PÉTROLIA

Leader en exploration pétrolière au Québec

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS

For the third quarter ended June 30, 2009

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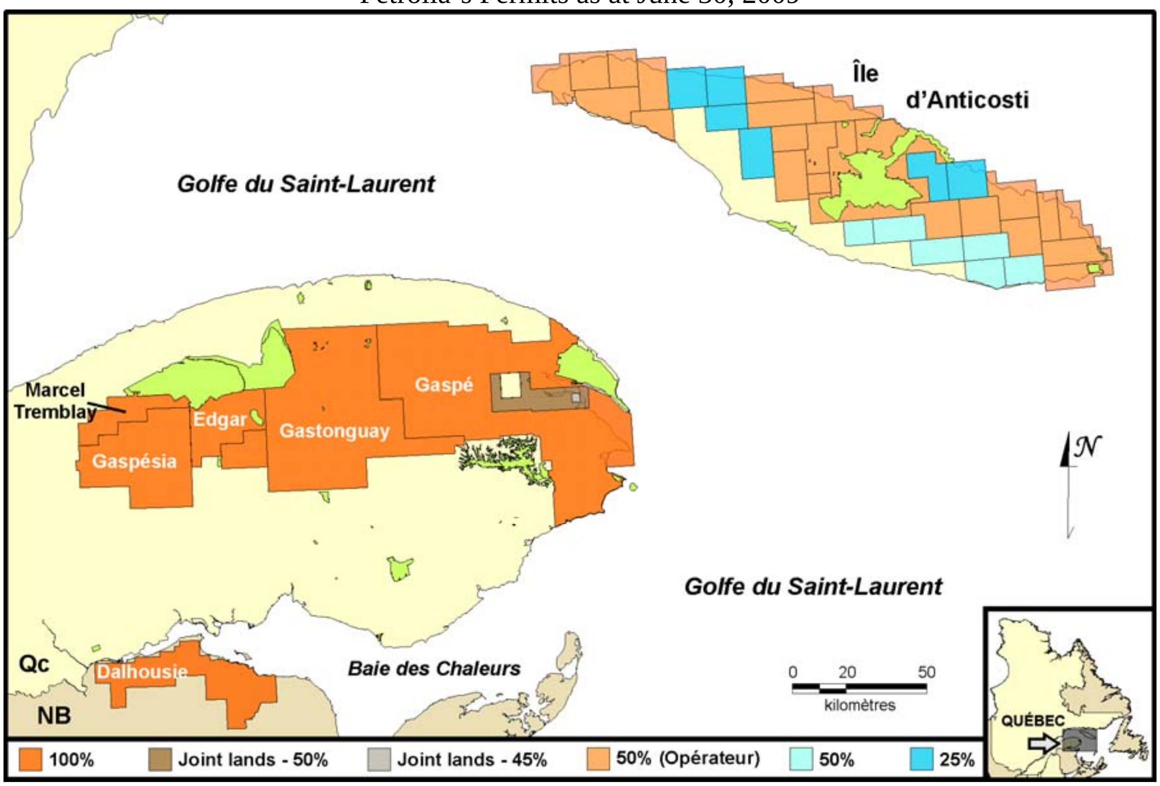
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER ENDED JUNE 30, 2009

This interim management discussion and analysis complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure for reporting issuers. It is an addition and supplement to the quarterly financial statements and should be read in conjunction with them and in parallel with the audited financial statements for fiscal years ended September 30, 2008 and 2007, and the annual management report when required. It presents the view of Management on current Company activities and financial results, as well as a preview of the activities during the coming months.

1.1 DATE

This management discussion and analysis for the three-month period ended June 30, 2009, is prepared as at August 18, 2009.

Pétrolia's Permits as at June 30, 2009



1.2 NATURE OF ACTIVITIES AND OVERALL PERFORMANCE

The Company is incorporated under Part 1A of the Quebec Companies Act. It has been listed on the TSX Venture Exchange since February 16, 2005. Exploration and development of oil and gas properties are the Company's primary activities. Moreover, as part of achieving these objectives, the Company is called upon to enter into partnership agreements specific to the oil and gas industry.

Pétrolia owns interests in mineral properties covering 15,000 km² (3.7 million acres), or about 18% of the total area of Quebec under lease. These leases, which are mainly located on the Gaspé Peninsula and Anticosti Island, are considered to be highly prospective, representing about 70% of Quebec's onshore petroleum potential.

