



Leader en exploration pétrolière au Québec



THIRD QUARTER

Unaudited interim financial statements

**For the three and nine months ended
June 30, 2007**





UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
JUNE 30, 2007

Declaration concerning the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at June 30, 2007, as well as the statements of income, shareholders' equity, deferred exploration expenses, and cash flows for the three and nine months ending on June 30, 2007. No external auditors' firm examined or verified these interim financial statements.



BALANCE SHEET

	As at June 30, 2007	As at September 30, 2006
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash	38,997	212,862
Short-term investments	329,320	1,670,542
Accounts receivable	109,580	131,294
Prepaid expenses	13,366	158,200
	491,263	2,172,898
Investment	600,000	100,000
Fixed Assets	54,692	60,593
Oil and Gas properties (Note 4)	1,595,744	1,521,633
Deferred exploration expenses (Note 5)	7,014,289	5,571,563
	9,755,988	9,426,687
LIABILITIES		
Current liabilities		
Accounts payable	188,984	371,704
Long-term debt falling due during the year	11,621	11,405
	200,605	383,109
Long-term debt	23,101	31,845
Future taxes	1,578,277	1,682,471
	1,801,983	2,097,425
SHAREHOLDERS' EQUITY		
Capital Stock	7,676,372	7,379,827
Contributed surplus – Options	637,041	450,057
Contributed surplus – Options expired	195,901	159,596
Deficit	(555,309)	(660,218)
	7,954,005	7,329,262
	9,755,988	9,426,687
On behalf of the Board		
<u>(signed) André Proulx</u>	<u>(signed) Clément Duchesne</u>	
Director	Director	



STATEMENT OF INCOME

	Periods ended June 30			
	2007 (three months) \$	2006 (three months) \$	2007 (nine months) \$	2006 (nine months) \$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Interest income	1,366	11,596	35,916	44,120
GENERAL AND ADMINISTRATIVE EXPENSES				
Stock-based compensation	148,770	31,500	148,770	161,565
Salaries - Officers	41,917	22,550	108,792	63,600
Salaries and fringe benefits	26,328	24,864	90,903	76,309
Insurance	10,624	11,157	31,056	20,675
Information to shareholders	3,544	4,219	17,816	18,921
Promotion and entertainment	13,710	19,010	52,131	39,583
Office supplies	1,692	6,533	12,546	12,935
Governmental fees	-	19,025	13,076	35,734
Rent	8,789	7,884	25,599	16,634
Professional fees	745	1,232	12,828	7,487
Telecommunications	4,961	3,249	15,175	7,475
Depreciation of deferred expenses	-	2,625	-	7,875
Depreciation of fixed assets	5,929	2,389	17,053	3,889
Costs attributable to exploration expenses	(2,983)	(9,535)	(37,654)	(50,147)
Others	9,518	13,928	27,110	20,151
	273,544	160,630	535,201	442,686
OTHER ITEMS				
Loss (gain) resulting from the valuation of an investment at fair value	150,000	-	(300,000)	-
	423,544	160,630	235,201	442,686
LOSS BEFORE INCOME TAXES	(422,178)	(149,034)	(199,285)	(398,566)
Future income taxes	(31,842)	(43,099)	(104,194)	(43,099)
NET LOSS	(390,336)	(105,935)	(95,091)	(355,467)
BASIC AND DILUTED NET LOSS PER SHARE	(0.0134)	(0.0047)	(0.0033)	(0.0159)

