



Leader en exploration pétrolière au Québec



FIRST QUARTER
Unaudited interim financial statements
as at December 31, 2008



UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2008

Declaration concerning the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at December 31, 2008, as well as the statements of income, shareholders' equity, deferred exploration expenses and cash flows for the three-month period ending on December 31, 2008. No external auditors' firm has examined or verified these interim financial statements.



BALANCE SHEET

| | As at December 31 2008 \$ | As at September 30 2008 \$ |
|--|--|---|
| | (unaudited) | (audited) |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 9,020,709 | 11,275,057 |
| Receivables | 2,812,377 | 3,027,612 |
| Prepaid expenses | 30,145 | 72,344 |
| | 11,863,231 | 14,375,013 |
| Equity investments, Gastem Inc, 1,000,000 common shares | 500,000 | 1,040,000 |
| Fixed assets | 190,153 | 194,563 |
| Oil and gas properties (Note 5) | 2,149,293 | 2,090,152 |
| Deferred exploration expenses (Note 6) | 10,680,625 | 9,131,887 |
| | 25,383,302 | 26,831,615 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables and accrued expenses | 2,215,703 | 2,963,760 |
| Future taxes | 291,187 | 291,187 |
| | 2,506,890 | 3,254,947 |
| Future taxes | 1,333,517 | 1,382,559 |
| | 3,840,407 | 4,637,506 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 21,673,240 | 21,674,783 |
| Contributed surplus – Stock options | 1,869,670 | 1,877,170 |
| Contributed surplus – Expired stock options | 203,446 | 195,946 |
| Deficit | (2,203,461) | (1,553,790) |
| | 21,542,895 | 22,194,109 |
| | 25,383,302 | 26,831,615 |
| On behalf of the Board | | |
| <u>(signed) André Proulx</u> Director | | <u>(signed) Clément Duchesne</u> Director |

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF INCOME (unaudited)
Three-month period ended December 31

| | 2008 | 2007 |
|---|------------------|------------------|
| | \$ | \$ |
| REVENUE | | |
| Interest income | 63,778 | 39,625 |
| Gain on disposal of rolling stock | - | 3,724 |
| | 63,778 | 43,349 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Salaries and fringe benefits | 89,642 | 60,797 |
| Insurance | 10,313 | 9,340 |
| Information for shareholders | 7,683 | 14,798 |
| Promotion and entertainment | 28,559 | 17,147 |
| Maintenance and office supplies | 3,273 | 3,765 |
| Interests on loan | - | 341 |
| Rent | 6,881 | 12,597 |
| Professional fees | 4,309 | 10,143 |
| Telecommunications | 3,195 | 5,917 |
| Depreciation of fixed assets | 8,980 | 6,357 |
| Costs attributable to exploration expenses | - | (4,401) |
| Others | 59,656 | 10,789 |
| | 222,491 | 147,590 |
| NET LOSS BEFORE OTHER ITEM AND INCOME TAXES | (158,713) | (104,241) |
| OTHER ITEM | | |
| Unrealized gain (loss) on financial assets held for trading | (540,000) | 110,000 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | (698,713) | 5,759 |
| Future income taxes | 49,042 | 32,858 |
| NET EARNINGS (NET LOSS) | (649,671) | 38,617 |
| BASIC AND DILUTED NET EARNINGS (LOSS) PER SHARE | (0.0159) | 0.0013 |



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> | <u>\$</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 | - | (1,543) | - | - | - | (1,543) |
| Other activities | | | | | | |
| Expired broker warrants | - | - | (7,500) | 7,500 | - | - |
| Net loss | - | - | - | - | (649,671) | (649,671) |
| Unaudited balance at December 31, 2008 | 40,914,219 | 21,673,240 | 1,869,670 | 203,446 | (2,203,461) | 21,542,895 |

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF DEFERRED EXPLORATION EXPENSES (unaudited)
Three-month period ended December 31

| | 2008 | 2007 |
|--|-------------------|------------------|
| | \$ | \$ |
| EXPLORATION EXPENSES | | |
| Drilling | 48,192 | 38,701 |
| Geology | 273,585 | 95,636 |
| Geophysical surveys | 2,347,001 | 12,368 |
| General exploration expenses | - | 4,401 |
| | 2,668,778 | 151,106 |
| DEDUCTIONS | | |
| Exploration subsidies | 582,591 | - |
| Partner contributions | 537,449 | - |
| | 1,120,040 | - |
| NET INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD | 1,548,738 | 151,106 |
| BALANCE, BEGINNING OF PERIOD | 9,131,887 | 7,066,177 |
| BALANCE, END OF PERIOD | 10,680,625 | 7,217,283 |

