



Leader en exploration pétrolière au Québec



THIRD QUARTER

Condensed unaudited interim
financial statements

for the nine-month period ended
June 30, 2013



CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED

JUNE 30, 2013

STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENTS OF COMPREHENSIVE INCOME.....	5
STATEMENTS OF CHANGES IN EQUITY.....	6
STATEMENTS OF CASH FLOWS.....	7
1. CONDENSED INTERIM FINANCIAL INFORMATION.....	8
2. BASIS FOR THE PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS.....	8
3. CASH AND CASH EQUIVALENTS.....	8
4. RECEIVABLES.....	9
5. INVESTMENTS.....	9
6. PROPERTY, PLANT AND EQUIPMENT.....	10
7. EXPLORATION AND EVALUATION ASSETS.....	11
8. TRADE AND OTHER PAYABLES.....	13
9. PROVISION FOR SITE RESTORATION.....	13
10. LOANS AND BORROWINGS.....	14
11. SHARE CAPITAL.....	14
12. EMPLOYEE REMUNERATION.....	16
13. RELATED PARTY TRANSACTIONS.....	18
14. CONTINGENCIES.....	20
15. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE.....	20
APPENDICES.....	21



**CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED
JUNE 30, 2013**

Declaration Concerning the Interim Financial Statements

Management has prepared Pétrolia Inc.'s condensed interim financial statements, which include the statements of financial position as at June 30, 2013 and September 30, 2012, as well as the statements of comprehensive income, statements of changes in equity and statements of cash flows for the periods ended June 30, 2013 and June 30, 2012. No auditing firm has examined or audited these interim financial statements.



STATEMENTS OF FINANCIAL POSITION
(Unaudited – in Canadian dollars)

	As at June 30, 2013 \$	As at September 30, 2012 \$
ASSETS		
Current		
Cash and cash equivalents (Note 3)	1,205,801	10,242,262
Receivables (Note 4)	8,767,242	5,086,302
Prepaid expenses	97,282	113,074
Inventories	-	51,470
Investments cashable during the next fiscal year (Note 5)	930,000	1,080,000
	11,000,325	16,573,108
Non-current		
Deposit on exploration costs	-	2,100,000
Property, plant and equipment (Note 6)	875,346	1,031,975
Exploration and evaluation assets (Note 7)	40,948,878	32,695,097
	41,824,224	35,827,072
	52,824,549	52,400,180
LIABILITIES		
Current		
Trade and other payables (Note 8)	1,802,918	3,027,306
Provision for site restoration (Note 9)	98,000	98,000
	1,900,918	3,125,306
Non-current		
Deferred lease inducements	79,919	100,469
Provision for site restoration (Note 9)	287,938	287,938
Loans and borrowings (Note 10)	2,179,380	-
Deferred tax liabilities	710,590	1,224,584
	3,257,827	1,612,991
	5,158,745	4,738,297
EQUITY		
Share capital (Note 11)	52,626,585	51,378,040
Other components of equity	3,969,828	3,026,923
Deficit	(8,930,609)	(6,743,080)
	47,665,804	47,661,883
	52,824,549	52,400,180

Contingencies (Note 14)

Supplementary notes are an integral part of the interim financial statements

On behalf of the Board

(signed) *André Proulx*
Director

(signed) *Charles Boulanger*
Director



STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited – in Canadian dollars)

