



Leader en exploration pétrolière au Québec



THIRD QUARTER
Unaudited interim financial statements
As at June 30, 2009





UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE- AND NINE-MONTH PERIODS ENDED
JUNE 30, 2009

Declaration regarding the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at June 30, 2009, as well as the statements of income and comprehensive income, shareholders' equity, deferred exploration expenses, and cash flows for the three- and nine-month periods ended June 30, 2009. No external auditors' firm has examined or verified these interim financial statements.



BALANCE SHEET

	As at June 30, 2009	As at September 30, 2008
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and equivalents	6,578,405	11,275,057
Receivables	2,011,465	3,027,612
Prepaid expenses	13,662	72,344
	8,603,532	14,375,013
Investments	390,000	1,040,000
Fixed assets	164,829	194,563
Oil and gas properties (note 5)	2,247,127	2,090,152
Deferred exploration expenses (note 6)	11,240,718	9,131,887
	22,646,206	26,831,612
LIABILITIES		
Current liabilities		
Payables and accrued expenses	132,163	2,963,760
Future taxes	291,187	291,187
	423,350	3,254,947
Future taxes	1,164,679	1,382,559
	1,588,029	4,954,951
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	21,674,783	21,674,783
Contributed surplus – Stock options	1,945,982	1,877,170
Contributed surplus – Expired stock options	236,859	195,946
Deficit	(2,799,447)	(1,553,790)
	21,058,177	22,194,109
	22,646,206	26,831,615

On behalf of the Board

(signed) *André Proulx*
Director

(signed) *Vincent Causse*
Director



STATEMENT OF INCOME AND COMPREHENSIVE INCOME (unaudited)

	Periods ended June 30			
	2009	2008	2009	2008
	(three months) \$	(three months) \$	(nine months) \$	(nine months) \$
REVENUE				
Project income	1,953	-	11,005	-
Interest income	64,233	44,908	146,881	122,011
Gain on disposal of rolling stock	-	-	-	3,724
	66,186	44,908	157,886	125,735
GENERAL AND ADMINISTRATIVE EXPENSES				
Stock option-based compensation	102,600	-	102,600	207,450
Salaries and fringe benefits	259,995	85,464	755,849	226,973
Insurance	18,747	9,404	40,678	28,622
Information to shareholders	29,386	6,383	92,373	49,537
Promotion and entertainment	7,058	13,228	85,247	32,291
Maintenance and office supplies	19,718	3,225	43,446	13,021
Travel	29,416	25,801	61,519	63,442
Professional fees	15,503	509	39,992	21,366
Capital taxes	-	-	164,124	-
Telecommunications	5,822	3,890	14,881	12,866
Depreciation of fixed assets	15,229	9,885	44,813	25,148
Others	46,866	6,508	185,252	21,714
Costs attributable to exploration expenses	(238,005)	(6,823)	(659,351)	(33,848)
	312,335	157,474	971,423	668,582
LOSS BEFORE OTHER ITEM AND INCOME TAXES	(246,149)	(112,566)	(813,537)	(542,847)
OTHER ITEM				
Unrealized gain (loss) on financial assets held for trading	70,000	1,590,000	(650,000)	1,900,000
EARNINGS (LOSS) BEFORE INCOME TAXES	(176,149)	1,477,434	(1,463,537)	1,357,153
Future income taxes	(41,046)	(10,068)	(217,880)	(81,180)
NET EARNINGS (LOSS)	(135,103)	1,487,502	(1,245,657)	1,438,333
NET EARNINGS (LOSS) PER SHARE				
Basic	(0,0033)	0.0448	(0,0304)	0.0433
Diluted	(0,0033)	0.0399	(0,0304)	0.0386



STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Capital Stock</u>		<u>Contributed surplus</u>		Deficit	Total
	<u>Shares</u>		<u>Stock options</u>	<u>Expired stock options</u>		
		\$	\$	\$	\$	\$
Audited balance as at September 30, 2007	29,208,252	7,728,400	636,968	195,901	(779,263)	7,782,006
Issued during the period						
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 as at September 30, 2008	40,914,219	21,674,783	1,877,170	195,946	(1,553,790)	22,194,109
Other activities						
Stock-based compensation	-	-	109,725	-	-	109,725
Expired stock options	-	-	(40,913)	40,913	-	-
Net loss	-	-	-	-	(1,245,657)	(1,245,657)
Unaudited balance as at June 30, 2009	40,914,219	21,674,783	1,945,982	236,859	(2,799,447)	21,058,177