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF CASH FLOWS (unaudited)
Three-month period ended December 31

| | 2008 | 2007 |
|---|--------------------|------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net earnings (net loss) | (649,671) | 38,617 |
| Items not affecting cash | | |
| Depreciation of fixed assets | 14,621 | 6,357 |
| Future income taxes | (49,042) | (32,858) |
| Gain on disposal of rolling stock | - | (3,724) |
| Unrealized gain (loss) on financial assets held for trading | 540,000 | (110,000) |
| | (144,092) | (101,608) |
| Net change in non-cash operating working capital items | (52,745) | (30,706) |
| | (196,837) | (132,314) |
| FINANCING ACTIVITIES | | |
| Acquisition of financing | - | 37,889 |
| Repayment of long-term debt | - | (3,615) |
| Capital stock issuance | - | 1,826,685 |
| Share issuance costs | (1,543) | (122,311) |
| | (1,543) | 1,738,648 |
| INVESTING ACTIVITIES | | |
| Disposal of rolling stock | - | 4,906 |
| Acquisition of fixed assets | (10,211) | (59,630) |
| Acquisition of oil and gas properties | (59,141) | (244,493) |
| Increase in deferred exploration expenses net of deductions | (1,986,616) | (190,561) |
| | (2,055,968) | (489,778) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,254,348) | 1,116,556 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 11,275,057 | 3,048,473 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 9,020,709 | 4,165,029 |
| CASH AND CASH EQUIVALENTS ARE AS FOLLOWS: | | |
| Cash | 1,058,390 | 103,933 |
| Money market fund | 7,962,319 | 4,061,096 |
| | 9,020,709 | 4,165,029 |



NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 2008

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 have been 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 interim financial statements for periods beginning on or after 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 adoption of these new sections had no significant impact on the Company's financial statements.

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 2008

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 January 1, 2011. However, their early adoption is permitted from the start of a fiscal year.

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

5. OIL AND GAS PROPERTIES

| | December 31, 2008 | September 30, 2008 |
|----------------------|--------------------------|---------------------------|
| | \$ | \$ |
| | (unaudited) | (audited) |
| Quebec | | |
| Anticosti | 235,587 | 205,793 |
| Edgar | 16,670 | 15,003 |
| Gaspésia | 262,378 | 257,770 |
| Gaspé and Gastonguay | 1,591,715 | 1,573,529 |
| Marcel-Tremblay | 7,739 | 6,633 |
| New Brunswick | | |
| Dalhousie | 35,204 | 31,424 |
| | 2,149,293 | 2,090,152 |



NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 2008

6. DEFERRED EXPLORATION EXPENSES

| | September 30, 2008 | Additions | December 31, 2008 |
|---|---------------------------|------------------|--------------------------|
| | \$ | \$ | \$ |
| | (audited) | (unaudited) | (unaudited) |
| Quebec | | | |
| Anticosti | 1,096,296 | 69,143 | 1,165,439 |
| Edgar | 230,883 | 2,942 | 233,825 |
| Gaspésia | 3,119,249 | 33,460 | 3,152,709 |
| Gaspé and Gastonguay | 8,267,463 | 2,092,860 | 10,360,323 |
| Marcel-Tremblay | 23,009 | 3,588 | 26,597 |
| Saint-Simon | 102,707 | - | 102,707 |
| New Brunswick | | | |
| Dalhousie | 114,118 | 466,785 | 580,903 |
| | <u>12,953,725</u> | <u>2,668,778</u> | <u>15,622,503</u> |
| Deductions: | | | |
| Exploration subsidies and partner contributions | | | |
| Anticosti | 356,084 | 24,200 | 380,284 |
| Edgar | 19,754 | 1,030 | 20,784 |
| Gaspésia | 262,075 | 11,711 | 273,786 |
| Gaspé and Gastonguay | 3,169,477 | 1,081,843 | 4,251,320 |
| Marcel-Tremblay | 7,526 | 1,256 | 8,782 |
| Dalhousie | 6,922 | - | 6,922 |
| | <u>3,821,838</u> | <u>1,120,040</u> | <u>4,941,878</u> |
| | <u>9,131,887</u> | <u>1,548,738</u> | <u>10,680,625</u> |

Pétrolia Inc.
(Oil and gas exploration company)



NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 2008

6. DEFERRED EXPLORATION EXPENSES (CONTINUED)

| | September 30, 2007 | Additions | December 31, 2007 |
|-----------------------|--------------------|----------------|-------------------|
| | \$ | \$ | \$ |
| | (audited) | (unaudited) | (unaudited) |
| Quebec | | | |
| Edgar | 205,465 | 5,824 | 211,289 |
| Gaspésia | 2,455,102 | 31,937 | 2,487,039 |
| Gaspé and Gastonguay | 4,422,106 | 70,970 | 4,493,076 |
| Saint-Simon | 102,707 | - | 102,707 |
| Others | 26,286 | 26,819 | 53,105 |
| New-Brunswick | | | |
| Dalhousie | 19,779 | 15,556 | 35,335 |
| | <u>7,231,445</u> | <u>151,106</u> | <u>7,382,551</u> |
| Less: | | | |
| Exploration subsidies | | | |
| Edgar | 11,512 | - | 11,512 |
| Gaspésia | 53,598 | - | 53,598 |
| Gaspé and Gastonguay | 84,036 | - | 84,036 |
| Dalhousie | 6,922 | - | 6,922 |
| Others | 9,200 | - | 9,200 |
| | <u>165,268</u> | <u>-</u> | <u>165,268</u> |
| | <u>7,066,177</u> | <u>151,106</u> | <u>7,217,283</u> |