



Leader en exploration pétrolière au Québec



**FIRST QUARTER**  
**Unaudited interim financial statements**  
**as at December 31, 2009**



**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**DECEMBER 31, 2009**

**Statement concerning the interim financial statements**

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

**Pétrolia Inc.**  
(Oil and gas exploration company)



**BALANCE SHEET**

	As at December 31 2009 \$ (unaudited)	As at September 30 2009 \$ (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,726,354	4,833,084
Receivables	3,278,388	2,029,860
Prepaid expenses	94,763	356,068
Investments cashable during the next fiscal year	380,000	380,000
	11,479,505	7,599,012
<b>Equity investments</b>	51,700	595,200
<b>Fixed assets</b>	200,299	150,530
<b>Oil and gas properties</b> (Note 3)	2,890,040	2,333,394
<b>Deferred exploration expenses</b> (Note 4)	17,069,042	13,346,303
	31,690,586	24,024,439
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables and accrued expenses	2,925,264	1,661,967
<b>Futures taxes</b>	1,977,001	913,549
	4,902,265	2,575,516
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 5)	27,402,167	21,674,783
Contributed surplus – Stock options	1,555,400	1,957,120
Contributed surplus – Expired stock options	620,691	225,721
Deficit	(2,789,937)	(2,408,701)
	26,788,321	21,448,923
	31,690,586	24,024,439

On behalf of the Board

(signed) *André Proulx*  
Director

(signed) *Vincent Causse*  
Director

**Pétrolia Inc.**  
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**STATEMENT OF INCOME AND COMPREHENSIVE INCOME (unaudited)**  
**Three-month period ended December 31**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>REVENUE</b>		
Project income	1,781	-
Interest income	4,843	63,778
Production testing income	12,148	-
	<hr/> 18,772	<hr/> 63,778
<b>OPERATING EXPENSES</b>		
Administrative expenses (Appendix A)	303,408	222,491
General expenses (Appendix B)	-	-
Transport costs and overriding royalty interest related to production testing	2,118	-
	<hr/> 305,526	<hr/> 222,491
<b>LOSS BEFORE OTHERS ITEMS AND INCOME TAXES</b>	(286,754)	(158,713)
<b>OTHERS ITEMS</b>		
Gain on disposal of shares	395,163	-
Loss on financial assets held for trading	(458,500)	(540,000)
<b>LOSS BEFORE INCOME TAXES</b>	(350,091)	(698,713)
Future income taxes	31,145	(49,042)
<b>NET LOSS AND COMPREHENSIVE INCOME</b>	<hr/> (381,236)	<hr/> (649,671)
<b>BASIC AND DILUTED NET LOSS PER SHARE</b>	<hr/> (0.0092)	<hr/> (0.0159)



**STATEMENT OF SHAREHOLDER'S 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>
<b>Audited balance at September 30, 2008</b>	40,914,219	21,674,783	1,877,170	195,946	(1,553,790)	22,194,105
<b>Share issuance costs</b>	-	(1,543)	-	-	-	(1,543)
<b>Other activities</b>						
Expired stock options	-	-	(7,500)	7,500	-	-
Net loss	-	-	-	-	(649,671)	(649,671)
<b>Unaudited balance at December 31, 2008</b>	40,914,219	21,673,240	1,869,610	203,446	(2,203,461)	21,542,845
<b>Audited balance at September 30, 2009</b>	40,914,219	21,674,783	1,957,120	225,721	(2,408,701)	21,448,923
<b>Issued during the period</b>						
Cash	7,960,568	7,129,907	-	-	-	7,129,907
Stock options exercised	25,000	16,750	(6,750)	-	-	10,000
<b>Share issuance costs</b>						
Future income taxes	-	(1,032,307)	-	-	-	(1,032,307)
Other	-	(386,966)	-	-	-	(386,966)
<b>Other activities</b>						
Expired broker warrants	-	-	(394,970)	394,970	-	-
Net loss	-	-	-	-	(381,236)	(381,236)
<b>Unaudited balance at December 31, 2009</b>	48,899,787	27,402,167	1,555,400	620,691	(2,789,937)	26,788,321