STATEMENT OF DEFERRED EXPLORATION EXPENSES (unaudited)

	Periods ended June 30			
	2009	2008	2009	2008
	(three months) \$	(three months) \$	(nine months) \$	(nine months) \$
EXPLORATION EXPENSES				
Analyses	-	960	-	7,582
Drilling	42,831	-	199,512	50,978
Geology	154,327	166,666	781,434	385,664
Geophysical surveys	70,794	518,435	2,562,826	1,038,122
General exploration expenses	-	6,823	-	33,848
Stock option-based compensation	7,125	-	7,125	104,550
	275,077	692,884	3,550,897	1,620,744
DEDUCTIONS				
Exploration subsidies	65,182	51,755	821,570	327,441
Partner contributions	15,303	514,935	620,496	514,935
	80,485	566,690	1,442,066	842,376
INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD				
	194,592	126,194	2,108,831	778,368
BALANCE, BEGINNING OF PERIOD				
	11,046,126	7,718,351	9,131,887	7,066,177
BALANCE, END OF PERIOD				
	11,240,718	7,844,545	11,240,718	7,844,545



STATEMENT OF CASH FLOWS (unaudited)

	Periods ended June 30			
	2009	2008	2009	2008
	(three months)	(three months)	(nine months)	(nine months)
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net earnings (loss)	(135,103)	1,487,502	(1,245,657)	1,438,333
Items not affecting cash				
Stock option-based compensation	102,600	-	102,600	207,450
Depreciation of fixed assets	15,229	9,886	44,813	25,148
Gain on disposal of rolling stock	-	-	-	(3,724)
Future income taxes	(41,046)	(10,068)	(217,880)	(81,180)
Unrealized loss (gain) on financial assets held for trading	(70,000)	(1,590,000)	650,000	(1,900,000)
	(128,320)	(102,680)	(666,124)	(313,973)
Net change in non-cash operating items	115,253	65,329	(93,802)	94,707
	(13,067)	(37,351)	(759,926)	(219,266)
FINANCING ACTIVITIES				
Financing obtained	-	-	-	37,889
Capital stock issuance	-	10,024,999	-	11,861,683
Share issuance costs	-	(648,212)	-	(793,747)
Repayment of long-term debt	-	(5,127)	-	(13,831)
	-	9,371,660	-	11,091,994
INVESTING ACTIVITIES				
Acquisition of fixed assets	(4,868)	(50,868)	(15,079)	(110,498)
Acquisition of oil and gas properties	(2,626)	(187,295)	(156,975)	(350,297)
Increase in deferred exploration expenses net of deductions	(362,719)	(835,323)	(3,764,672)	(1,749,145)
Disposal of rolling stock	-	-	-	4,906
Disposal of investments	-	-	-	45,000
	(370,213)	(1,073,486)	(3,936,726)	(2,160,034)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(383,280)	8,260,823	(4,696,652)	8,712,694
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	6,961,685	3,500,344	11,275,057	3,048,473
CASH AND EQUIVALENTS, END OF PERIOD	6,578,405	11,761,167	6,578,405	11,761,167
CASH AND EQUIVALENTS ARE AS FOLLOWS:				
Cash	115,157	47,473	115,157	47,473
Money market fund	6,463,248	11,713,694	6,463,248	11,713,694
	6,578,405	11,761,167	6,578,405	11,761,167



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2009
(unaudited)

1) INTERIM FINANCIAL INFORMATION

The financial information as at June 30, 2009, and for the periods ended June 30, 2009 and 2008, has not been audited. However, in Management's opinion, all of the adjustments that are necessary to give a fair presentation of the results for these periods have been included. The adjustments made are of a normal, recurring nature. The interim operating results do not necessarily reflect the expected operating results for the full year.

2) SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are based on the same accounting policies 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 unaudited 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.

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.



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2009
(unaudited)

3) NEW ACCOUNTING POLICIES (continued)

- 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.
- 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.

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2009
(unaudited)

5) OIL AND GAS PROPERTIES

	June 30, 2009	September 30, 2008
	\$	\$
	(unaudited)	(audited)
Quebec		
Anticosti	259,311	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
	<u>2,247,127</u>	<u>2,090,152</u>

The amounts recorded for oil and gas properties represent the property acquisition costs and the annual rents associated with these properties.

