



Leader en exploration pétrolière au Québec



## **SECOND QUARTER**

**Unaudited interim financial statements**

**For the three- and six-month periods  
ended March 31, 2008**





**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED MARCH 31, 2008**

**Declaration concerning the interim financial statements**

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

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



**BALANCE SHEET**

|   | As at March 31<br>2008<br>\$<br>(unaudited) | As at September 30<br>2007<br>\$<br>(audited) |
|---|---|---|
| <b>ASSETS</b>                                 |   |   |
| <b>Current assets</b>                         |   |   |
| Cash  | 231,209                                     | 48,473  |
| Short-term investments                        | 3,269,135                                   | 3,000,000                                     |
| Accounts receivable                           | 656,194                                     | 261,683                                       |
| Prepaid expenses                              | 15,909                                      | 117,763                                       |
|   | 4,172,447                                   | 3,427,919                                     |
| <b>Equity investments</b>                     | 830,000                                     | 565,000                                       |
| <b>Fixed Assets</b>                           | 110,333                                     | 67,147  |
| <b>Oil and Gas properties</b> (Note 3)        | 1,773,716                                   | 1,610,714                                     |
| <b>Deferred exploration expenses</b> (Note 4) | 7,718,351                                   | 7,066,177                                     |
|   | 14,604,847                                  | 12,736,957                                    |
| <b>LIABILITIES</b>                            |   |   |
| <b>Current liabilities</b>                    |   |   |
| Accounts payable                              | 301,400                                     | 315,976                                       |
| Current portion of long-term debt             | 20,795                                      | 11,694  |
|   | 322,195                                     | 327,670                                       |
| <b>Long-term debt</b>                         | 40,234                                      | 20,150  |
| <b>Future taxes</b>                           | 1,526,227                                   | 1,607,131                                     |
| <b>Deposit on shares to be issued</b>         | -   | 3,000,000                                     |
|   | 1,888,656                                   | 4,954,951                                     |
| <b>SHAREHOLDERS' EQUITY</b>                   |   |   |
| Capital stock (Note 7)                        | 12,456,330                                  | 7,728,400                                     |
| Contributed surplus – Stock options           | 912,142                                     | 636,968                                       |
| Contributed surplus – Expired stock options   | 195,946                                     | 195,901                                       |
| Deficit                                       | (848,227)                                   | (779,263)                                     |
|   | 12,716,191                                  | 7,782,006                                     |
|   | 14,604,847                                  | 12,736,957                                    |

On behalf of the Board

(signed) André Proulx  
Director

(signed) Clément Duchesne  
Director



**STATEMENT OF INCOME**

|  | <b>Periods ended March 31</b> |                       |                     |                     |
|--|-------------------------------|-----------------------|---------------------|---------------------|
|  | <b>2008</b>                   | <b>2007</b>           | <b>2008</b>         | <b>2007</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>   |                               |                       |                     |                     |
| Interest income  | 37,479                        | 12,212                | 77,103              | 34,550              |
| Gain on disposal of rolling stock                          | -                             | -                     | 3,724               | -                   |
|  | 37,479                        | 12,212                | 80,827              | 34,550              |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                 |                               |                       |                     |                     |
| Stock-based compensation                                   | 207,450                       | -                     | 207,450             | -                   |
| Salaries and fringe benefits                               | 84,187                        | 64,613                | 144,984             | 131,450             |
| Insurance  | 9,878                         | 9,789                 | 19,218              | 20,432              |
| Information to shareholders                                | 28,356                        | 11,029                | 43,154              | 14,272              |
| Promotion and entertainment                                | 1,917                         | 14,925                | 19,063              | 38,420              |
| Office supplies  | 10,329                        | 6,180                 | 14,094              | 10,854              |
| Governmental fees  | -                             | 2,319                 | -                   | 13,076              |
| Rent   | 12,456                        | 8,147                 | 25,053              | 16,810              |
| Professional fees  | 10,714                        | 3,837                 | 20,857              | 12,082              |
| Telecommunications   | 5,700                         | 4,232                 | 11,618              | 10,213              |
| Interest on loans  | 603                           | -                     | 944                 | -                   |
| Depreciation of tangible fixed assets                      | 8,905                         | 5,621                 | 15,262              | 11,124              |
| Costs attributable to exploration expenses                 | (22,624)                      | (2,284)               | (27,025)            | (34,671)            |
| Others   | 35,235                        | 8,262                 | 46,023              | 17,595              |
|  | 393,106                       | 136,670               | 540,695             | 261,657             |
| <b>EARNINGS (LOSS) BEFORE OTHER ITEM AND INCOME TAXES</b>  | (355,627)                     | (124,458)             | (459,868)           | (227,107)           |
| <b>OTHER ITEM</b>  |                               |                       |                     |                     |
| Unrealized gain on financial assets held for trading       | 200,000                       | 400,000               | 310,000             | 400,000             |
| <b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>                 | (155,627)                     | 275,542               | (149,868)           | 172,893             |
| Future income taxes  | (48,046)                      | (39,711)              | (80,904)            | (72,352)            |
| <b>NET EARNINGS (NET LOSS)</b>                             | (107,581)                     | 315,253               | (68,964)            | 245,245             |
| <b>BASIC AND DILUTED NET EARNINGS (NET LOSS) PER SHARE</b> | (0.0035)                      | 0.109                 | (0.0023)            | 0.0084              |