During this quarter, the Company's focused its efforts on selecting drilling targets and assessing the technical work in order to perform it. This work should allow Pétrolia to achieve its 2009 goals: to drill and to produce. Recall that Pétrolia has set a corporate goal of producing 5% of the oil consumed in Quebec within four years.

1.2.1 FINANCING AND INCOME

The Company's current income consists mainly of interest earnings, since the Company is still in the exploration stage. It obtains its funding by issuing securities and partnerships.

During the third quarter, the Company carried out exploration work totalling $275,077, including $15,303 on behalf of a partner. The net loss for the quarter was $135,103 ($0.0033 per share) compared to a net profit of $1,487,502 ($0.0448 per share) for the corresponding quarter of the previous year. This difference is explained by the recording of a $70,000 gain in 2009 compared to $1,590,000 in 2008.

The Company issued no shares during the quarter.

1.3 STRATEGY AND OUTLOOK

Pétrolia's current strategy is very simple: to drill. In parallel, the Company is engaged in ongoing discussions with its current partners and is also seeking new partners to support further exploration and drilling on its other properties.

On July 30, Pétrolia became the operator for the Haldimand Project. The signing of this amendment to the agreement of May 6, 2008 is the outcome of lengthy negotiations. It represents a major step in the advancement of Pétrolia's business strategy, which is primarily based on exploration for petroleum in Québec. The Company now has a share in more than 70% of the onshore exploration leases in Quebec that have a potential for petroleum. For Pétrolia, understanding the geologic setting of the Haldimand field and putting it into production are necessary preliminaries to further exploration in this part of the Gaspé region.

Pétrolia is satisfied with this situation. The Company is ready to take on these new responsibilities, and now that a drilling rig has been contracted, work on the Haldimand No. 2 well should begin by the end of August.

The Company's drilling program will continue through the next few quarters. Contracts for drilling and service companies, leasing of land, and applications for new leases will be the priorities, along with final selection of drilling targets for 2010. The seismic and geochemical surveys carried out in 2008 have identified a number of targets on the Gaspé, Anticosti, and Dalhousie properties. The Company intends to drill at least two of these targets. If it is able to secure partners, other targets could also be drilled over the next few quarters.

Information on the agreements and the exploration work can be found on the Company's website (www.petroliagaz.com).

Haldimand Project

On July 30, 2009, the partners announced a major change in the Haldimand Project. Junex has informed its partners that it is relinquishing its role as operator and will not participate in the drilling of the Haldimand No. 2 well. Under an amendment to the agreement signed on May 6, 2008, Pétrolia thus becomes the operator of the Haldimand Project for the entire 9-km² joint property and has undertaken to drill a second well on the property before December 31, 2009. As a result of its decision, Junex's interest in the project will fall by 9.6% as soon as Pétrolia begins drilling the Haldimand No. 2 well. This change in the equity is subject to a final adjustment that will reflect the actual costs incurred in drilling Haldimand No. 2. Based on the total cost of the work, currently estimated at $3.1 M, the partners' respective interests upon completion of the work would be as follows: Pétrolia 55%, Junex 35%, Gastem 10%.

Haldimand No. 1
Production tests at the Pétrolia-Haldimand No. 1 well will resume when the drilling and assessment of Haldimand No. 2 have been completed. Because the data obtained from the discovery hole were insufficient to define the characteristics of the petroleum and the reservoir, it was almost impossible to outline the deposit or to produce from it without possibly jeopardizing the future recovery rate. Faced with these problems, the partners decided to take a cautious approach and postponed commissioning the well until they are in a position to properly define the limits and physical properties of the reservoir.

Haldimand No. 2
As it takes control of operations at Haldimand, Pétrolia must be sure that it possesses all the information needed to characterize the deposit. To ensure the proper progress of its activities and the quality of the data obtained, Pétrolia has retained the services of Codeco Engineering, a Calgary-based consulting firm, which will provide support to the Company's technical team.