	For the three months ended June 30		For the nine months ended June 30	
	2013 \$	2012 \$	2013 \$	2012 \$
INCOME				
Rental income	2,994	3,138	9,060	9,126
Project management	21,894	444	46,581	22,622
	24,888	3,582	55,641	31,748
ADMINISTRATIVE EXPENSES (Appendix A)	679,928	886,728	3,076,605	2,725,970
OPERATING EXPENSES (Appendix B)	-	84,478	-	160,190
FINANCIAL INCOME AND EXPENSES (Appendix C)	(8,912)	(45,419)	(74,184)	(132,946)
	671,016	925,787	3,002,421	2,753,214
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	(646,128)	(922,205)	(2,946,780)	(2,721,466)
OTHER ITEMS				
Gain (loss) on disposal of interest in certain licences	-	-	-	(494,486)
Gain (loss) on disposal of assets	-	-	(3,576)	-
INCOME (LOSS) BEFORE TAXES	(646,128)	(922,205)	(2,950,356)	(3,215,952)
Deferred tax expense	(145,583)	(247,173)	(762,827)	(691,048)
NET INCOME (NET LOSS) AND COMPREHENSIVE INCOME FOR THE PERIOD	(500,545)	(675,032)	(2,187,529)	(2,524,904)
BASIC NET EARNINGS (NET LOSS) PER SHARE	(0.007)	(0.012)	(0.033)	(0.045)
DILUTED NET EARNINGS (NET LOSS) PER SHARE	(0.007)	(0.012)	(0.033)	(0.045)



STATEMENTS OF CHANGES IN EQUITY
(Unaudited – in Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total equity
	\$	\$	\$	\$
Audited balance at September 30, 2011	35,432,271	2,395,117	(3,724,047)	34,103,341
Warrants exercised	1,094,140	-	-	1,094,140
Exercise of options	460,208	(181,358)	-	278,850
Shares issued	15,000,003	-	-	15,000,003
Share issuance costs	(521,750)	-	-	(521,750)
Share-based compensation	-	639,692	-	639,692
Comprehensive income	-	-	(2,524,904)	(2,524,904)
Unaudited balance at June 30, 2012	51,464,872	(2,853,451)	(6,248,951)	48,069,372
Audited balance at September 30, 2012	51,378,040	3,026,923	(6,743,080)	47,661,883
Exercise of options	478,600	(194,200)	-	284,400
Shares issued	899,627	-	-	899,627
Share issuance costs	(129,682)	-	-	(129,682)
Share-based payment	-	1,137,105	-	1,137,105
Net and comprehensive loss	-	-	(2,187,529)	(2,187,529)
Unaudited balance at June 30, 2013	52,626,585	3,969,828	(8,930,609)	47,665,804



STATEMENTS OF CASH FLOWS
(Unaudited – in Canadian dollars)

	For the nine months ended June 30	
	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Net income (net loss)	(2,187,529)	(2,524,904)
Items not affecting cash:		
Depreciation of property, plant and equipment	227,599	189,611
Deferred tax expense	(513,994)	(691,048)
Write-off of assets	3,576	-
Share-based payment	1,027,620	458,334
Depreciation of deferred rental incentives	(20,550)	(4,954)
	(1,463,278)	(2,572,961)
Net change in non-cash working capital items:		
Receivables	884,251	(56,679)
Prepaid expenses	15,792	91,332
Inventories	51,470	-
Trade and other payables	(501,969)	153,536
	449,814	188,189
FINANCING ACTIVITIES		
Issuance of shares	1,184,026	16,554,348
Share issuance costs	(129,682)	(521,750)
Increase in loans and borrowings	2,179,380	-
Repayment of bank debt	-	(2,243,310)
	3,233,724	13,789,288
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(75,546)	(129,560)
Acquisition of investments	-	(150,000)
Disposal of investments	150,000	-
Disposal of property, plant and equipment	1,000	-
Deposit on exploration costs	2,100,000	(1,000,000)
Increase in exploration and evaluation assets, net of deductions	(13,431,905)	717,572
	(11,256,451)	(261,988)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,036,461)	10,842,528
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,242,262	8,151,034
CASH AND CASH EQUIVALENTS, END OF PERIOD	1,205,801	18,993,562
CASH AND CASH EQUIVALENTS ARE MADE UP OF THE FOLLOWING:		
Cash	751,470	337,411
Guaranteed investment certificates (redeemable at any time)	454,331	5,354,331
Money market fund	-	13,301,820
	1,205,801	18,993,562

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

1. CONDENSED INTERIM FINANCIAL INFORMATION

The financial information as at June 30, 2013 and for the periods ended June 30, 2013 and 2012 is not audited. However, it is management's opinion that all adjustments required to give a faithful picture of the results for these periods have been included. The adjustments made were of a normal recurring nature. The interim operating results do not necessarily reflect the operating results anticipated for the full fiscal year.