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



**STATEMENT OF SHAREHOLDERS' EQUITY**

|   | Capital Stock |            | Contributed surplus – Stock options | Contributed surplus – Expired stock options | Deficit   | Total      |
|---|---------------|------------|-------------------------------------|---|-----------|------------|
|   | Shares        | Amount     |                                     |   |           |            |
|   |               | \$         | \$                                  | \$  | \$        | \$         |
| <b>Audited balance as at September 30, 2006</b> | 28,548,649    | 7,379,827  | 450,057                             | 159,596                                     | (491,118) | 7,498,362  |
| <b>Issued during the year</b>                   |               |            |                                     |   |           |            |
| Warrants exercised                              | 104,500       | 61,675     | -                                   | -   | -         | 61,675     |
| Broker warrants exercised                       | 555,103       | 292,223    | (81,284)                            | -   | -         | 210,939    |
| <b>Share issuance costs</b>                     | -             | (5,325)    | -                                   | -   | -         | (5,325)    |
| <b>Other activities</b>                         |               |            |                                     |   |           |            |
| Stock-based compensation                        | -             | -          | 304,500                             | -   | -         | 304,500    |
| Expired stock options                           | -             | -          | (27,000)                            | 27,000                                      | -         | -          |
| Expired broker warrants                         | -             | -          | (9,305)                             | 9,305                                       | -         | -          |
| Net loss  | -             | -          | -                                   | -   | (288,145) | (288,145)  |
| <b>Audited balance as at September 30, 2007</b> | 29,208,252    | 7,728,400  | 636,968                             | 195,901                                     | (779,263) | 7,782,006  |
| <b>Issued during the period</b>                 |               |            |                                     |   |           |            |
| Cash  | 4,750,000     | 4,750,000  | -                                   | -   | -         | 4,750,000  |
| Broker warrants exercised                       | 201,802       | 106,716    | (30,031)                            | -   | -         | 76,685     |
| Stock options exercised                         | 25,000        | 16,750     | (6,750)                             | -   | -         | 10,000     |
| <b>Share issuance costs</b>                     | -             | (145,536)  | -                                   | -   | -         | (145,536)  |
| <b>Other activities</b>                         |               |            |                                     |   |           |            |
| Stock-based compensation                        | -             | -          | 312,000                             | -   | -         | 312,000    |
| Expired broker warrants                         | -             | -          | (45)                                | 45  | -         | -          |
| Net loss  | -             | -          | -                                   | -   | (68,964)  | (68,964)   |
| <b>Unaudited balance as at March 31, 2008</b>   | 34,185,054    | 12,456,330 | 912,142                             | 195,946                                     | (848,227) | 12,716,191 |

