



Leader en exploration pétrolière au Québec



THIRD QUARTER

Unaudited interim
financial statements

as at June 30, 2011



UNAUDITED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
JUNE 30, 2011**

Declaration Concerning the Interim Financial Statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at June 30, 2011, as well as the statements of income and comprehensive income, shareholders equity, deferred exploration expenses, and cash flows for the three-month and nine-month periods ended on June 30, 2011. No external auditors firm examined or verified these interim financial statements

Pétrolia inc.
(Oil and gas exploration company)

BALANCE SHEET

	As at June 30 2011 \$	As at September 30 2010 \$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents	5,690,762	1,949,055
Receivables (Note 3)	3,628,483	2,920,900
Advance on exploration work	54,374	70,372
Inventories	67,248	-
Investments cashable during the next fiscal year	754,331	754,331
	10,195,198	5,694,658
Fixed assets	690,295	213,159
Oil and gas properties (Note 4)	3,158,029	3,852,629
Deferred exploration expenses (Note 5)	22,361,030	21,234,411
	36,404,552	30,994,857
LIABILITIES		
Current liabilities		
Payables and accrued expenses	1,361,776	822,339
Loan (Note 6)	2,243,310	2,243,310
	3,605,086	3,065,649
Future taxes	2,442,437	1,323,583
	6,047,523	4,389,232
SHAREHOLDERS EQUITY		
Capital stock (Note 7)	29,244,780	28,288,874
Contributed surplus ó Stock options	1,371,762	1,300,615
Contributed surplus ó Expired stock options	903,797	783,366
Deficit	(1,163,310)	(3,767,230)
	30,357,029	26,605,625
	36,404,552	30,994,857

On behalf of the Board

Director

Director

Pétrolia inc.
(Oil and gas exploration company)

STATEMENT OF INCOME AND COMPREHENSIVE INCOME (unaudited)

	Periods ended June 30			
	2011	2010	2011	2010
	(three-month)	(three-month)	(nine-month)	(nine-month)
	\$	\$	\$	\$
REVENUE				
Project income	17,708	-	17,708	1,781
Interest income	33,665	7,345	85,574	18,834
	51,373	7,345	103,282	20,615
OPERATING EXPENSES				
Administrative expenses (Appendix A)	611,614	382,287	1,666,615	1,257,207
Operating expenses (Appendix B)	-	-	-	-
	611,614	382,287	1,666,615	1,257,207
LOSS BEFORE OTHER ITEMS AND INCOME TAXES				
	(560,241)	(374,942)	(1,563,333)	(1,236,592)
OTHER ITEMS				
Gain on disposal of shares	-	-	-	439,597
Gain on disposal of interest in certain licenses (net of tax)	(71,851)	-	3,784,853	-
Gain on disposal of shares Unrealized loss on financial assets held for trading	-	-	-	(499,200)
EARNINGS (LOSS) BEFORE INCOME TAXES				
	(632,092)	(374,942)	2,221,520	(1,296,195)
Future income taxes	(143,456)	(96,998)	(382,400)	(224,293)
NET EARNINGS (NET LOSS) AND COMPREHENSIVE INCOME				
	(488,636)	(277,944)	2,603,920	(1,071,902)
BASIC NET EARNINGS (NET LOSS) PER SHARE				
	(0.010)	(0.006)	0.052	(0.023)
DILUTED NET EARNINGS (NET LOSS) PER SHARE				
	(0.009)	-	0.046	-

Pétrolia inc.
(Oil and gas exploration company)