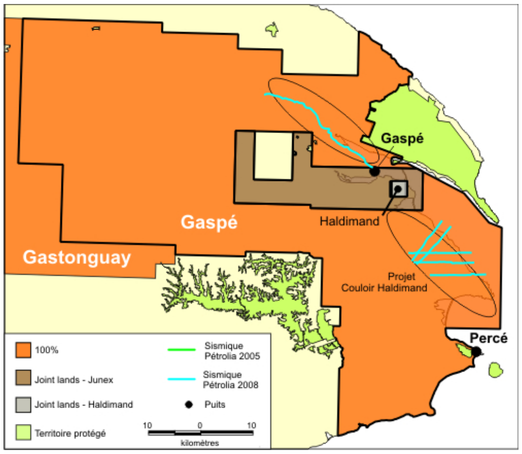
The Haldimand No. 2 well will be sited about one kilometre northwest of the Pétrolia-Haldimand No. 1 well, and in comparison to this first well it should intersect the top of the reservoir 125 metres higher up the structure, a very favourable position. This well should confirm the lateral continuity of the reservoir, and more especially provide information on the deposit's characteristics.

The objectives of the drilling remain the same:

1) To confirm the extent of the producing zones identified in the first well,
2) To define the gas/oil ratio under reservoir conditions,
3) To characterize the reservoir, and
4) To calibrate the interpretation of the logs from the first well, so that other intervals may possibly be perforated, thereby increasing output from the producing zone.

A detailed development plan for the field, including production from the two existing wells, should follow as quickly as possible. Data from the two wells will be used to confirm the reserves, which can then be recorded as assets on the Company's books. These data can also be used to estimate the resources.

Haldimand: 900 hectares	
Partnership	• Pétrolia (55%), Junex (35%), and Gastem (10%) • On July 30, 2009 Pétrolia became the operator of the Haldimand Project
Achievements	• Acquisition of seven seismic profiles in 2005, with a total length of 34 km • Drilling of the Pétrolia-Haldimand No. 1 well in 2005 • In 2007-2008, characterization of the organic matter and petrography of the formations in the Pétrolia-Haldimand No. 1 well • 3-D seismic campaign in 2008, covering 13 km² • In 2008, recovery of a pressure gauge installed in the well in 2006, and collection of samples under reservoir conditions • Soil-geochemistry survey in 2008 • Reprocessing of the 3-D survey data, aimed at confirming the presence of seismic reflectors that may have been obscured during data migration • Continuing analyses and tests in the Pétrolia-Haldimand No. 1 well • Gravimetric survey to refine the current models • Preliminary work on the drillsite
Proposed work	• More detailed geologic studies of the various formations • Drilling of a second well targeting the producing zones already identified in the previous well • Extended production test to confirm the production capacity of the Pétrolia-Haldimand No. 1 well



Haldimand Corridor Project *(100% interest)*

The Haldimand Corridor Project was launched during 2008, based on the assumption that the geology of the areas north and south of the Pétrolia-Haldimand No. 1 discovery would be closely related to what had been found at Haldimand. However, interpretation of a seismic survey conducted during the previous year showed that the northern and southern portions did not offer the same geologic targets. Accordingly, Pétrolia is now treating the two areas as two independent projects.

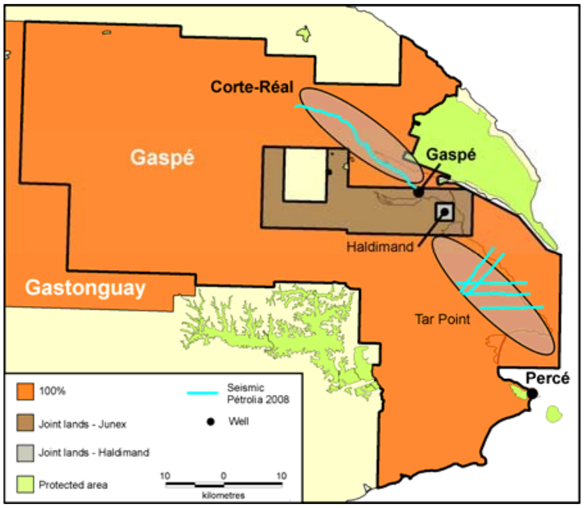
Tar Point Project *(Southern Haldimand Fairway)*

The Tar Point Project is 100% owned by Pétrolia and represents the natural extension of the Pétrolia-Haldimand No. 1 field. The project is now at the drilling stage. Interpretation of five seismic survey profiles from 2008 led Pétrolia to select a site on a structure known as the Tar Point anticline, near Anse-à-Brillant, 18 km southeast of Gaspé. A well drilled on the anticline in 1950, about 2.0 km northwest of the proposed site, intersected traces of petroleum in the York River Formation (Devonian sandstones), with also a gas show at the bottom, at a depth of about 2,155 m, in limestones of the Indian Cove Formation. Moreover, in a coastal section less than one kilometre from the proposed site, liquid petroleum has been observed in several open fractures and in amygdules in a Carboniferous dyke.