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**STATEMENT OF DEFERRED EXPLORATION EXPENSES**

|  | <b>Periods ended March 31</b>   |   |   |   |
|--|---|---|---|---|
|  | <b>2008</b><br><b>(three months)</b><br><b>\$</b><br><small>(unaudited)</small> | <b>2007</b><br><b>(three months)</b><br><b>\$</b><br><small>(unaudited)</small> | <b>2008</b><br><b>(six months)</b><br><b>\$</b><br><small>(unaudited)</small> | <b>2007</b><br><b>(six months)</b><br><b>\$</b><br><small>(unaudited)</small> |
| <b>EXPLORATION EXPENSES</b>                            |   |   |   |   |
| Analyses   | 6,622   | -   | 6,622   | 4,410   |
| Drilling   | 30,969  | 16,975  | 69,670  | 60,584  |
| Geology  | 123,362   | 49,448  | 218,998   | 145,091   |
| Geophysical surveys                                    | 488,627   | 13,707  | 500,995   | 937,165   |
| General supervision                                    | 22,624  | 2,285   | 27,025  | 34,671  |
| Stock-based compensation                               | 104,550   | -   | 104,550   | -   |
|  | 776,754   | 82,415  | 927,860   | 1,181,921   |
| <b>DEDUCTION</b>                                       |   |   |   |   |
| Exploration subsidies                                  | 275,686   | -   | 275,686   | -   |
| <b>INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD</b> | 501,068   | 82,415  | 652,174   | 1,181,921   |
| <b>BALANCE, BEGINNING OF PERIOD</b>                    | 7,217,283   | 6,671,069   | 7,066,177   | 5,571,563   |
| <b>BALANCE, END OF PERIOD</b>                          | 7,718,351   | 6,753,484   | 7,718,351   | 6,753,484   |



**STATEMENT OF CASH FLOWS**

|   | <b>Periods ended March 31</b>                      |  |  |  |
|---|--|--|--|--|
|   | <b>2008</b><br>(three months)<br>\$<br>(unaudited) | <b>2007</b><br>(three months)<br>\$<br>(unaudited) | <b>2008</b><br>(six months)<br>\$<br>(unaudited) | <b>2007</b><br>(six months)<br>\$<br>(unaudited) |
| <b>OPERATING ACTIVITIES</b>   |  |  |  |  |
| Net earnings (net loss)   | (107,581)  | 315,253  | (68,964)   | 245,245  |
| Items not affecting cash  |  |  |  |  |
| Depreciation of fixed assets  | 8,905  | 5,621  | 15,262   | 11,124   |
| Gain on disposal of rolling stock                                     | -  | -  | (3,724)  | -  |
| Stock-based compensation  | 207,450  | -  | 207,450  | -  |
| Future income taxes   | (48,046)   | (39,711)   | (80,904)   | (72,352)   |
| Unrealized gain on financial assets held for trading                  | (200,000)  | (400,000)  | (310,000)  | (400,000)  |
|   | (139,272)  | (118,837)  | (240,880)  | (215,983)  |
| Net change in non-cash operating working capital items                | 89,671   | (128,162)  | 58,965   | (24,624)   |
|   | (49,601)   | (246,999)  | (181,915)  | (240,607)  |
| <b>FINANCING ACTIVITIES</b>   |  |  |  |  |
| Acquisition of additional financing                                   | -  | -  | 37,889   | -  |
| Capital stock issuance  | 10,000   | -  | 1,836,685  | 264,419  |
| Share issuance costs  | (23,225)   | (16,385)   | (145,536)  | (50,107)   |
| Repayment of long-term debt   | (5,089)  | (2,842)  | (8,704)  | (5,667)  |
|   | (18,314)   | (19,227)   | 1,720,334  | 208,645  |
| <b>INVESTING ACTIVITIES</b>   |  |  |  |  |
| Acquisition of fixed assets   | -  | (4,085)  | (59,630)   | (9,994)  |
| Acquisition of oil and gas properties                                 | 81,491   | (22,739)   | (163,002)  | (22,739)   |
| Increase in deferred exploration expenses net of government subsidies | (723,261)  | (760,414)  | (913,822)  | (1,165,908)                                      |
| Disposal of rolling stock   | -  | -  | 4,906  | -  |
| Disposal of long-term investment                                      | 45,000   | -  | 45,000   | -  |
|   | (596,770)  | (787,238)  | (1,086,548)                                      | (1,198,641)                                      |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>               | (664,685)  | (1,053,464)  | 451,871  | (1,230,603)                                      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                 | 4,165,029  | 1,706,265  | 3,048,473  | 1,883,404  |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                       | 3,500,344  | 652,801  | 3,500,344  | 652,801  |
| <b>CASH AND CASH EQUIVALENTS OF THE COMPANY ARE AS FOLLOWS:</b>       |  |  |  |  |
| Cash  | 231,209  | 24,005   | 231,209  | 24,005   |
| Short-term investments  | 3,269,135  | 628,796  | 3,269,135  | 628,796  |
|   | 3,500,344  | 652,801  | 3,500,344  | 652,801  |