2. BASIS FOR THE PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

These unaudited condensed interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB") that apply to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting." The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the fiscal year ended September 30, 2012, which were prepared in accordance with the IFRS published by the IASB.

All amounts are expressed in Canadian dollars.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following items:

	As at June 30, 2013 \$	As at September 30, 2012 \$
Cash (bank overdraft)	751,470	(1,872,572)
Guaranteed investment certificates	454,331	4,254,331
Money market fund	-	7,860,503
Less: cash held for exploration (1)	-	-
Cash and cash equivalents	1,205,801	10,242,262

(1) Cash held for exploration represents proceeds from financing not yet incurred related to flow-through shares. According to restrictions imposed under financing arrangements, the Company must allocate these funds to the exploration of oil properties.

On June 30, 2013, cash and cash equivalents included guaranteed investment certificates with interest between 1.25% and 1.75% (1.75% and 2.4% on September 30, 2012), expiring between December 22, 2013 and May 8, 2013. These instruments are cashable at any time without penalty.

Notes to the condensed interim financial statements (unaudited)
As at June 30, 2013

4. RECEIVABLES

	As at June 30 2013	As at September 30, 2012
	\$	\$
Partner	1,890,572	510,256
Consumer tax credits	37,798	1,056,880
Tax credits receivable	6,593,832	3,408,957
Interest receivable	15,502	94,949
Loans to officers	120,000	-
Other	109,538	15,260
	8,767,242	5,086,302

Tax credits relate to claims that have not yet been examined by tax authorities.

All amounts show short-term maturities. Their net carrying value corresponds to a reasonable approximation of their fair value.

5. INVESTMENTS

	As at June 30, 2013	As at March 31, 2012
	\$	\$
Guaranteed investment certificate, 2.40%, cashable at any time and expiring December 2012	-	1,080,000
Guaranteed investment certificate, 1.252%, cashable at any time and expiring December 2013	930,000	-
	930,000	1,080,000

Notes to the condensed interim financial statements (unaudited)
As at June 30, 2013

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Rolling stock	Reservoirs and construction facilities	Sites	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance as at October 1, 2012	577,483	294,443	244,486	434,516	75,434	1,626,362
Additions	-	1,075	-	74,472	-	75,547
Disposal	-	-	46,935	-	-	46,935
Balance as at June 30, 2013	577,483	295,518	197,551	508,988	75,434	1,654,974
Accumulated depreciation						
Balance as at October 1, 2012	224,947	139,817	182,832	46,795	-	594,391
Retirement	-	-	42,358	-	-	42,358
Depreciation	118,523	27,311	12,931	68,830	-	227,596
Balance as at June 30, 2013	343,470	167,128	153,405	115,625	-	779,629
Book value as at June 30, 2013	234,013	128,390	44,146	393,363	75,434	875,346
Book value as at September 30, 2012	352,537	154,626	61,656	387,722	75,434	1,031,975
	Leasehold improvements	Office equipment	Rolling stock	Reservoirs	Sites	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance as at October 1, 2011	565,179	266,809	236,187	115,739	75,434	1,259,348
Additions	12,304	22,069	8,301	243,417	-	286,091
Disposal	-	-	-	-	-	-
Balance as at June 30, 2012	577,483	288,878	244,488	359,156	75,434	1,545,439
Accumulated depreciation						
Balance as at October 1, 2011	65,807	96,046	157,594	8,122	-	327,569
Retirement	-	-	-	-	-	-
Depreciation	119,631	32,076	18,721	19,183	-	189,611
Balance as at June 30, 2012	185,438	128,122	176,315	27,305	-	517,180
Book value as at June 30, 2012	392,045	160,756	68,173	331,851	75,434	1,028,259
Book value as at September 30, 2011	499,372	170,763	78,593	107,617	75,434	931,779

Notes to the condensed interim financial statements (unaudited)
As at June 30, 2013

7. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties

	September 30, 2012	Write-off	Additions	June 30 2013
	\$	\$	\$	\$
Quebec				
Anticosti ¹	340,875	-	7,745	348,620
Gastonguay	690,300	-	-	690,300
Gaspésia – Edgar – Marcel – Tremblay	426,950	-	-	426,950
Gaspé ¹	3,290,457	-	139,771	3,430,228
New Brunswick				
Dalhousie	139,526	-	-	139,526
Oil and gas property totals	4,888,108	-	147,516	5,035,624

Exploration expenses

	September 30, 2012	Write-off	Additions	June 30, 2013
	\$	\$	\$	\$
Quebec				
Anticosti	7,466,997	-	1,423,109	8,890,106
Gastonguay	75,037	-	95	75,132
Gaspésia – Edgar – Marcel – Tremblay	3,770,234	-	9,250	3,779,484
Gaspé	2,662,493	-	134,468	2,796,961
Bourque project	11,168,542	-	10,024,619	21,193,161
Haldimand project	13,343,595	-	2,582,037	15,925,632
Tar Point 1 project	5,284,223	-	13,435	5,297,658
New Brunswick				
Dalhousie	861,716	-	460	862,176
	44,632,837	-	14,187,473	58,820,310
Less:				
Exploration subsidies and partner contributions:				
Anticosti	3,012,402	-	786,054	3,798,456
Gastonguay	18,909	-	19	18,928
Gaspésia – Edgar – Marcel – Tremblay	423,091	-	2,321	425,412
Gaspé	644,933	-	41,681	686,614
Bourque project	5,684,276	-	3,166,133	8,850,409
Haldimand project	5,699,488	-	2,033,696	7,733,184
Tar Point 1 project	1,089,615	-	1,700	1,091,315
Dalhousie	6,922	-	-	6,922
	16,579,636	-	6,031,604	22,611,240
Income from evaluation of oil reserves:				
Gaspé				
Haldimand project	246,212	-	49,604	295,816
Total exploration expenses	27,806,989	-	8,106,265	35,913,254

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

Summary as at June 30, 2013	September 30, 2012 \$	Write-off \$	Additions \$	June 30 2013 \$
Properties	4,888,108	-	147,516	5,035,624
Exploration expenses	27,806,989	-	8,106,265	35,913,254
Exploration and evaluation assets	32,695,097	-	8,253,781	40,948,878

- (1) Properties with the reference (1) are subject to royalties should they become productive. To date, the Company has satisfied all required obligations and lists only its future or potential obligations and special transactions of the year below.

Gaspé properties

In May 2008, Pétrolia acquired a 100% interest in a 6,043-km² surface area of these properties (excluding the Haldimand property), subject to a royalty of 0.5% to 2.5% on the future production of hydrocarbons. In June 2010, the Company carried out an asset exchange, increasing its interest to 100% in all Gaspé leases, a 150-km² territory, with the exception of a 9-km² zone in which it holds a 64% interest (Haldimand property). On December 20, 2010, the Company signed definitive agreements for the sale of 50% of its interests in the Haldimand discovery as well as in 13 leases surrounding this discovery to Québénergie Inc. (subsidiary of Investcan) for the sum of \$15,190,000. A sum of \$6,690,000 was paid in cash and \$8,500,000 in exploration work was paid out by Québénergie Inc. over the next two years.

Haldimand property

On May 6, 2008, a second agreement defined a development area of 9 km² around Pétrolia's Haldimand No. 1 well in which the Company held a 45% interest, Junex 45% and Gastem 10%. Some of the licences to these properties are subject to royalty payments of 5%. Under an amendment to the original agreement signed July 22, 2009, Pétrolia became the operator of the entire 9-km² development area. On October 1, 2009, Pétrolia acquired all of Gastem's interest. Following its decision not to participate in the drilling of a second well, Junex saw its ownership interest decrease by 9%. After signing definitive agreements to sell 50% of the interests in the Haldimand discovery, Haldimand's ownership was as follows: Pétrolia – 32%, Québénergie – 32% and Junex – 36%.