The local system is thus seen to carry petroleum, a structure is present, the depth of the targets is relatively shallow (1.5 km), and Pétrolia-Haldimand No. 1 has obtained significant results from similar rocks. Conditions favourable for success are therefore in place, and Pétrolia is making preparations to drill as soon as possible.

Tar Point	
Achievements	• Reassessment of available data and reprocessing of some of the old seismic lines • Soil-geochemistry survey carried out in 2008 (900 samples) • In 2008, acquisition of five seismic lines with a total length of 57 km, including an offshore portion • High-resolution 550-km^2 airborne magnetic survey to extend the government surveys to the east • Analyses of the organic matter in eight field samples from the Tar Point anticline • Gravimetric survey leading to a data inversion to define the top of the basement • Planning of a drilling campaign
Proposed work	• Drilling and evaluation of an exploration well

Corte-Real Project *(Northern Haldimand Fairway)*



The Corte-Real Project has similarities to the Bourque Project, along with significant exploration potential. In both cases, recent seismics suggest the presence of reefal structures in the lower portion of the Devonian rocks. The two areas have rock sequences that are very similar in age and composition, and have undergone the same deformations. Pétrolia is considering the possibility of acquiring a partner, since further exploration will require substantial investments. A 3-D seismic survey will be essential to define the geometry of the suggested targets as well as their depth, currently estimated at about 2,000 metres.

Corte-Real	
Achievements	• In 2008, acquisition and processing of a 26-km seismic profile • Integration of earlier and recent seismic data with the gravimetric, magnetic, and geologic data, to establish a model for exploration • Soil-geochemistry survey over a portion of the northern fairway
Proposed work	• Continued assessment of results • 3-D seismic survey to define the detailed geometry and internal architecture of the reefs and the presence of direct indications of hydrocarbons or porosity similar to those observed on the Bourque Project (depending on a partnership) • Selection of targets for drilling

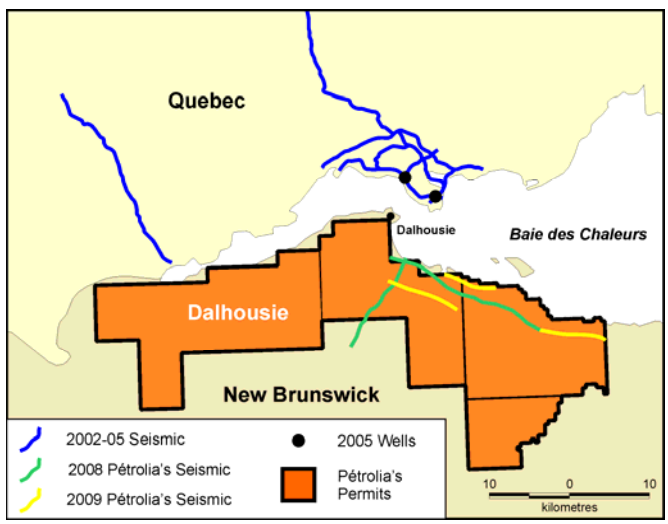
Bourque Project *(100% interest; farmout agreement with Pilatus)*

Pétrolia has been working vigorously on the Bourque Project for more than two years. Initial interpretation of the MNR geologic surveys and the Soquip seismic surveys, which date from the early 1980s, led to the targeting of an area with high potential for finding Devonian reefs. These reefs have long been the target of petroleum exploration in the Gaspé region, but hitherto no reef had been positively identified on the seismics, and no well had intersected one. Following an agreement with Pilatus Energy Canada in 2008, a 3-D seismic survey was carried out in this area. This survey delivered excellent results. A number of structures interpreted as being reef complexes and pinnacle reefs were recognized. Since the results of the work were highly encouraging and the chances of a significant discovery were very good, Pilatus announced its intention to drill the principal target in 2009. The drilling might continue through the winter since the target depth is greater than 3,000 metres.

If the results from the first well are positive, Pétrolia and Pilatus Energy Canada will continue to explore the property by drilling other reefs identified by the 3-D seismic. Positive results from this first well would also encourage stepped-up exploration efforts on the Corte-Real and Gastonguay projects, where the geologic conditions are similar to those at Bourque.