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				
		\$	\$	\$	\$	\$
Audited balance as at September 30, 2005	17,555,107	4,514,532	140,701	16,827	(182,293)	4,489,767
Issued during period						
Cash	10,818,542	4,646,672	-	-	-	4,646,672
In payment of a loan	25,000	9,000	-	-	-	9,000
Broker warrants exercised	150,000	78,324	(19,324)	-	-	59,000
Share issuing costs						
Future taxes	-	(1,299,448)	-	-	-	(1,299,448)
Other share issuing costs	-	(569,253)	-	-	-	(569,253)
Other activities						
Stock-based compensation	-	-	471,449	-	-	471,449
Expired stock options	-	-	(142,769)	142,769	-	-
Net loss	-	-	-	-	(477,925)	(477,925)
Audited balance as at September 30, 2006	28,548,649	7,379,827	450,057	159,596	(660,218)	7,329,262
Modification of accounting policies (Note 3)	-	-	-	-	200,000	200,000
Restated balance as at October 1, 2006	28,548,649	7,379,827	450,057	159,596	(460,218)	7,529,262
Issued during period						
Warrants exercised	104,500	61,675	-	-	-	61,675
Broker warrants exercised	554,603	291,960	(81,211)	-	-	210,749
Share issuing costs	-	(57,090)	-	-	-	(57,090)
Other activities						
Stock-based compensation	-	-	304,500	-	-	304,500
Expired stock options	-	-	(27,000)	27,000	-	-
Expired broker warrants	-	-	(9,305)	9,305	-	-
Net loss	-	-	-	-	(95,091)	(95,091)
Balance as at June 30, 2007	29,207,752	7,676,372	637,041	195,901	(555,309)	7,954,005



STATEMENT OF DEFERRED EXPLORATION EXPENSES

	Periods ended June 30			
	2007 (three months) \$ (unaudited)	2006 (three months) \$ (unaudited)	2007 (nine months) \$ (unaudited)	2006 (nine months) \$ (unaudited)
EXPLORATION EXPENSES				
Analyses	-	-	4,410	-
Drilling	15,652	288,003	76,236	2,689,936
Geology	66,679	14,720	211,770	42,777
Geophysical surveys	19,761	15,110	956,926	154,905
General exploration expenses	2,983	9,536	37,654	50,147
Stock-based compensation	155,730	40,500	155,730	189,835
INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD				
	260,805	367,869	1,442,726	3,127,600
BALANCE, BEGINNING OF PERIOD / YEAR				
	6,753,484	5,018,616	5,571,563	2,258,885
BALANCE, END OF PERIOD				
	7,014,289	5,386,485	7,014,289	5,386,485

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF CASH FLOWS

	Periods ended June 30			
	2007	2006	2007	2006
	(three months)	(three months)	(nine months)	(nine months)
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES				
Net loss	(390,336)	(105,935)	(95,091)	(355,467)
Items not affecting cash				
Depreciation of fixed assets	5,929	5,014	17,053	11,764
Stock-based compensation	148,770	31,500	148,770	161,565
Future income taxes	(31,842)	(43,099)	(104,194)	(43,099)
Loss (gain) resulting from the valuation of investment at fair value	150,000	-	(300,000)	-
	(117,479)	(112,520)	(333,462)	(225,237)
Net change in non-cash operating items	82,359	112,811	57,736	77,602
	(35,120)	291	(275,726)	(147,635)
FINANCING ACTIVITIES				
Additional financing obtained	-	46,935	-	46,935
Capital stock issuance	8,005	891,112	272,424	4,694,272
Share issuing costs	(6,982)	(28,762)	(57,090)	(476,407)
Refund of the long-term debt	(2,861)	(878)	(8,528)	(878)
	(1,838)	908,407	206,806	4,263,922
INVESTING ACTIVITIES				
Acquisition of fixed assets	(1,158)	(58,218)	(11,152)	(59,913)
Acquisition of oil and gas properties	(51,372)	(23,903)	(74,111)	(83,243)
Increase in deferred exploration expenses	(194,996)	(531,537)	(1,360,904)	(3,116,437)
	(247,526)	(613,658)	(1,446,167)	(3,259,593)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(284,484)	295,040	(1,515,087)	856,694
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	652,801	2,174,092	1,883,404	1,612,438
CASH AND CASH EQUIVALENTS, END OF PERIOD	368,317	2,469,132	368,317	2,469,132
CASH AND CASH EQUIVALENTS OF THE COMPANY ARE AS FOLLOWS:				
Cash	38,997	808,267	38,997	808,267
Short-term investments	329,320	1,660,865	329,320	1,660,865
	368,317	2,469,132	368,317	2,469,132



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2007

1) INTERIM FINANCIAL INFORMATION

The financial information as at June 30, 2007, and for the periods ending on June 30, 2007, 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, except with regard to the new accounting standards mentioned in Note 2. However, they do not include all of the information that must be provided in an annual financial statement. These unaudited interim financial statements should therefore be read in parallel with the Company's most recent audited annual financial statements.

