



Leader en exploration pétrolière au Québec



INTERIM MANAGEMENT REPORT

For the first quarter ended December 31, 2007



- 2) Discussions continued with Hydro-Québec to have it transfer its Anticosti Island exploration permits to Pétrolia. Anticosti Island has Québec's best reservoir characteristics, which include porous area thickness, production potential, and shallow depth (1,500 m). Obtaining these permits would put Pétrolia in a strategic position for negotiating agreements with international and other partners. By signing with Hydro-Québec, Pétrolia would have the advantage of being able to decrease the risks inherent in exploration, since Corridor Resources Inc. is already an established partner on the island. In addition, it would be able to begin the work as soon as an exploration program is put into place.

Regarding the \$9 million in private funding announced on October 10, 2006, Pétrolia continued its steps towards finalizing the funding in progress.

The Company's current revenue comes from interest income, since the Company is in the exploration and production testing stage with the Pétrolia-Haldimand #1 well. Its funding is therefore provided by issuing shares of its capital stock.

During the quarter, Pétrolia issued 1,951,802 shares for a total of \$1,826,685.

During the first quarter, the Company carried out exploration work totaling \$151,106. The Company recorded net earnings of \$38,617 (\$0.0013 per share) compared to a loss of \$102,649 (\$0.0036 per share) for the corresponding quarter of the previous year. General and administrative expenses have risen somewhat, owing to the Company's growing activities. However, the Company recorded \$110,000 in unrealized gains for the period on financial assets held for trading.

1.3 STRATEGY AND OUTLOOK

For 2008, Pétrolia's main goal is to bring the Haldimand oil field into production. Once the joint operating agreement is signed, the partners will hold a technical consultation in order to establish the development work schedule.

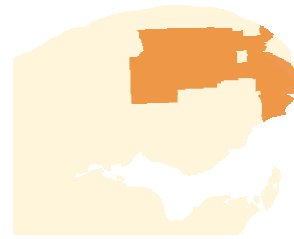
The Company will also proceed with exploration programs in order to continue evaluating its vast territory, particularly by performing seismic surveys on the Gaspé, Gaspésia, Gastonguay and Dalhousie properties. With better defined exploration models, there will be more opportunities for entering into partnership agreements.

The planning for all of the oil and gas exploration work is presented on our Web site in the "Press Release" section.

Gaspé property (Haldimand and Bourque projects):



The Company is currently studying two sectors of the Gaspé property: Haldimand, for the discovery already made in the Gaspé sandstones, and the northwest sector, called the Bourque project, where the subsurface could contain reservoirs in the Devonian reefs.



Pétrolia's interest: 100%

Back-in granted to Junex: 50% of Petrolia's interest

Characteristics:

- Discovery of light crude oil in the Pétrolia-Haldimand #1 well
- Most explored Gaspesian region: 7 boreholes since 1999
- Demonstrated oil and gas potential in the area
- Adequate regional seismic coverage

Exploration work recently performed

Soil geochemistry on the Haldimand field:

This rapid, inexpensive technique is complementary to the other exploration methods. It measures the amounts of light and heavy hydrocarbon residues in the soil that have migrated from an underground reservoir to the surface through the rock strata. It is therefore possible to determine the sites that may be located above underground reservoirs and to assess their extent.

Stratigraphic inversion study:

This method makes it possible to use the results of the seismic survey in order to determine the petrophysical characteristics of the reservoirs, such as porosity. The dimensions of the reservoir and its properties can therefore be measured where seismic lines are available.

Contract granted to the INRS-EET for a study of the parent rock potential of the York River Formation:

This study will make it possible to determine whether certain areas of the York River Formation contain enough organic material to generate hydrocarbons. It will also make it possible to determine whether the hydrocarbons are at a maturation stage conducive to oil production.

Reprocessing of vintage seismic lines:

Reprocessing makes it possible to look for a lot of new information on vintage lines. This makes it easier to establish the geometry of the subsurface layers, monitor certain geological horizons, and locate potential targets. The new seismic surveys can then be located on better defined objectives.

Field checks:

A drilling engineer ensured that the Le Ber #1 and Wakeham #1 drilling sites comply with the government requirements regarding safety on abandoned drilling sites.



Projected work

Haldimand project:

In 2008, once the joint operating agreement have been signed by all of the parties, Pétrolia should be involved in the development of the Haldimand oil field. In particular, new seismic surveys are expected to be performed in order to determine the field's geometry. The results will be used for the establishment of at least one confirmation borehole. These efforts will make it possible to validate the oil reserves with the available data (reserve certification study) and specify the magnitude of future development work.

Bourque project:

Pétrolia's technical team is to determine the acquisition parameters of a seismic survey planned for 2008. This new seismic survey is essential to better understand the distribution of the Devonian reefs in the subsurface, the main objective for this region. Along with this technical work, Pétrolia is looking for partners with whom it could work together on the exploration of this region.