STATEMENT OF SHAREHOLDERS EQUITY

	Capital stock		Contributed surplus		Deficit	Total
	Number	\$	Stock options	Expired stock options		
		\$	\$	\$	\$	\$
Audited balance as at September 30, 2009	40,914,219	21,674,783	1,957,120	225,721	(2,408,701)	21,448,923
Issued during the period						
Cash	7,960,568	7,129,910	-	-	-	7,129,910
Stock options exercised	1,192,500	806,585	(289,585)	-	-	517,000
Share issuance costs						
Future taxes	-	(1,032,307)	-	-	-	(1,032,307)
Other	-	(478,094)	-	-	-	(478,094)
Other activities						
Stock-based compensation	-	-	183,600	-	-	183,600
Expired stock options	-	-	(162,675)	162,675	-	-
Expired warrants	-	-	(394,970)	394,970	-	-
Net loss	-	-	-	-	(1,028,472)	(1,028,472)
Unaudited balance as at June 30, 2010	50,067,287	28,100,877	1,293,490	783,366	(3,437,173)	26,740,560
Unaudited balance as at September 30, 2010	50,067,287	28,288,874	1,300,615	783,366	(3,767,230)	26,605,625
Issued during the period						
Debt retirement	75,000	33,750	-	-	-	33,750
Warrants exercised	538,971	595,662	-	-	-	595,662
Stock options exercised	398,750	326,746	(123,372)	-	-	203,375
Share issuance costs						
Future taxes	-	-	-	-	-	-
Other	-	(252)	-	-	-	(252)
Stock-based compensation	-	-	314,950	-	-	314,950
Expired stock options	-	-	(120,431)	120,431	-	-
Net earnings	-	-	-	-	2,603,920	2,603,920

Unaudited balance as at June 30, 2011	51,080,008	29,244,780	1,371,762	903,797	(1,163,310)	30,357,029
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Pétrolia inc.
(Oil and gas exploration company)

STATEMENT OF DEFERRED EXPLORATION EXPENSES (unaudited)

	Periods ended June 30			
	2011	2010	2011	2010
	(three-month) \$	(three-month) \$	(nine-month) \$	(nine-month) \$
EXPLORATION EXPENSES				
Analysis	602	1,206	1,771	1,206
Evaluation of oil reserves	72,445	6,597	206,758	8,715
Drilling	93,822	165,634	1,039,677	4,632,433
General exploration expenses	47,191	1,616	149,433	10,306
Geology	190,775	101,430	449,748	365,272
Geophysical survey	36,874	29,527	220,375	159,395
Completion	2,214	549,895	59,500	2,682,927
Evaluation of resources	55,142	-	55,142	-
Stock-based compensation	7,125	-	41,325	-
	506,190	855,905	2,223,729	7,860,254
LESS:				
Property swap	-	825,295	-	825,295
Revenue from evaluation of oil reserves	26,898	39,997	71,119	52,145
Exploration subsidies	63,979	446,874	412,521	1,467,716
Partner contributions	295,050	2,929	613,470	180,989
	385,927	1,315,095	1,097,110	2,526,145
INCREASE IN EXPLORATION EXPENSES FOR THE PERIOD				
	120,263	(459,190)	1,126,619	5,334,109
BALANCE, BEGINNING OF PERIOD	22,240,767	19,139,602	21,234,411	13,346,303
BALANCE, END OF PERIOD	22,361,030	18,680,412	22,361,030	18,680,412

Pétrolia inc.
(Oil and gas exploration company)

STATEMENT OF CASH FLOWS (unaudited)