Bourque: 74,267 hectares	
Partnership	• Pilatus Energy Canada
Achievements	• Acquisition and interpretation of old seismic data that are now in the public domain • Acquisition of 3-D seismic data (65 km²) in 2008 • Study of the maturation of organic matter in surface samples collected in 2007 • Interpretation and evaluation of the results of the 3-D seismic survey • Location of targets for drilling
Proposed work:	• Planning of a drilling campaign

Dalhousie Property (*100% interest*)



Pétrolia is the first company to undertake a major exploration program in northern New Brunswick. Its initial work has shown that the Ordovian volcanic rocks in the Popelogan anticline are fractured and that the fractures are still open, at least in places, which creates significant porosity, making them possible reservoir rocks. These volcanic rocks have thus become the main target for exploration in the region, especially as analyses of fluid inclusions have indicated that gaseous hydrocarbons have circulated through these fractures, and inversion of the potential field data has shown that the volcanic rocks form a high in the Ordovician basement beneath a portion of the property. The 3-D seismic survey carried out in 2008 enabled the identification of an anticlinal structure containing a contact between two fluids, called a horizontal event, at a depth of 1.5 km. A drill target was defined but the Company is currently seeking a partner for the drilling of one or more holes on this property.

In order to obtain a better understanding of the nature and extent of the major structures covered by its leases, the Company has also launched a new 2-D seismic program over a length of about 32 km, to be completed before mid-August 2009. This survey will provide better information on the Pointe La Roche anticline, where the main target has been identified, and will also give a better picture of the Black Point anticline, which could prove to be a second potential target. Pétrolia will thereby obtain a more complete outline of the entire region's gas potential.

Dalhousie: 68,163 hectares	
<u>Achievements</u>	• Leases acquired in 2006 and 2008 (235 km^2), 100% owned by Pétrolia • A report published by the Geological Survey of Canada in 2005 acknowledged the region's oil and gas potential • Evaluation of the petrophysical properties of the Ordovician volcanic rocks, which are one of the potential objectives in this region • Acquisition of a gravimetric survey in 2008 • Three-dimensional (3-D) modelling of the potential fields shows the extent of the target structure • Acquisition of 2-D reconnaissance seismic profiles in 2008, over a total length of 39 km • Planning of a 2-D seismic survey • Planning of a drillhole
<u>Proposed work</u>	• 2-D seismic survey • Drilling (depending on the available budget)

Anticosti Property (*Pétrolia's interest: from 25 to 50%)*

Anticosti Island comprises a vast area with excellent potential, based on a comparison with areas of the same geologic age and nature in the northeastern United States, where a substantial production of petroleum is being achieved. Pétrolia and Corridor Resources hold joint leases that cover almost all of the ground that is prospective for petroleum. All the ingredients for a major discovery are present: a good source rock has been recognized, together with reservoir rocks, traps, and cover rocks. The ability of these components to create a commercial reservoir remains to be demonstrated, but the traces recorded in earlier drilling and the 2008 soil geochemistry survey appear very promising.

The Anticosti Project is acknowledged to have a high potential, but for economic and strategic reasons the partners have jointly decided to postpone the drilling initially foreseen. The isolated nature of Anticosti Island increases the problems of mobilizing equipment and personnel, which leads to higher operating costs. In order to maximize the returns from this activity, the proposed drilling campaign will comprise several wells, which will require major investments from the partners.

Pétrolia is therefore continuing its reinterpretation of the seismic profiles and the previous drilling. During the next quarter the Company should also receive the results of a characterization study of the organic matter in three wells from the eastern portion of the Island. Pétrolia will then be in possession of all the information needed to locate wells on the targets that offer the highest potential.

Anticosti: 638,106 hectares	
Partnership	• Corridor Resources Inc.
Achievements	• Leases acquired in 2007 • Interpretation of seismic lines and drilling data • Soil-geochemistry survey (adsorbed gases and microbial analysis) carried out in 2008 over the whole island (1,700 samples) • Interpretation of the Shell and Hydro-Quebec seismic data • Integration of the drilling data into modern composite logs • Assessment of the Shell Jupiter No. 1 and Shell Roliff No. 1 wells, and preparation of a poster presentation on the Jupiter structure
Proposed work	• Study in progress aimed at characterizing the organic matter from three wells in the eastern portion of the Island

Gaspésia, Edgar, and Marcel-Tremblay Properties (*100% interest*)

No large-scale activity was undertaken on these three properties during the quarter, because priority was given to the projects in the eastern Gaspé region. However, work on the reprocessing of the MRN-12 (2001) and Pétrolia-06-04 seismic profiles is ongoing.