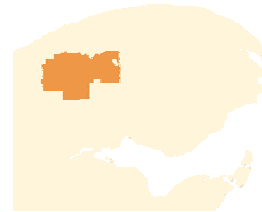
Gastonguay property:

Projected work

Work will need to be undertaken to assess the potential of this region, which has seen very little exploration. In an initial phase, a study of the thermal maturation will indicate whether the rocks are in areas conducive to generating and conserving hydrocarbons. If the results are encouraging, Pétrolia will move forward with a seismic program.

Gaspésia, Edgar and Marcel-Tremblay properties:

Before Pétrolia's arrival, these fields saw little exploration. However, the few seismic lines acquired by Pétrolia and the Department of Natural Resources and Wildlife make it possible to interpret the presence of oil targets in the subsurface. These profiles also show the presence of significant faults not appearing on the surface that could contain traps for the hydrocarbons.



Pétrolia's interest 100%

Characteristics: Variable regional seismic coverage calibrated with a borehole;

Work recently performed

Internal interpretation of the existing seismic survey:

Geologists were able to plot the subsurface sandstones and silurian limestones, which are the main objectives of this region. The seismic survey can also show structures that may contain hydrocarbons should the porous rocks observed on the surface extend into the subsurface. This interpretation was presented at Quebec 2007 last November.

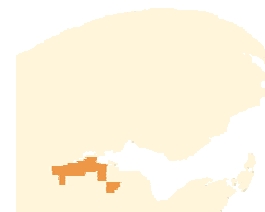
Projected work

During the next quarter, Pétrolia will develop a plan to acquire new seismic lines on Gaspésia in order to specify the targets to be drilled.



Dalhousie property:

Pétrolia is the first oil company to become involved in this region of New Brunswick. Recent studies on the organic matter show that it has potential for gas and oil.



Pétrolia's interest 100%

Characteristics:

- Very low level of regional exploration (no drilling or seismic survey to date)
- Area with oil and gas potential

Work recently performed

During the last quarter, Pétrolia had a gravimetric survey performed on this territory. This survey ensured that the structure observed on the surface continues into the subsurface. It will be used to guide future seismic surveys.

Projected work

The next step will be a 3-D model of potential fields and the acquisition of reconnaissance seismic profiles in order to determine the location of potential targets. These targets will then undergo more precise surveys and possibly drillings.

1.4 EFFECTIVENESS OF INFORMATION DISCLOSURE PROCEDURES AND CONTROLS

The President and Chief Executive Officer and the Vice President of Finance have designed or supervised the design of disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them, particularly during the period when the interim filings are being prepared. They have also designed or supervised the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for publication, in accordance with Canadian generally accepted accounting principles.

An assessment of the effectiveness of information disclosure procedures and controls was conducted on September 30, 2007, by the Company's officers, specifically the President and Chief Executive Officer and the Vice President of Finance, and under their supervision. Based on this assessment, these officers concluded that the design and implementation of these information disclosure controls and procedures were effective and provided reasonable assurance that material information regarding the Company would be made known to them by other members of the Company's staff on a timely basis.

1.5 OPERATING RESULTS AND CASH POSITION

During the first quarter, the Company's revenues were limited to gains of \$3,724 from the disposal of rolling stock and interest income of \$39,625 from short-term investments, compared to \$22,338 for the same quarter in 2006. The increased interest income is a result of greater short-term investments.



As at December 31, 2007, the Company had cash and cash equivalents of \$4,165,029, an increase of \$1,116,556 for the quarter. This change is explained mainly by receipts from share issuance in the amount of \$1,826,685.

As at December 31, 2007, working capital was positive at \$4,278,042, which will allow it to continue its exploration projects.

In accordance with research permits granted by the Quebec Department of Natural Resources and Wildlife and the New Brunswick Department of Natural Resources, the Company has agreed to pay fees in the amount of \$153,537 by 2012. In addition, the Company must perform work on its properties located in Quebec with minimum costs that vary according to the age of the permits. These costs correspond to \$0.50 per hectare for the permit's first year and increase annually by \$0.50, reaching \$2.50 per hectare starting with the fifth year.

The minimum amounts of work required by Quebec and New Brunswick are \$185,751 for fiscal year 2008, \$823,165 in 2009, \$249,259 in 2010, \$191,355 in 2011, and \$82,913 in 2012.

1.6 ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the quarter totalled \$147,590, compared to \$124,987 in 2006. The variance of \$22,603 between this quarter in 2007 and this quarter in 2006 was caused by fees attributable to the lower amount of exploration work of \$27,986. Expenses for shareholder information increased by \$11,555 due to TSX Venture Exchange fees.