	Periods ended June 30			
	2011	2010	2011	2010
	(three-month) \$	(three-month) \$	(nine-month) \$	(nine-month) \$
OPERATING ACTIVITIES				
Net loss	(488,636)	(277,944)	2,603,920	(1,071,902)
Items not affecting cash				
Depreciation of fixed assets	29,810	22,852	60,591	56,392
Future income taxes	(143,456)	(96,998)	(382,400)	(224,293)
Stock-based compensation	160,750	-	273,625	183,600
Gain on disposal of interest in certain licenses (net of tax)	71,851	-	(3,784,853)	-
Gain on disposal of shares	-	-	-	(439,597)
Unrealized loss on financial assets held for trading	-	-	-	499,200
	(369,681)	(352,090)	(1,229,117)	(996,600)
Net change in non-cash operating items	(320,187)	(304,077)	(304,060)	(487,157)
	(689,868)	(656,167)	(1,533,177)	(1,483,757)
FINANCING ACTIVITIES				
Capital stock issuance	615,287	-	832,786	7,646,910
Share issuance costs	-	50	(252)	(478,094)
	615,287	50	832,534	7,168,816
INVESTING ACTIVITIES				
Disposal of shares	-	-	-	535,597
Acquisition of fixed assets	(280,162)	(15,240)	(398,041)	(131,967)
Disposal of interest in certain licenses	-	-	6,690,000	-
Expenses for disposal of interest in certain licenses	(100,350)	-	(597,832)	-
Acquisition of oil and gas properties	(87,508)	-	(111,460)	(676,501)
Increase in deferred exploration expenses net of deductions	120,710	388,287	(1,140,317)	(6,439,335)
	(347,310)	373,047	4,442,350	(6,712,206)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(421,891)	(283,070)	3,741,707	(1,027,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,112,653	4,089,007	1,949,055	4,833,084
CASH AND CASH EQUIVALENTS, END OF PERIOD	5,690,762	3,805,937	5,690,762	3,805,937
CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:				
Cash	505,483	365,202	505,483	365,202
Guaranteed investment certificates (redeemable)	5,184,279	-	5,184,279	-
Money market funds	1,000	3,440,735	1,000	3,440,735

Pétrolia inc
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

1. 1. INCORPORATING ACTS AND TYPES OF ACTIVITIES

The Company, incorporated under the Quebec *Business Corporations Act*, is an oil and gas exploration company whose shares have been traded on the TSX Venture Exchange since February 16, 2005 under the symbol PEA.

The Company is currently exploring its oil and gas properties, and its long-term profitability is in part dependent on the costs and success of its exploration programs and subsequent development. The Company has not yet established whether its properties include economically feasible reserves.

2. PRESENTATION OF FINANCIAL STATEMENTS

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, 2010, except for the accounting policy pertaining to inventories which is set out in this section. 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.

Certain comparative figures have been reclassified so as to comply with the presentation adopted during fiscal 2011.

Accounting policy pertaining to inventories

Inventories are valued using the retail price inventory method. This method involves evaluating each of the items at the current sales price and reducing the amounts obtained using the mark-up percentages for each of the categories involved.

Pétrolia inc
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
As at June 30, 2011

3. RECEIVABLES

	2011	2010
	\$	\$
Partner	180,596	-
Input tax credits	74,021	24,210
Tax credits receivable	3,229,363	2,816,842
Interest receivable	82,345	2,512
Other	62,158	77,336
	3,628,483	2,920,900

The tax credits refer to request that have not yet been examined by the tax authorities.

4. OIL AND GAS PROPERTIES

	June 30, 2011	September 30, 2010
	\$	\$
	(unaudited)	(audited)
Quebec		
Anticosti	315,014	259,970
Gastonguay	638,497	638,497
Gaspésia- Edgar- Marcel -Tremblay	382,915	382,915
Gaspé ¹	1,674,766	2,427,941
New Brunswick		
Dalhousie	146,837	143,306
	3,158,029	3,852,629

⁽¹⁾ On December 20, 2010, the Company sold 50% of the Haldimand discovery, as well as 50% of the 13 out of 20 associated licenses, for a cash amount of \$6,690,000. Exploration activities valued at \$8,500,000 will be carried out over the next two years.