On December 20, 2011, Pétrolia and Québénergie paid \$3.1 million to buy all of Junex's interests in this deposit. The agreement releases Junex from the production penalties to which it was exposed by failing to participate in recent work on the properties. Following this transaction, Pétrolia and Québénergie now own an equal share in the deposit and surrounding properties.

Bourque property

In May 2012, Pétrolia made a private placement totalling \$15.75M, with most of the funds to be used for the drilling of two wells on the Bourque property.

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

Anticosti property

The Company acquired all of Hydro-Québec's rights on Anticosti Island in return for an overriding royalty on future oil production. Under this agreement, Pétrolia shares a 25% interest with Corridor Resources Inc. in six licences and 50% in 29 exploration licences on the island and acts as an operator for most of them. In June 2010, the Company participated in the drilling of three exploration wells and extracted a core sample to evaluate the Macasty Formation's potential as a source rock reservoir. Once it obtains the results of the core sample analysis, the Company plans to undertake development work in order to better estimate the oil potential of Anticosti Island.

8. TRADE AND OTHER PAYABLES

	As at June 30 2013	As at September 30, 2012
	\$	\$
Payables and accrued liabilities	1,296,741	2,449,192
Salaries, vacation pay and directors' fees	198,677	270,614
Security deposits from partners	307,500	307,500
	1,802,918	3,027,306

9. PROVISION FOR SITE RESTORATION

Management calculates the total provisions for future site restoration based on the estimated cost to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods.

At June 30, 2013, the future estimated total required to settle obligations related to site restoration, indexed at 3.5%, was \$385,938. The Company anticipates that an instalment of \$98,000 of this obligation will be settled during the fiscal year. The total future amount was discounted using the weighted average rate of 5.25%, according to a payment schedule ranging from 1 to 30 years. The total undiscounted amount of the estimated cash flow required to settle this obligation is \$385,938.

The following table presents the reconciliation of the provision for site restoration:

	As at June 30, 2013	As at September 30, 2012
	\$	\$
Balance, beginning of period	385,938	369,178
Liabilities incurred	-	41,992
Accretion expense	-	12,268
Amount used	-	(37,500)
Balance, end of period	385,938	385,938
Portion of liability to be settled during the following fiscal year	98,000	98,000
	287,938	287,938

10. LOANS AND BORROWINGS

	As at September 30, 2011 \$	As at September 30, 2012 \$
Bank loan, in the authorized amount of \$2,179,380, bearing interest at the prime rate plus 5.5%. The bank loan is secured by a \$2,615,256 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.	2,179,380	-

11. SHARE CAPITAL

Authorized

Unlimited number of common, participating, voting shares without par value.

Issued:

	Nine months ended June 30, 2013		Fiscal year ended September 30, 2012	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of period	66,585,750	51,378,040	54,579,477	35,432,271
Shares issued:				
Shares issued	957,050	899,627	11,091,552	15,750,004
Warrants exercised	-	-	264,721	344,136
Exercise of share options	460,000	478,600	650,000	460,208
Future taxes		-		160,421
Share issuance costs		(129,682)		(769,000)
Balance, end of period	68,002,800	52,626,585	66,585,750	51,378,040

Warrants

Outstanding warrants allow holders to subscribe to an equivalent number of common shares as follows:

	Nine months ended June 30, 2013		Fiscal year ended September 30, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	5,788,734	\$ 1.76	264,721	\$ 1.30
Granted	-	-	5,788,734	1.76
Exercised	-	-	(264,721)	(1.30)
Expired	-	-	-	-
Balance, end of period	5,788,734	1.76	5,788,734	1.76

The number of outstanding warrants that can be exercised for an equivalent number of common shares is established as follows:

Expiry date	Nine months ended June 30, 2013		Fiscal year ended September 30, 2012	
	Number of warrants	Exercise price	Number of warrants	Exercise price
		\$		\$
May 14, 2014	242,958	1.42	242,958	1.42
May 15, 2015	5,545,776	1.78	5,545,776	1.78

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

12. EMPLOYEE REMUNERATION**Employee benefits expense**

Expenses recognized for employee benefits are analyzed below:

	As at June 30, 2013	As at September 30, 2012
	\$	\$
Wages, salaries	1,694,757	2,223,643
Share-based payments	1,137,106	639,692
	<u>2,831,863</u>	<u>2,863,335</u>
Less: salaries capitalized in exploration and evaluation assets	1,000,298	1,276,431
Employee benefits expense	<u>1,831,565</u>	<u>1,586,904</u>

Share-based payment

The Company has a share option plan that allows it to grant a maximum of 10% of the number of shares outstanding to its directors, officers, key employees and suppliers on a continuous basis. The exercise price of each option equals the market price or discounted market price of the underlying share on the day prior to the grant of the option. All options must be exercised no later than five years after the date of the grant. The options granted to directors vest immediately and over a period of three years for other participants.

All share-based employee remuneration will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

Share options and weighted average prices are as follows for the reporting periods presented:

	Nine months ended June 30, 2013		Fiscal year ended September 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of period	3,706,000	\$ 1.16	3,276,250	\$ 0.84
Granted	2,370,000	1.03	1,341,000	1.52
Exercised	(460,000)	0.62	(650,000)	0.43
Expired	-	-	(261,250)	0.82
Outstanding at end of period	5,616,000	1.15	3,706,000	1.16
Exercisable	3,616,750	(1.07)	2,221,500	1.09

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

The following table reflects share options issued and outstanding at June 30, 2013:

Options outstanding			
Number of options	Exercise price	Time to maturity	Expiration date
	\$	Years	
327,500	1.25	0	July 7, 2013
60,000	0.74	0.9	May 21, 2014
270,000	0.89	1.7	February 25, 2015
672,500	0.50	2.4	December 8, 2015
75,000	1.31	2.7	February 25, 2016
500,000	1.69	2.9	May 18, 2016
1,266,000	1.52	3.4	December 4, 2016
75,000	1.51	3.6	February 22, 2017
2,220,000	1.02	4.4	December 10, 2017
150,000	1.14	4.7	February 28, 2018

The following table reflects share options issued and outstanding at September 30, 2012:

Options outstanding			
Number of options	Exercise price	Time to maturity	Expiration date
	\$	years	
400,000	0.60	0.3	February 12, 2013
327,500	1.25	0.8	July 7, 2013
120,000	0.74	1.7	May 21, 2014
270,000	0.89	2.4	February 25, 2015
672,500	0.50	3.2	December 8, 2015
75,000	1.31	3.4	February 25, 2016
500,000	1.69	3.6	May 18, 2016
1,266,000	1.52	4.2	December 4, 2016
75,000	1.51	4.3	February 22, 2017

The fair value of the options granted during the period was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	March 2013	December 2012	May 2012	February 2012
Share price at grant date	1.14	1.02	1.42	1.51
Risk-free interest rate	1.18%	1.55%	0.86%	3 %
Average expected volatility	102 %	102 %	95 %	91 %
Average expected life (years)	5	1-5	2	5
Expected dividend yield	Nil	Nil	Nil	Nil

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of five years since the grant date.

Accordingly, the share-based payment was allocated as follows:

	March 2013	December 2012	March 2012	December 2011
	\$	\$	\$	\$
Statement of income	128,700	804,420	36,968	469,741
Deferred exploration expenses	-	109,486	43,732	89,251
Total	128,700	913,906	80,700	558,992

13. RELATED PARTY TRANSACTIONS

The Company's related parties include other related parties and key management personnel, as described below.

Unless otherwise indicated, none of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	Nine-month period ended June 30,	
	2013	2012
	\$	\$
Short-term employee benefits:		
Salaries and benefits	543,191	419,135
Attendance fees	86,100	94,915
Total short-term benefits	629,291	514,050
Share-based payments	94,500	410,944
Total remuneration	723,791	924,994

During the 2013 reporting period, key management exercised 460,000 options (650,000 in 2012) granted under the share-based compensation plan. An amount of \$120,000 was granted to two officers under the loan program for the exercise of share options. The loans have a maximum term of nine months and bear interest at the Bank of Canada one-day rate.