1.7 SUMMARY OF QUARTERLY RESULTS

	2007				2006			
	December \$	September \$	June \$	March \$	December \$	September \$	June \$	March \$
Revenue	43,349	17,008	1,366	12,212	22,338	12,233	11,596	22,595
Net earnings (Net loss)	38,617	(192,054)	(390,336)	315,253	(102,649)	(122,458)	(105,935)	(195,831)
Net earnings (Net loss) per share and diluted per share	0.0013	(0.0066)	(0.0134)	0.109	(0.0036)	(0.0049)	(0.0047)	(0.0098)

Revenues are comprised of subsidies and earned interest for December 2007 and a gain on the disposal of rolling stock. General and administrative expenses are relatively stable from one quarter to the next. The main changes in quarterly losses or profit are explained as follows:

2006 – March: Recorded stock-based compensation in the amount of \$130,065

2007 – March: Gain of \$400,000 resulting from the recording of an investment at fair value

2007 – June: Recorded stock-based compensation of \$148,770 and an unrealized loss of \$150,000 on an investment, resulting from its presentation at its fair value held for trading

2007 - December Recorded an unrealized gain of \$110,000 on an investment, resulting from its presentation at its fair value held for trading



1.8 RELATED-PARTY TRANSACTIONS

During the quarter, a company (Géominex Inc.) in which one of Pétrolia's directors holds a minority interest billed the Company for deferred exploration expenses for a total of \$119,833 (2006 – \$110,759) and rent of \$2,100 (2006 – \$600). As at December 31, 2007, \$9,745 is due (2006 – \$53,571).

The Company shares administrative expenses with Ressources Appalaches, a company that has the same chief executive officer. It billed the Company for the following expenses:

	2007	2006
	\$	\$
Salaries and fringe benefits	46,704	53,051
Office supplies	900	1,980
Telecommunications	1,449	1,195

The sum of \$21,789 is due to this company as at December 31, 2007 (2006 – \$22,179).

In addition, Pétrolia was billed by a company (SEISSERV) whose principal shareholder is a Pétrolia director for deferred operating expenses totalling \$7,666 (2006 – \$2,798). The amount due as at December 31, 2007, is \$747 (2006 – \$2,798).

These operations occurred in the normal course of business and were transacted in a manner and in amounts that are fair and consistent with standard industry practices between arm's-length parties.

1.9 NEW ACCOUNTING STANDARDS

Readers are asked to refer to Note 2 of the financial statements for the first quarter 2007 in order to obtain a detailed description of the changes to the accounting standards.

1.10 RISKS AND UNCERTAINTY

For a description of the main risks to which the Company is exposed, readers are asked to refer to the interim financial statements for the quarter and the management report for the fiscal year ended September 30, 2007, available on SEDAR at www.sedar.com and on the Company's Web site at www.petroliagaz.com.

1.11 ADDITIONAL INFORMATION

a) Supplemental information

Certain supplemental informations, including prior management reports and press releases, are available online at www.sedar.com in the filed documents section, or on Pétrolia's website at www.petroliagaz.com.



b) Rule 51-102A – Section 5.3

Details of deferred exploration expenses for the three-month period ended December 31, 2007, are presented in the statement of deferred exploration expenses and in Note 4 in the Company's interim financial statements of the same date.

c) Rule 51-102A – Section 5.4

Information on shares issued, warrants, and stock options as at February 18, 2008:

Common shares: 34,185,054 common shares were issued, including 469,308 shares that have been escrowed, thus leaving 33,715,746 shares outstanding.

Warrants: Warrants can be exercised as follows:

- 1,750,000 shares at the price of \$1.00 per share until April 26, 2009
- 3,000,000 shares at the price of \$1.00 per share until July 10, 2009

Stock options: The stock options granted to its directors, members of senior management, employees, and service providers are as follows:

- 25,000 options exercisable at a price of \$0.60 per share until October 10, 2008
- 270,000 options exercisable at a price of \$0.40 per share until March 15, 2010
- 1,100,000 options exercisable at a price of \$0.40 per share until February 3, 2011
- 150,000 options exercisable at a price of \$0.58 per share until May 10, 2011
- 1,075,000 options exercisable at a price of \$0.40 per share until June 21, 2012

1.12 MANAGEMENT'S RESPONSIBILITY REGARDING FINANCIAL INFORMATION

The quarterly financial statements were prepared by management in accordance with Canadian generally accepted accounting principles and approved by the auditing committee. The financial statements contain certain amounts based on the use of estimations and judgments. Management determined these amounts in a reasonable manner in order to ensure that the financial statements are reliable in all material respects.

Rimouski, February 18, 2008

On behalf of the Board

(signed) *André Proulx*

André Proulx
President