2) NEW ACCOUNTING STANDARDS

Accounting modifications

The Canadian Institute of Chartered Accountants (CICA) modified section 1506 entitled "Accounting modifications", which now stipulates that a) an entity should only change accounting methods voluntarily if the change results in financial statements that provide reliable and more relevant information, b) accounting method changes must be accompanied by information regarding the figures of the previous periods and the reason for the change, c) in the case of estimation changes, information on the nature of the change and the amount must be provided. On October 1, 2006, the Company adopted these new recommendations, which had no effect on its interim financial statements.

Financial instruments

The CICA issued new accounting standards related to financial instruments: a) section 1530 "Comprehensive Income", which introduces a new requirement regarding the temporary exclusion of certain types of gains and losses of net earnings, b) section 3855 "Financial Instruments - Recognition and Measurement", which stipulates when an entity must record a financial asset, a financial liability, or a non-financial derivative instrument in its balance sheet and whether the recording of included amounts must be based on the fair value or the costs and also specifies how to present the gains and losses on financial instruments, c) section 3865 "Hedges", which describes when and how hedge accounting can be used. On October 1, 2006, the Company adopted these new recommendations and now considers its temporary investments as financial assets held for trading and records them at the fair value that corresponds to their cost, given their short-term maturity. The Company also considers the long-term investment a financial asset held for trading and records it at the fair value.

Pétrolia Inc.
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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2007

3) MODIFICATION OF ACCOUNTING POLICIES

The Company has retroactively adopted the recommendations of section 3855 of the "Canadian Institute of Chartered Accountants Handbook" regarding the recording of its long-term investment at the fair value.

This modification has been applied retroactively but without adjustment to the figures of previous fiscal years. The balance of the deficit as at October 1, 2006, was reduced for an amount of \$200,000.

4) OIL AND GAS PROPERTIES

	June 30, 2007	September 30, 2006
	\$	\$
	(unaudited)	(audited)
Edgar	10,002	5,001
Gaspésia	188,660	119,550
Gaspé and Gastonguay	1,386,107	1,386,107
Dalhousie (New Brunswick)	10,975	10,975
	1,595,744	1,521,633

5) DEFERRED EXPLORATION EXPENSES

	September 30, 2006	Additions	June 30, 2007
	\$	\$	\$
	(audited)		(unaudited)
Edgar	2,196	190,820	193,016
Gaspésia	1,469,658	963,364	2,433,022
Gaspé and Gastonguay	4,029,616	270,278	4,299,894
Saint-Simon	102,564	143	102,707
Dalhousie (New Brunswick)	-	18,121	18,121
	5,604,034	1,442,726	7,046,760
Less:			
Exploration subsidies - Gaspésia	32,471	-	32,471
	5,571,563	1,442,726	7,014,289

Pétrolia Inc.
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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2007

5) DEFERRED EXPLORATION EXPENSES (continued)

	September 30, 2005	Additions	June 30, 2006
	\$	\$	\$
	(audited)		(unaudited)
Edgar	-	2,196	2,196
Gaspésia	1,482,122	53,572	1,535,694
Gaspé and Gastonguay	806,746	3,071,756	3,878,502
Saint-Simon	2,488	76	2,564
	2,291,356	3,127,600	5,418,956
Less:			
Exploration subsidies - Gaspésia	32,471	-	32,471
	2,258,885	3,127,600	5,386,485