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

Related parties

Transactions were carried out with two companies whose main officer (holding a minority interest) also serves on Pétrolia's Board:

	Nine-month period ended June 30,	
	2013	2012
	\$	\$
Statement of financial position:		
Exploration and evaluation assets	9,128	2,394
Statement of comprehensive income:		
Other expenses	6,885	6,830

The balance due from these companies was \$4,631 at June 30, 2013 (June 30, 2012 – \$26,067).

The Company entered into the following transactions with a company whose director also sits on Pétrolia's board:

	Nine months ended June 30,	
	2013	2012
	\$	\$
Statement of comprehensive income:		
Salaries and benefits	1,206	2,716
Office supplies and transportation	827	700

The balance due from this company was \$233 at June 30, 2013 (June 30, 2012 – \$2,900).

The Company entered into the following transactions with a close relative of a member of management, who provided services to the Company:

	Nine-month period ended June 30,	
	2013	2012
	\$	\$
Statement of financial position:		
Property, plant and equipment	-	8,607
Office maintenance	-	4,806

The balance owing this supplier was \$0 at June 30, 2013 (June 30, 2012 – \$0).

These transactions took place in the normal course of business and were measured at their exchange value, which is the consideration established and accepted by related parties.

14. CONTINGENCIES

Environment and letters of guarantee

The Company's operations are subject to environmental protection legislation. Environmental consequences are difficult to predict, whether in terms of their outcomes, dates or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation. Letters of guarantee in the amount of \$930,000 were issued in favour of the Ministère des Ressources naturelles to guarantee the work to shut down certain sites.

These letters are secured by guaranteed investment certificates (GICs) in an equivalent amount.

15. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On July 10, 2013, the Company has entered into a bought deal private placement, where 1,428,572 Units of the Company was issued at a price of \$0.70 per Unit for total gross proceeds to the Company of \$1,000,000.

Notes to the condensed interim financial statements (unaudited)

As at June 30, 2013

APPENDICES

	2013 \$ (three months)	2012 \$ (three months)	2013 \$ (nine months)	2012 \$ (nine months)
A – ADMINISTRATIVE EXPENSES				
Share-based payment	94,500	-	1,027,620	506,709
Salaries and benefits	248,192	419,034	803,945	828,049
Insurance	13,176	16,461	39,528	45,270
Maintenance and office supplies	15,846	30,657	59,797	82,741
Board of Directors fees	45,855	43,583	107,063	131,029
Information for shareholders	9,533	9,753	81,845	76,151
Office rent	34,121	29,788	102,738	94,960
Promotion and entertainment	41,935	58,247	292,921	225,459
Transportation	31,107	49,683	178,149	137,777
Professional fees	105,616	196,214	266,723	510,195
Capital tax	-	-	8,748	(12,663)
Telecommunications	4,813	3,166	14,687	9,669
Depreciation of property, plant and equipment	26,292	29,535	78,994	87,399
Other expenses	8,942	607	13,847	3,225
	679,928	886,728	3,076,605	2,725,970
B – OPERATING EXPENSES				
Share-based payment	-	-	109,485	132,983
Salaries and benefits	216,515	283,429	890,812	800,033
Insurance	543	997	1,344	10,606
Maintenance and office supplies	15,384	9,150	40,259	28,469
Transportation	5,966	4,781	20,988	22,020
Training	2,360	5,522	7,298	8,269
Office rent	40,465	39,384	119,292	110,934
Professional fees	-	-	2,240	3,469
Telecommunications	2,208	2,163	4,679	6,973
Depreciation of property, plant and equipment	49,755	34,383	148,605	102,216
Other expenses	375	1,907	4,024	5,656
Allocation to deferred exploration work	(333,571)	(297,238)	(1,349,026)	(1,071,438)
Under (over) charge	-	84,478	-	160,190
C – FINANCIAL INCOME AND EXPENSES				
Interest income	(9,794)	(46,848)	(78,221)	(145,622)
Bank fees	882	1,429	4,037	4,361
Interest on debt	-	-	-	8,315
	(8,912)	(45,419)	(74,184)	(132,946)