**Pétrolia Inc.**  
(Oil and gas exploration company)



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

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>EXPLORATION EXPENSES</b>		
Drilling	4,341,625	48,192
Geology	104,613	273,585
Geophysical surveys	96,487	2,347,001
General exploration expenses	8,690	-
	<b>4,551,415</b>	<b>2,668,778</b>
<b>DEDUCTIONS</b>		
Exploration subsidies	650,615	582,591
Partner contributions	178,061	537,449
	<b>828,676</b>	<b>1,120,040</b>
<b>NET INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD</b>	<b>3,722,739</b>	<b>1,548,738</b>
<b>BALANCE, BEGINNING OF PERIOD</b>	<b>13,346,303</b>	<b>9,131,887</b>
<b>BALANCE, END OF PERIOD</b>	<b>17,069,042</b>	<b>10,680,625</b>



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

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(381,236)	(649,671)
Items not affecting cash		
Depreciation of fixed assets	13,063	14,621
Future income taxes	31,145	(49,042)
Gain on disposal of shares	(395,163)	-
Unrealized loss on financial assets held for trading	458,500	540,000
	<hr/>	<hr/>
	(273,691)	(144,092)
Net change in non-cash operating working capital items	719,321	(52,745)
	<hr/>	<hr/>
	445,630	(196,837)
<b>FINANCING ACTIVITIES</b>		
Capital stock issuance	7,139,907	-
Share issuance costs	(386,966)	(1,543)
	<hr/>	<hr/>
	6,752,941	(1,543)
<b>INVESTING ACTIVITIES</b>		
Disposal of shares	480,163	-
Acquisition of fixed assets	(62,832)	(10,211)
Acquisition of oil and gas properties	(556,646)	(59,141)
Increase in deferred exploration expenses net of deductions	(4,165,986)	(1,986,616)
	<hr/>	<hr/>
	(4,305,301)	(2,055,968)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,893,270	(2,254,348)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	4,833,064	11,275,057
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	7,726,354	9,020,709
<b>CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:</b>		
Cash	4,255,802	1,058,390
Money market fund	3,470,552	7,962,319
	<hr/>	<hr/>
	7,726,354	9,020,709
	<hr/>	<hr/>

**Pétrolia Inc.**  
(Oil and gas exploration company)



**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**December 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. 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**

	<b>December 31, 2009</b>	<b>September 30, 2009</b>
	\$	\$
	(unaudited)	(audited)
<b>Quebec</b>		
Anticosti	238,872	241,006
Gastonguay	612,595	612,595
Gaspésia-Edgar-Marcel-Tremblay	360,897	360,897
Gaspé	1,537,900	979,120
<b>New Brunswick</b>		
Dalhousie	139,776	139,776
	<b>2,890,040</b>	<b>2,333,394</b>



**Pétrolia Inc.**  
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**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**December 31, 2009**

**4. DEFERRED EXPLORATION EXPENSES**

	<b>September 30, 2009</b>	<b>Additions</b>	<b>December 31, 2009</b>
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
<b>Quebec</b>			
Anticosti	1,344,024	11,396	1,355,420
Gastonguay	46,502	2,880	49,382
Gaspésia-Edgar-Marcel-Tremblay	3,475,534	5,365	3,480,899
Gaspé	2,875,327	13,235	2,888,562
Bourque Project	3,364,231	194,044	3,558,275
Haldimand Project	6,331,201	1,210,300	7,541,501
Tar Point No. 1 Project	177,140	3,095,872	3,273,012
Others	102,707	-	102,707
<b>New Brunswick</b>			
Dalhousie	1,085,303	18,323	1,103,626
	<hr/> 18,801,969	<hr/> 4,551,415	<hr/> 23,353,384
Less:			
Exploration subsidies and partner contributions			
Anticosti	442,611	1,709	444,320
Gastonguay	10,683	432	11,115
Gaspésia-Edgar-Marcel-Tremblay	325,194	804	325,998
Gaspé	462,824	1,985	464,809
Bourque Project	2,844,231	180,458	3,024,689
Haldimand Project	1,301,186	178,906	1,480,092
Tar Point No. 1 Project	62,015	464,382	526,397
Dalhousie	6,922	-	6,922
	<hr/> 5,455,666	<hr/> 828,676	<hr/> 6,284,342
	<hr/> <hr/> 13,346,303	<hr/> <hr/> 3,722,739	<hr/> <hr/> 17,069,042