Although the work has been temporarily trimmed, the region is still of great interest. The organic-matter studies show that the thermal maturation is favourable to the preservation of gas; in 2008 a soil geochemistry survey found anomalous amounts of hydrocarbons above structures seen on the seismic profiles acquired by Pétrolia in 2005; the presence of other prospective structures was noted on the seismic profiles outside the area covered by the geochemical survey; potential reservoirs in fractured Silurian sandstones and hydrothermal dolomites were observed on surface near these properties. Data evaluation is therefore continuing in-house, and the Company is making plans to resume active exploration on these properties.

To carry out further exploration work, major investments will be required, since seismic surveys—including a 3-D survey—will be essential, as well as drilling to great depths (3 km or more). The Company is therefore looking for partners interested in exploring for gas.

Gaspésia, Edgar, and Marcel Tremblay: 221,395 hectares	
Achievements	• Leases acquired in 2002, 2006, and 2007, 100% owned by Pétrolia • A thermal-maturation study carried out in 2003 demonstrates the oil and gas potential • Acquisition of a 2-D seismic line 32 km long in 2005 • Acquisition of four 2-D seismic lines with a total length of 126 km in 2006 • In 2008, a soil-geochemistry survey (334 samples) near salt marshes and along the Pétrolia and Quebec Ministry of Natural Resources and Wildlife seismic lines • Acquisition of four seismic lines with a total length of 52 km in 2008
Proposed work	• Analyses of old and new seismic, magnetic, gravimetric, and geochemical data in progress • Completion of the reprocessing of the MRN-12 (2001) and PET 06-04 seismic lines

Gastonguay Property (*100% interest*)

As for the Gaspésia, Edgar, and Marcel-Tremblay properties, no large-scale work was carried out on the Gastonguay property during the last quarter. However, the Company continued to evaluate the existing geoscientific data. Potential traps in the Silurian and Devonian rocks on this property were examined in light of the 3-D seismic results from Bourque, where the geology seems broadly similar. If encouraging results are obtained on the Bourque Project, Pétrolia is ready to propose a reconnaissance seismic program in the northern part of the Gastonguay property.

Gastonguay: 258,993 hectares	
Achievements	• Evaluation of existing data
Proposed work	• Reconnaissance and data-compilation work necessary to evaluate the property • Planning for a regional seismic program

1.4 Disclosure Procedures and Controls

Management has 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 it, particularly during the period when the interim filings are being prepared. It has 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.

Management does not feel that these controls and procedures or internal financial information controls shelter it from error or fraud. Although well designed and effective, a control system can only provide reasonable but not absolute assurance that the control system's objectives have been achieved. Separation of duties is an important component in an effective internal controls environment. Because of the limited number of employees involved in this service, certain employees performed incompatible duties allowing for the creation, examination, and processing of certain financial data without examination and authorization by an independent third party.

1.5 OPERATING RESULTS AND CASH POSITION

During the third quarter, the Company's income was limited to interest income of $64,233 from short-term investments, compared to $44,908 for the same quarter in 2008, and project management income of $1,953.

As at June 30, 2009, the Company had cash and cash equivalents of $6,578,405, a decrease of $4,696,652 since September 30, 2008. This change is primarily explained by $3,921,647 in exploration work expenditures and by operating activities.

As at June 30, 2009, working capital was positive at $8,180,182, which will allow the Company to continue its exploration projects.

Under the terms of exploration licenses granted by Quebec's Ministry of Natural Resources and Wildlife and New Brunswick's Ministry of Natural Resources, the balance of the fees that the Company has agreed to pay to them is $145,219 by 2012. In addition, the Company must carry out work on its properties in Quebec on a yearly basis, with minimum costs varying according to the age of the permits; therefore, they correspond to $0.50 per hectare for the first year of the permit and increase annually by $0.50, ultimately reaching $2.50 per hectare beginning with the fifth year. The minimum amount of work required by Quebec and New Brunswick, net of exploration work already carried out, is $529,409 in 2009, $56,832 in 2010, $565,480 in 2011, and $82,913 in 2012.

