,718,351</u> |