Pétrolia inc
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

5. DEFERRED EXPLORATION EXPENSES

	September 30 2010	Additions	June 30, 2011
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	5,305,277	925,298	6,230,575
Gastonguay	73,473	1,154	74,627
Gaspésia-Edgar-Marcel-Tremblay	3,531,433	118,750	3,650,183
Gaspé	2,264,806	149,288	2,414,094
Bourque project	3,580,147	39,835	3,619,982
Haldimand project	9,383,853	784,324	10,168,177
Tar Point No. 1 project	4,699,028	186,732	4,885,760
New Brunswick			
Dalhousie	1,111,708	18,349	1,130,057
	29,949,725	2,223,730	32,173,455
Less:			
Exploration subsidies and partner contributions:			
Anticosti	1,930,632	271,200	2,201,832
Gastonguay	18,415	403	18,818
Gaspésia-Edgar-Marcel-Tremblay	341,818	47,717	389,535
Gaspé	483,228	47,457	530,685
Bourque project	3,027,548	16,053	3,043,601
Haldimand project	2,170,519	519,306	2,689,825
Tar Point No. 1 project	626,494	123,856	750,350
Dalhousie	6,922	-	6,922
	8,605,576	1,025,992	9,631,568
Income from evaluation of oil reserves:			
Gaspé			
Haldimand project	109,738	71,119	180,857
	109,738	71,119	180,857
	21,234,411	1,126,619	22,361,030

Pétrolia inc
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

5. DEFERRED EXPLORATION EXPENSES (continued)

	September 30, 2009	Additions	Swa0	June 30, 2010
	\$	\$	\$	\$
	(audited)	(unaudited)	(unaudited)	(unaudited)
Quebec				
Anticosti	1,344,024	156,010	-	1,500,034
Gastonguay	46,502	9,483	-	55,985
Gaspésia-Edgar-Marcel-Tremblay	3,475,534	26,493	-	3,502,027
Gaspé	2,875,327	62,738	(728,799)	2,209,266
Bourque project	3,364,231	215,424	-	3,579,655
Haldimand project	6,331,201	2,761,411	-	9,092,612
Tar Point No. 1 project	177,140	4,604,150	-	4,781,290
Others	102,707	-	(102,707)	-
New Brunswick				
Dalhousie	1,085,303	24,545	-	1,109,848
	18,801,969	7,860,254	(831,506)	25,830,717
Less:				
Exploration subsidies and partner contributions:				
Anticosti	442,611	54,132	-	496,743
Gastonguay	10,683	1,611	-	12,294
Gaspésia-Edgar-Marcel-Tremblay	325,194	6,331	-	331,525
Gaspé	462,824	7,459	(6,211)	464,072
Bourque project	2,844,231	183,145	-	3,027,376
Haldimand project	1,301,186	874,930	-	2,176,116
Tar Point No. 1 project	62,015	521,097	-	583,112
New Brunswick				
Dalhousie	6,922	-	-	6,922
	5,455,666	1,648,705	(6,211)	7,098,160
Income from evaluation of oil reserves:				
Gaspé				
Haldimand project	-	52,145	-	52,145
	-	52,145	-	52,145
	13,346,303	6,159,404	(825,295)	18,680,412



Pétrolia inc.
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

6. LOANS

The Company has a bank loan for an authorized amount of \$2,500,000, \$2,243,310 of which is in use as at June 30, 2011, bearing interest at the Caisse centrale Desjardins prime rate plus 1%. The bank loan is secured with a \$2,500,000 mortgage on the universality of the Company's current and future claims and receivables, with a first charge on refundable tax credits and future tax credits, as well as an 80% surety from Investissement Québec. The principal must be repaid during the fiscal year.

7. CAPITAL STOCK

Authorized

Unlimited number of common, participating, voting, and no par value shares.

Issued

51,080,008 common shares

Stock-Based Compensation Costs

The Company has a Stock Option plan that allows it to grant a maximum of 10% of the shares issued to its directors, officers, key employees, and suppliers on a continuous basis. The exercise price of each option corresponds to the market price or discounted market price on the day before the option was granted. Granted options cannot last more than five years. Rights are acquired upon the granting of the options for directors, and over a period of three years for other participants.

