



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)
<b>ASSETS</b>		
<b>Current assets</b>		
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
<b>Equity investment, Gastem Inc, 1,000,000 common shares</b>	320,000	1,040,000
<b>Fixed assets</b>	175,190	194,563
<b>Oil and gas properties</b> (Note 5)	2,244,501	2,090,152
<b>Deferred exploration expenses</b> (Note 6)	11,046,126	9,131,887
	22,806,356	26,831,615
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables and accrued expenses	225,888	2,963,760
Future taxes	233,724	291,187
	459,612	3,254,947
<b>Future taxes</b>	1,263,188	1,382,559
	1,722,800	4,637,506
<b>SHAREHOLDERS' EQUITY</b>		
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**

	<b>Periods ended March 31</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>(three months)</b>	<b>(three months)</b>	<b>(six months)</b>	<b>(six months)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>				
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
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
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
<b>NET LOSS BEFORE OTHER ITEM AND INCOME TAXES</b>	(404,376)	(355,627)	(563,089)	(459,868)
<b>OTHER ITEM</b>				
Unrealized gain (loss) on financial assets held for trading	(180,000)	200,000	(720,000)	310,000
<b>LOSS BEFORE INCOME TAXES</b>	(584,376)	(155,627)	(1,283,089)	(149,868)
Future income taxes	(127,792)	(48,046)	(176,834)	(80,904)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(456,584)	(107,581)	(1,106,255)	(68,964)
<b>BASIC AND DILUTED NET EARNINGS (NET LOSS) PER SHARE</b>	(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>		
<b>Audited balance at September 30, 2007</b>	29,208,252	7,728,400	636,968	195,901	(779,263)	7,782,006
<b>Issued during the year</b>						
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
<b>Share issuance costs</b>	-	(967,024)	-	-	-	(967,024)
<b>Other activities</b>						
Stock-based compensation	-	-	1,291,970	-	-	1,291,970
Expired broker warrants	-	-	(45)	45	-	--
Net loss	-	-	-	-	(774,527)	(774,527)
<b>Audited balance at September 30, 2008</b>	40,914,219	21,674,783	1,877,170	195,946	(1,553,790)	22,194,109
<b>Share issuance costs</b>	-	(4,298)	-	-	-	(4,298)
<b>Other activities</b>						
Expired broker warrants	-	-	(7,500)	7,500	-	-
Net loss	-	-	-	-	(1,106,255)	(1,106,255)
<b>Unaudited balance at March 31, 2009</b>	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**

	<b>Periods ended March 31</b>			
	<b>2009</b> <b>(three months)</b> <b>\$</b> <small>(unaudited)</small>	<b>2008</b> <b>(three months)</b> <b>\$</b> <small>(unaudited)</small>	<b>2009</b> <b>(six months)</b> <b>\$</b> <small>(unaudited)</small>	<b>2008</b> <b>(six months)</b> <b>\$</b> <small>(unaudited)</small>
<b>EXPLORATION EXPENSES</b>				
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
<b>DEDUCTIONS</b>				
Exploration subsidies	173,797	275,686	756,388	275,686
Partner contributions	67,745	-	605,193	-
<b>INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD</b>				
	365,501	501,068	1,914,239	652,174
<b>BALANCE, BEGINNING OF PERIOD</b>				
	10,680,625	7,217,283	9,131,887	7,066,177
<b>BALANCE, END OF PERIOD</b>				
	11,046,126	7,718,351	11,046,126	7,718,351



**STATEMENT OF CASH FLOWS**

	<b>Periods ended March 31</b>			
	<b>2009</b> (three months) \$ (unaudited)	<b>2008</b> (three months) \$ (unaudited)	<b>2009</b> (six months) \$ (unaudited)	<b>2008</b> (six months) \$ (unaudited)
<b>OPERATING ACTIVITIES</b>				
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)
<b>FINANCING ACTIVITIES</b>				
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
<b>INVESTING ACTIVITIES</b>				
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)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,059,024)	(664,685)	(4,313,372)	451,871
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	9,020,709	4,165,029	11,275,057	3,048,473
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	6,961,685	3,500,344	6,961,685	3,500,344
<b>CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:</b>				
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.**  
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**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**

	<b>March 31, 2009</b>	<b>September 30, 2008</b>
	\$	\$
	(unaudited)	(audited)
<b>Quebec</b>		
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
<b>New Brunswick</b>		
Dalhousie	35,204	31,424
	<b>2,244,501</b>	<b>2,090,152</b>

# 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)
<b>Quebec</b>			
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
<b>New Brunswick</b>			
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)
<b>Quebec</b>			
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
<b>New Brunswick</b>			
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>