**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**December 31, 2009**

**4[am1]. DEFERRED EXPLORATION EXPENSES (CONTINUED)**

	September 30, 2008	Additions	December 31, 2008
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
<b>Quebec</b>			
Anticosti	1,096,296	69,143	1,165,439
Gastonguay	32,069	8,540	40,609
Gaspésia-Edgar-Marcel-Tremblay	3,373,142	39,989	3,413,131
Gaspé	2,772,363	28,210	2,800,573
Bourque Project	2,673,583	537,448	3,211,031
Haldimand Project	2,789,447	1,518,663	4,308,110
Others	102,707	-	102,707
<b>New Brunswick</b>			
Dalhousie	114,118	466,785	580,903
	<u>12,953,725</u>	<u>2,668,778</u>	<u>15,622,503</u>
Less:			
Exploration subsidies and partner contributions			
Anticosti	356,084	24,200	380,284
Gastonguay	5,632	2,989	8,621
Gaspésia-Edgar-Marcel-Tremblay	289,355	13,997	303,352
Gaspé	428,688	9,873	438,561
Bourque Project	2,673,584	537,449	3,211,033
Haldimand Project	61,573	531,532	593,105
<b>New Brunswick</b>			
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.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**5. CAPITAL STOCK**

**Authorized**

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

**Issued**

48,899,787 common shares

**Stock options**

The following table summarizes information about the stock options:

	2009		2008	
	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
Exercised	(25,000)	0.40	-	-
Expired	-	-	(25,000)	(0.60)
Outstanding and exercisable, end of period	4,065,000	0.58	3,882,500	0.58

As at December 31, 2009, the stock options granted as part of the Plan are allocated as follows:

Weighted average exercise price \$	Shares	Expiration date
0.40	270,000	March 15, 2010
0.40	700,000	March 20, 2010
0.60	200,000	March 20, 2010
1.25	150,000	March 20, 2010
0.40	725,000	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



**Pétrolia Inc.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**5. CAPITAL STOCK (continued)**

**Warrants**

Outstanding warrants can be exercised as follows:

<b>Exercise price</b> <b>\$</b>	<b>Shares</b>	<b>Expiration date</b>
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

**6. Commitments**

The Company has made a commitment to its investors to carry out \$3,452,533 in exploration work before January 1, 2011.

**Pétrolia Inc.**  
(Oil and gas exploration company)



**APPENDICES**

For the three months ended December 31

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>A- ADMINISTRATIVE EXPENSES</b>		
Salaries and fringe benefits	121,975	89,642
Insurance	14,565	10,313
Maintenance and office supplies	7,152	3,273
Board of directors expenses	20,925	-
Information for shareholders	10,092	7,683
Office rent	6,832	6,881
Promotion and entertainment	36,890	28,559
Professional fees	48,237	4,309
Telecommunications	4,586	3,195
Depreciation of fixed assets	8,769	8,980
Other expenses	23,385	59,656
	<b>303,408</b>	<b>222,491</b>
<b>B- GENERAL EXPENSES</b>		
Salaries and fringe benefits	271,295	123,902
Insurance	710	1,305
Maintenance and office supplies	19,176	2,471
Training	4,797	27,296
Office rent	18,587	18,324
Telecommunications	2,148	1,499
Depreciation of fixed assets	4,294	5,641
Other expenses	116	6,428
Allocation to deferred exploration work	(326,299)	(211,254)
On allocation	5,176	24,388
	<b>0</b>	<b>0</b>