During the period, the Company granted stock options, with the fair value of each allocated option calculated using the Black-Scholes option pricing model and the following assumptions:

	2011	2011
	May	February
Risk-free interest rate	3%	3%
Expected volatility	94%	94%
Lifetime granted (years)	5	5
Rate of return of shares	Nil	Nil

Accordingly, the stock-based compensation was distributed as follows:

	May 2011	February 2011
	\$	\$
Statement of income	153,625	71,400
Deferred exploration expenses	7,125	-
Total	160,750	71,400

Pétrolia inc.
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

7. CAPITAL STOCK (continued)

The following table summarizes information about the stock options:

	2011		2010	
	Number of options outstanding	Weighted average exercise price \$	Number of options outstanding	Weighted average exercise price \$
Outstanding and exercisable as at September 30	2,965,000	0.64	4,090,000	0.58
Granted	1,495,000	0.94	270,000	0.89
Exercised	(398,750)	0.51	(1,192,500)	(0.43)
Expired	(625,000)	0.40	(202,500)	(1.18)
Outstanding and exercisable as at June 30	3,436,250	0.83	2,965,000	0.64

As at June 30, 2011, the stock options granted as part of the Plan are allocated as follows:

Weighted average exercise price \$	Number	Expiration date
0.74	31,250	May 21, 2012
0.40	587,500	June 21, 2012
0.60	400,000	February 12, 2013
0.60	150,000	March 3, 2013
1.25	427,500	July 7, 2013
0.74	180,000	May 21, 2014
0.89	270,000	February 25, 2015
0.50	815,000	December 8, 2015
1.31	75,000	February 25, 2016
1.69	500,000	May 18, 2016

Warrants

Outstanding warrants can be exercised as follows:

Exercise price \$	Number	Expiration date
1.30	1,974,190	December 4, 2011
1.00	1,400,000	October 10, 2012
1.00	3,000,000	January 10, 2013

Pétrolia inc.
(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2011

8. COMMITMENTS

During the quarter, the Company committed to a lease until 2016 for the rental of office space. The balance of the commitment subsequent to the lease, excluding escalation clauses for property and other taxes, is \$1,342,036. The minimum payments required over the next five fiscal years are as follows:

2012	2013	2014	2015	2016
259,650	275,247	275,247	275,247	206,435

Pétrolia inc.
(Oil and gas exploration company)

APPENDICES

Three-month period ended June 30

	2011 (three-month) \$	2010 (three-month) \$	2011 (nine-month) \$	2010 (nine-month) \$
A- ADMINISTRATIVE EXPENSES				
Stock-based compensation	153,625	-	273,625	183,600
Salaries and fringe benefits	223,129	161,029	577,199	433,497
Insurance	14,822	15,535	40,234	40,368
Maintenance and office supplies	10,558	17,541	32,392	35,914
Board of directors expenses	48,840	53,361	108,034	110,894
Information for shareholders	8,694	8,875	69,852	72,288
Office rent	19,777	8,068	52,157	21,760
Promotion and entertainment	16,582	12,091	69,863	94,471
Travel expenses	34,789	41,477	104,420	78,085
Professional fees	40,340	38,465	146,147	127,888
Capital tax	-	11,868	-	2,505
Telecommunications	3,202	4,350	14,640	14,128
Depreciation of fixed assets	16,161	16,231	36,203	40,238
Interest on the debt	21,841	-	66,584	-
Other expenses	(746)	(6,604)	75,265	1,571
	611,614	382,287	1,666,615	1,257,207
B- OPERATING EXPENSES				
Salaries and fringe benefits	209,990	184,278	676,057	743,794
Stock-based compensation	7,125	-	41,325	-
Insurance	747	600	2,241	1,455
Maintenance and office supplies	4,739	3,375	21,624	27,217
Travel expenses	9,027	-	32,592	-
Training	1,300	-	6,713	4,797
Office rent	12,222	19,574	38,484	56,747
Professional fees	9,144	-	9,144	-
Telecommunications	2,200	2,603	7,290	6,610
Depreciation of fixed assets	10,973	6,621	21,716	16,154
Other expenses	848	3,297	3,260	5,307
Allocation to deferred exploration work	(279,867)	(230,876)	(805,005)	(872,916)
Under (over) absorption	11,552	10,528	(55,441)	10,835
	-	-	-	-