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**1) INTERIM FINANCIAL INFORMATION**

The financial information as at March 31, 2008, and for the periods ended on March 31, 2008, has not been audited. However, in Management's opinion, all the adjustments that are necessary to give a fair presentation of the results for these periods 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.

These 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 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 annual financial statements. These interim financial statements should therefore be read in parallel with the Company's most recent annual financial statements.

**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 2 of the Company's annual financial statements as at September 30, 2007, 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.

**Recent accounting changes**

The Company has adopted the following new standards 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, 2007:

**Financial instruments - Disclosures**

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure for evaluating the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section as well as section 3863, "Financial Instruments – Presentation", will replace section 3861, "Financial Instruments – Disclosures".

**Financial Instruments – Presentation**

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives.



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**2) SIGNIFICANT ACCOUNTING POLICES (continued)**

Capital Disclosures

Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, as well as the quantitative data used to calculate capital. The section seeks to determine whether the entity has complied with capital requirements and, if not, the consequences of such non-compliance.

The additional information required by the adoption of these standards is presented in notes 5 and 6.

**Future accounting changes**

The CICA modified section 1400, "General Standards of Financial Statement Presentation", which apply for interim periods beginning October 1, 2008, in order to include the criteria for determining and presenting the company's ability to continue as a going concern (going-concern assumption). The adoption of this new section will have no significant impact on the financial statements.

**3) OIL AND GAS PROPERTIES**

|                      | <b>March 31, 2008</b> | <b>September 30, 2007</b> |
|----------------------|-----------------------|---------------------------|
|                      | \$                    | \$                        |
|                      | (unaudited)           | (audited)                 |
| <b>Quebec</b>        |                       |                           |
| Edgar                | 15,003                | 10,002                    |
| Gaspésia             | 188,660               | 188,660                   |
| Gaspé and Gastonguay | 1,449,446             | 1,386,107                 |
| Marcel Tremblay      | 3,317                 | 4,746                     |
| Anticosti            | 96,091                | -                         |
| <b>New Brunswick</b> |                       |                           |
| Dalhousie            | 21,199                | 21,199                    |
|                      | <b>1,773,716</b>      | <b>1,610,714</b>          |

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



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**4) DEFERRED EXPLORATION EXPENSES**

|                         | <b>September 30, 2007</b> | <b>Additions</b> | <b>March 31, 2008</b> |
|-------------------------|---------------------------|------------------|-----------------------|
|                         | \$                        | \$               | \$                    |
|                         | (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>      |
|                         |                           |                  |                       |
|                         | <b>September 30, 2006</b> | <b>Additions</b> | <b>March 31, 2007</b> |
|                         | \$                        | \$               | \$                    |
|                         | (audited)                 |                  | (unaudited)           |
| <b>Quebec</b>           |                           |                  |                       |
| Edgar                   | 2,196                     | 175,703          | 177,899               |
| Gaspésia                | 1,469,658                 | 893,412          | 2,363,070             |
| Gaspé and Gastonguay    | 4,029,616                 | 106,076          | 4,135,692             |
| Saint-Simon             | 102,564                   | 143              | 102,707               |
| <b>New Brunswick</b>    |                           |                  |                       |
| Dalhousie               | -                         | 6,587            | 6,587                 |
|                         | <u>5,604,034</u>          | <u>1,181,921</u> | <u>6,785,955</u>      |
| Less:                   |                           |                  |                       |
| Exploration subsidies – |                           |                  |                       |
| Gaspésia                | 32,471                    | -                | 32,471                |
|                         | <u>5,571,563</u>          | <u>1,181,921</u> | <u>6,753,484</u>      |



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**5) FINANCIAL INSTRUMENTS**

**Risk management policy**

The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of the risks as at March 31, 2008, the date of the balance sheet.