1.6 ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the quarter totalled $310,810, compared to $157,474 in 2008. The variance of $153,336 between this quarter in 2009 and the same quarter in 2008 is mainly a result of recorded stock-based compensation of $102,600 in 2009.

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1.7 SUMMARY OF QUARTERLY RESULTS

	2009		2008				2007	
	June $	March $	December $	September $	June $	March $	December $	September $
Revenue	66,186	27,921	63,778	129,439	44,908	37,479	43,349	17,008
Net earnings (Net loss)	(135,103)	(456,584)	(649,671)	(2,193,065)	1,487,502	(107,581)	38,617	(192,054)
Net earnings (Net loss) per share:								
Basic	(0.0033)	(0.0112)	(0.0159)	(0.0623)	0.0448	(0.0035)	0.0013	(0.0066)
Diluted	(0.0033)	(0.0112)	(0.0159)	(0.0623)	0.0399	(0.0035)	0.001	(0.0066)

Revenue primarily consists of interest earned for each of the quarters. General and administrative expenses have been relatively stable from one quarter to another. The main changes in quarterly losses or profits are explained as follows:

2007 – December: Unrealized gain of $50,000 on a long-term investment recorded;

2008 – June: Unrealized gain of $1,590,000 on a long-term investment recorded;

2009 – March: Tax on capital of $164,124 for fiscal years 2006-2007 and 2008, which the Company has disputed through a notice of objection to the Quebec Minister of Revenue, and an unrealized loss on an investment of $180,000 recorded.

1.8 RELATED-PARTY TRANSACTIONS

During the quarter, a company (Gestion LesTrois Inc.) in which one of Pétrolia's directors holds a minority interest billed the Company for rent for a location in the amount of $2,142 (2008 – $2,142). Also during the quarter, another company (Géominex Inc.) in which one of Pétrolia's directors holds a minority interest billed the Company for exploration expenses in the amount of $2,300 (2008 – $162,995). As at June 30, 2009, $186,823 is due from these companies (2008 – balance due $23,556).

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The Company shares some administrative expenses with Ressources Appalaches Inc., a company that has the same chief executive officer. For the third quarter, it billed the Company for the following expenses:

	2009 $	2008 $
Salaries and fringe benefits	56,270	64,745
Office supplies	932	900
Telecommunications	1,535	1,533

A sum of $17,444 is due to this company as at June 30, 2009 (2008 – $25,852).

Transactions were carried out with a director who acts as a consultant for the Company under the corporate name Seisserv Inc. The exploration work billed to the Company for the quarter amounted to $4,242 (2008 – $14,248). A sum of $3,360 is due as at June 30, 2009 (2008 – $7,042).

These transactions occurred in the normal course of business at the fair exchange value established and accepted between the arm's-length parties.

1.9 Accounting Standards

Readers are asked to refer to Note 3 in the financial statements dated September 30, 2008, for a detailed description of the accounting standards.

1.10 New Accounting Standards

The Company has adopted the following new sections from the Handbook of the Canadian Institute of Chartered Accountants ("CICA"), which apply to the Company's interim financial statements for periods beginning on October 1, 2008:

i) Section 3064, "Goodwill and Intangible Assets," replaces Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." It establishes standards for the recognition, measurement, and presentation of goodwill and intangible assets. Section 1000, "Financial Statement Concepts," was also amended to be consistent with the new section.

ii) Section 1400, "General Standards of Financial Statement Presentation," establishes the conditions for measuring and presenting the Company's ability to continue as a going concern.

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During the last quarter, the Company adopted EIC-173 and EIC-174:

i) On January 20, 2009, the Emerging Issues Committee (EIC) of the CICA adopted Abstract No. 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" (EIC-173), which clarifies that a Company's own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities. EIC-173 is to be applied retroactively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract.

ii) On March 27, 2009, the EIC of the CICA adopted Abstract No. 174 "Mining Exploration Costs," which specifies the fact that an entity that initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to determine whether the value of the exploration costs recorded in assets must be reduced. EIC-174 must be applied to financial statements published after the publication date of the abstract.

The adoption of these new sections and these new EICs had no significant impact on the Company's financial statements.