6) DEFERRED EXPLORATION EXPENSES

	September 30, 2008	Additions	June 30, 2009
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	1,096,296	245,348	1,341,644
Edgar	230,883	8,546	239,429
Gaspésia	3,119,249	69,793	3,189,042
Gaspé and Gastonguay	8,267,463	2,644,684	10,912,147
Marcel Tremblay	23,009	9,098	32,107
Saint-Simon	102,707	-	102,707
New Brunswick			
Dalhousie	114,118	573,428	687,546
	<u>12,953,725</u>	<u>3,550,897</u>	<u>16,504,622</u>
Less:			
Exploration subsidies and partner contributions-			
Anticosti	356,084	85,694	441,778
Edgar	19,754	2,991	22,745
Gaspésia	262,075	24,428	286,503
Gaspé and Gastonguay	3,169,477	1,325,769	4,495,246
Marcel Tremblay	7,526	3,184	10,710
Dalhousie	6,922	-	6,922
	<u>3,821,838</u>	<u>1,442,066</u>	<u>5,263,904</u>
	<u>9,131,887</u>	<u>2,108,831</u>	<u>11,240,718</u>

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2009
(unaudited)

6) DEFERRED EXPLORATION EXPENSES (continued)

	September 30, 2007	Additions	June 30, 2008
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	23,757	674,021	697,778
Edgar	205,465	22,377	227,842
Gaspésia	2,455,102	74,170	2,529,272
Gaspé and Gastonguay	4,422,106	764,386	5,186,492
Saint-Simon	102,707	-	102,707
Marcel Tremblay	2,529	15,935	18,464
New Brunswick			
Dalhousie	19,779	69,855	89,634
	<u>7,231,445</u>	<u>1,620,744</u>	<u>8,852,189</u>
Less:			
Exploration subsidies and partner contributions-			
Anticosti	8,315	211,622	219,937
Edgar	11,512	7,205	18,717
Gaspésia	53,598	23,499	77,097
Gaspé and Gastonguay	84,036	594,937	678,973
Marcel Tremblay	885	5,113	5,998
Dalhousie	6,922	-	6,922
	<u>165,268</u>	<u>842,376</u>	<u>1,007,644</u>
	<u>7,066,177</u>	<u>778,368</u>	<u>7,844,545</u>

7) CAPITAL STOCK

Stock-based compensation

The Company has a Stock Option Plan under which it can grant options up to 10% of its issued and outstanding shares to its directors, officers, key employees, and suppliers on a continuous basis. The exercise price of each option corresponds to the market's price or discount price on the day preceding the allocation date. The maximum term of granted options may not exceed five years, and they may be exercised at any time during their term.

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2009
(unaudited)

7) CAPITAL STOCK (continued)

During the quarter, the Company granted stock options with exercise prices that correspond to the market price of the stock on the day preceding the allocation date. The fair value of each granted option and broker warrant is calculated according to the Black-Scholes option pricing model, using the following assumptions:

	May 2009	May 2008
Risk-free interest rate	2.25%	-
Expected volatility	103%	-
Weighted expected life	5 ans	-
Dividend yield	NIL	-

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

Statement of income	102,600	-
Deferred exploration expenses	7,125	-
Total	109,725	-

The following table summarizes the outstanding stock options:

	Number of options outstanding	Weighted average exercise price \$
Outstanding and exercisable, as at September 30, 2008 (audited)	3,907,500	0.58
Granted	230,000	0.57
Expired	(47,500)	0.91
Outstanding and exercisable, as at June 30, 2009	4,090,000	0.60

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
June 30, 2009
(unaudited)

7) CAPITAL STOCK (continued)

As at June 30, 2009, the outstanding options under the Plan amount to the following:

Weighted average exercise price	Number	Expiration date
\$		
0.40	270,000	March 15, 2010
0.40	1,075,000	February 3, 2011
0.58	150,000	May 10, 2011
0.74	50,000	May 21, 2012
0.40	1,037,500	June 21, 2012
0.60	600,000	February 12, 2013
0.60	150,000	March 3, 2013
1.25	600,000	July 7, 2013
0.74	180,000	May 21, 2014

Warrants

As at June 30, 2009, the outstanding warrants are as follows:

- 3 756 665 shares at the price of \$1.50 per share until December 6, 2009 ;
- 1 750 000 shares at the price of \$1.00 until October 10, 2012 ;
- 3 000 000 shares at the price of \$1.00 until January 10, 2013.

8) EVENT SUBSEQUENT TO THE BALANCE SHEET

As at July 30, 2009, Pétrolia becomes Operator of the Haldimand project on the entire joint area (9 km²)
The overall cost of this well is estimated at \$3.1 million. After completion of the drilling of the well according to the programme, the partners' interests are estimated to be as follows: Pétrolia 55%, Junex 35%, Gastem 10%.