**Credit risk**

The financial instruments that could subject the Company to a credit risk are mainly comprised of cash and cash equivalents and accounts receivable. The cash and cash equivalents are held or issued by top-rated financial institutions. Management therefore feels that the risk of non-execution with these instruments is very minimal.

**Liquidity risk**

Liquidity risks are the risks that the Company would be unable to cope with its financial obligations at the required times or could only do so at excessive cost. The Company finances its growth through the issuance of shares. One of management's main financial objectives is to maintain an optimal level of liquidities by actively managing the exploration work to be performed. Considering the liquid resources at the Company's disposal, management feels that the liquidity risks to which the Company is exposed are low.

**Interest rate risk**

The Company's exposure to interest rate risk is summarized as follows:

|   |                                     |
|---|-------------------------------------|
| Cash and cash equivalents                       | Non-interest bearing and fixed rate |
| Accounts receivable                             | Non-interest bearing                |
| Excess of outstanding cheques over bank balance | Non-interest bearing                |
| Accounts payable and expenses                   | Non-interest bearing                |
| Long-term debt                                  | Fixed rates of 2.5% and 4.7%        |



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

**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**5) FINANCIAL INSTRUMENTS (Continued)**

**Market risk**

Market risk is the risk that the fair value of the investment held for trading would fluctuate due to market price variations. Market risk includes three types of risk: exchange risk, interest rate risk, and other price risk.

**6) INFORMATION REGARDING CAPITAL**

In its capital management operations, the Company's objectives are to:

- Maintain financial flexibility in order to preserve its capacity to meet its financial commitments, including its potential obligations resulting from additional acquisitions
- Maintain a capital structure allowing the Company to encourage the financing of a its growth strategy
- Optimize the use of its capital in order to offer its shareholders a good return on their investment

The Company defines its capital as follows:

- Equity capital
- Long-term debt, including the short-term portion
- Cash and cash equivalents

The Company's financial strategy is developed and adapted based on market conditions in order to maintain a flexible capital structure in compliance with the aforementioned objectives and to respond to the characteristics of the risks linked to the underlying assets. In order to maintain its capital structure, the Company, being in its early stages, is required to issue new shares.

During the quarter, the Company followed the same strategy as during the corresponding quarter of the prior fiscal year.

The Company is currently meeting all of its financial commitments.



**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**7) CAPITAL STOCK**

**Stock-based compensation**

The Company has a Stock Option plan under which it can grant options up to 10% of its issued and outstanding shares to its directors, officers, key employees, and suppliers on a continuous basis. The exercise price of each option corresponds to the market price of the underlying stock on the date on which the option was granted. The maximum term of granted options may not exceed five years, and they may be exercised at any time during their term. The maximum number of shares that can be granted to any individual beneficiary is 5% of the total number of issued and outstanding shares as at the grant date minus the number of shares already reserved for issuance to that beneficiary for any other stock option.

During the quarter, the Company granted stock options with exercise prices that correspond to the market price of the stock on their grant date. The fair value of each option is calculated according to the Black-Scholes option pricing model, using the following assumptions:

|                                | <b>Stock options</b><br><b>February and March</b><br><b>2008</b> |
|--------------------------------|--|
| Risk-free interest rate        | 5.75 %   |
| Expected volatility            | 80 %   |
| Weighted expected life (years) | 5  |
| Dividend yield                 | None   |

Accordingly, the stock-based compensation cost was recorded as follows:

|                               |           |
|-------------------------------|-----------|
| Statement of Income           | \$207,450 |
| Deferred exploration expenses | \$104,550 |

The weighted average of the fair values of the stock options as at the grant date is \$0.61.

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**ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS**  
**March 31, 2008**

**7) CAPITAL STOCK (Continued)**

The following table summarizes the outstanding stock options:

|   | <b>Number of options<br/>outstanding</b> | <b>Weighted average<br/>exercise price<br/>\$</b> |
|---|--|---|
|   | (unaudited)                              | (unaudited)                                       |
| Outstanding and exercisable, as at September 30, 2007 | 2,645,000                                | 0.41  |
| Granted   | 750,000                                  | 0.60  |
| Exercised   | (25,000)                                 | 0.40  |
| Outstanding and exercisable, as at March 31, 2008     | 3,370,000                                | 0.45  |