1.11 FUTURE ACCOUNTING STANDARDS

i) Section 1582, "Business Combinations," replaces Section 1581, "Business Combinations." It establishes standards for the recognition of a business combination and is the Canadian equivalent of IFRS 3 (revised), "Business Combinations." The section will be applied prospectively to business combinations with an acquisition date on or after October 1, 2011. Early application is acceptable.

ii) Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-controlling Interests," replace Section 1600, "Consolidated Financial Statements." Section 1601 defines standards for preparing consolidated financial statements. Section 1602 defines standards for the recognition of non-controlling interests in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are equivalent to the corresponding provisions of IAS 27 (revised), "Consolidated and Separate Financial Statements." The sections will apply to interim and annual consolidated financial statements for fiscal years beginning on or after October 1, 2011. However, their early adoption is permitted from the start of a fiscal year.

iii) International Financial Reporting Standards
The CICA Accounting Standards Board (AcSB) has adopted a strategic plan to converge with the International Financial Reporting Standards (IFRS) for companies having public accountability obligations. As the AcSB confirmed on February 13, 2008, the conversion requires companies that have public accountability obligations to adopt the IFRS fully in 2011. The transition to the IFRS will apply to interim and financial statements for fiscal years opened on or after January 1, 2011. The Company will switch to the new standards according to the schedules established by these new rules and will closely monitor all changes resulting from this convergence.

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Its conversion project will be carried out in four stages: initial assessment, detailed assessment, design, and implementation. During fiscal year 2008, the Company began the first stage, the initial assessment, which involves analyzing the main differences existing between the GAAP and the IFRS, as well as an examination of the possible adoption options.

The Company will proceed with the detailed assessment and design stages beginning in fiscal year 2009. More specifically, in the detailed assessment stage, the Company will assess the impacts of the IFRS on accounting and financial reporting on systems and processes, business, employees, and others. This stage will determine the consequences of the change. Then, during the design stage, the Company will start the review of the accounting processes and systems that will be affected by the differences identified through analyses performed during the previous stages.

Finally, the implementation, planned for fiscal year 2011, will involve establishing the changes in policies, procedures, and practices as well as the IT systems.

1.12 FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held with or issued by first-class financial institutions. Receivables mostly represent sums due from the federal and provincial government and from partners. Therefore, Management considers the risk of non-performance on these instruments to be 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 carried out.

The oil and gas properties held by the Company are in the exploration stage. The Company's long-term profitability is partially linked to the costs and the success of the exploration and subsequent development programs, which may also be influenced by various factors.

Among these, factors to be considered include environmental regulations, features of possible oil and gas accumulations, i.e., the quality and quantity of the resources, as well as development costs for a production infrastructure, financing costs, price of oil, and the competitive nature of the industry.

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Significant investments are necessary to complete the exploration and reserve development programs. In the absence of cash flows generated by oil and gas operations, the Company depends on capital markets to finance its exploration and development activities. Market conditions and other unforeseeable events could have an impact on the Company's ability to raise the funds required for its development.

Market Risk

Market risk is the risk that the fair value of the investment held for trading would fluctuate due to market price variations.

1.13 ADDITIONAL INFORMATION

a) Supplemental Information

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

b) Rule 51-102A Section 5.3

Details of deferred exploration expenses for the three- and nine-month periods ended June 30, 2009, are presented in the statement of deferred exploration expenses and in Note 6 of 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 July 30, 2009:

Common shares: 40,914,219 common shares have been issued and are outstanding.

Warrants: Warrants can be exercised as follows:

- 3,756,665 shares at the price of $1.50 per share until December 6, 2009;
- 1,750.000 shares at the minimum price of $1.00 per share until October 10, 2012;
- 3,000,000 shares at the minimum price of $1.00 per share until January 10, 2013.

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

- 270,000 options exercisable at a price of $0.40 per share until March 15, 2010;
- 1,075,000 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;
- 50,000 options exercisable at a price of $0.74 per share until May 21, 2012;
- 1,037,500 options exercisable at a price of $0.40 per share until June 21, 2012;
- 600,000 options exercisable at a price of $0.60 per share until February 12, 2013;
- 150,000 options exercisable at a price of $0.60 per share until March 3, 2013;
- 577,500 options exercisable at a price of $1.25 per share until July 7, 2013;
- 180,000 options exercisable at a price of $0.74 per share until May 21, 2014.

1.14 <u>MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION</u>

The quarterly financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles and were approved by the audit committee. The financial statements include certain amounts that are based on the use of estimates and judgment. Management has reasonably determined these amounts to ensure that the financial statements are presented faithfully in all material respects.

Rimouski, August 18, 2009

On behalf of the Board

(signed) *André Proulx*

André Proulx
President

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