



Leader en exploration pétrolière au Québec



## **FIRST QUARTER**

**Unaudited interim financial statements**

**For the three months ended December 31, 2006**



**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2006**

**Declaration concerning the interim financial statements**

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at December 31, 2006 as well as the statements of income, shareholders' equity, deferred exploration expenses, and cash flows for the three-month period ending on December 31, 2006. No auditor has examined or approved these interim financial statements.

## BALANCE SHEET



	As at December 31 2006 \$	As at September 30 2006 \$
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	107,696	212,862
Short-term investments	1,598,569	1,670,542
Accounts receivable	161,895	131,294
Prepaid expenses	16,151	158,200
	1,884,311	2,172,898
<b>Equity investment</b> (Gastem shares, F.M.V. \$350,000)	100,000	100,000
<b>Fixed Assets</b>	60,999	60,593
<b>Oil and Gas properties</b> (Note 2)	1,521,633	1,521,633
<b>Deferred exploration expenses</b> (Note 2)	6,671,069	5,571,563
	10,238,012	9,426,687
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	1,057,807	371,704
Instalments on long-term debt	11,477	11,405
	1,069,284	383,109
<b>Long-term debt</b>	28,948	31,845
<b>Future taxes</b>	1,682,471	1,682,471
	2,780,703	2,097,425
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	7,689,391	7,379,827
Contributed surplus – Stock options	344,189	450,057
Contributed surplus – Stock options expired	186,596	159,596
Deficit	(762,867)	(660,218)
	7,457,309	7,329,262
	10,238,012	9,426,687

On behalf of the Board

(signed) *André Proulx*

Director

(signed) *Clément Duchesne*

Director



**STATEMENT OF INCOME**  
**Three-month period ended December 31**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)
<b>REVENUE</b>		
Interest income	22,338	9,929
 <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries - Officers	34,417	16,480
Salaries and fringe benefits	32,420	26,852
Insurance	10,643	5,334
Information to shareholders	3,243	4,780
Promotion and entertainment	23,495	18,117
Office supplies	4,674	2,139
Governmental fees	10,757	1,682
Rent	8,663	5,000
Professional fees	8,245	4,614
Telecommunications	5,981	1,963
Depreciation of fixed assets	5,503	728
Depreciation of deferred expenses	-	2,625
Costs attributable to exploration expenses	(32,387)	(29,052)
Others	9,333	2,368
	124,987	63,630
<b>NET LOSS</b>	<b>(102,649)</b>	<b>(53,701)</b>
 <b>BASIC AND DILUTED NET LOSS PER SHARE</b>	 <b>(0.0036)</b>	 <b>(0.0030)</b>



## STATEMENT OF SHAREHOLDERS' EQUITY

	Capital Stock		Contributed surplus – Stock options	Contributed surplus – Stock options expired	Deficit	Total
	Shares	Amount				
		\$	\$	\$	\$	\$
<b>Balance at September 30, 2005</b>	17,555,107	4,514,532	140,701	16,827	(182,293)	4,489,767
<b>Issued during period</b>						
Cash	10,818,542	4,646,672	-	-	-	4,646,672
In payment of a loan	25,000	9,000	-	-	-	9,000
Broker warrants exercise	150,000	78,324	(19,324)	-	-	59,000
<b>Share issuing costs</b>						
Future taxes	-	(1,299,448)	-	-	-	(1,299,448)
Other share issuing costs	-	(569,253)	-	-	-	(569,253)
<b>Other activities</b>						
Stock-based compensation	-	-	471,449	-	-	471,449
Expired stock options	-	-	(142,769)	142,769	-	-
Net loss	-	-	-	-	(477,925)	(477,925)
<b>Balance at September 30, 2006</b>	28,548,649	7,379,827	450,057	159,596	(660,218)	7,329,262
<b>Issued during period</b>						
Warrants exercise	101,000	59,750	-	-	-	59,750
Broker warrants exercise	538,603	283,537	(78,868)	-	-	204,669
<b>Share issuing costs</b>	-	(33,723)	-	-	-	(33,723)
<b>Other activities</b>						
Expired stock options	-	-	(27,000)	27,000	-	-
Net loss	-	-	-	-	(102,649)	(102,649)
<b>Balance at December 31, 2006</b>	29,188,252	7,689,391	344,189	186,596	(762,867)	7,457,309



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

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)
<b>EXPLORATION EXPENSES</b>		
Analyses	74,006	-
Drilling	43,608	1,431,304
Geology	95,643	3,961
Geophysics	853,862	130,340
General exploration expenses	32,387	31,905
<b>INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD</b>		
	1,099,506	1,597,510
<b>BALANCE, BEGINNING OF PERIOD</b>		
	5,571,563	2,358,885
<b>BALANCE, END OF PERIOD</b>		
	6,671,069	3,956,395



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

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Net loss	(102,649)	(53,701)
Items not affecting cash		
Depreciation of fixed assets	5,503	3,353
	(97,146)	(50,348)
Net change in non-cash operating working capital items	103,539	(144,114)
	6,393	(194,462)
<b>FINANCING ACTIVITIES</b>		
Capital stock issuance	264,419	3,631,000
Share issuing costs	(33,723)	(384,731)
Refund of the long-term debt	(2,825)	-
	227,871	3,246,269
<b>INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(5,909)	(900)
Acquisition of oil and gas properties	-	(63,339)
Increase in deferred exploration expenses net of government subsidies	(405,494)	(1,045,898)
	(411,403)	(1,110,137)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(177,139)	1,941,670
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,883,404	1,612,438
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	1,706,265	3,554,108
<b>COMPANY'S CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:</b>		
Cash	107,696	2,968,249
Bankers' acceptances, bonds, and guaranteed investment certificates	1,598,569	585,859
	1,706,265	3,554,108



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**

**December 31, 2006**

**1) INTERIM FINANCIAL INFORMATION**

These interim financial statements have been prepared in accordance with generally-recognized Canadian accounting principles and are based on the same accounting policies and methods as those used to prepare the Company's most recent annual financial statements. However, they do not include all of the information that must be provided in an annual financial statement. These interim financial statements should therefore be read in parallel with the Company's most recent annual financial statements.

The financial information as at December 31, 2006 and for the period ending on December 31, 2006 has not been audited. However, in Management's opinion, all the adjustments that are necessary to give a fair presentation of the results for this period 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) OIL AND GAS PROPERTIES**

	<b>December 31, 2006</b>		<b>September 30, 2006</b>	
	<b>Oil and gas properties</b>	<b>Deferred exploration expenses</b>	<b>Oil and gas properties</b>	<b>Deferred exploration expenses</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Edgar	5,001	160,424	5,001	2,196
Gaspésia	119,550	2,345,420	119,550	1,469,658
Gaspé and Gastonguay	1,386,107	4,094,989	1,386,107	4,029,616
Saint-Simon	-	102,707	-	102,564
Dalhousie (New Brunswick)	10,975	-	10,975	-
	<b>1,521,633</b>	<b>6,703,540</b>	<b>1,521,633</b>	<b>5,604,034</b>
Less:				
Exploration subsidies - Gaspésia	-	32,471	-	32,471
	<b>1,521,633</b>	<b>6,671,069</b>	<b>1,521,633</b>	<b>5,571,563</b>