Leader en exploration pétrolière au Québec

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the second quarter ended March 31, 2008

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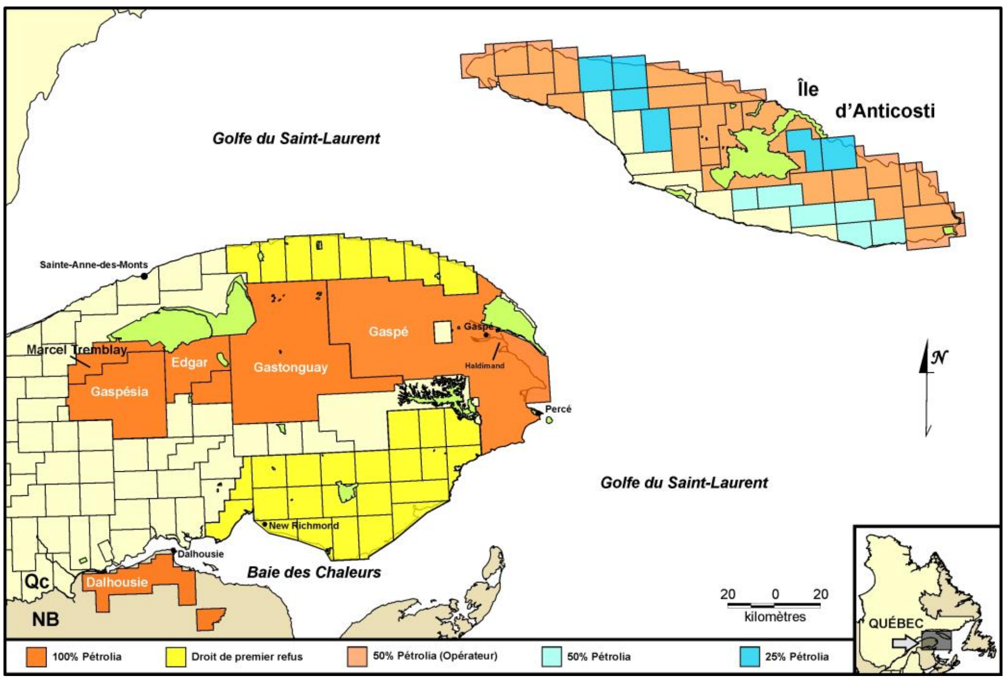
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED MARCH 31, 2008

This interim management discussion and analysis complies with Rule 51-102A of the Canadian Securities Administration 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 the audited financial statements for the fiscal years ended September 30, 2007 and 2006, 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 six-month period ended March 31, 2008, is prepared as at May 8, 2008.

Pétrolia's Permits



As of March 31, 2008

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.

During the most recent quarter, the Company's efforts focused more on the establishment of agreements – two pertaining to the Gaspé and Gastonguay properties and another for the Anticosti property:

1) Last January, Pétrolia acquired all of Hydro-Quebec's interests in exploration permits over 6,381 km^2 of Anticosti Island. The Company is therefore in a favourable position, since it now has an interest in 21% of the exploration permits issued in Quebec. In addition, these permits, which are considered to be Quebec's most prospective, represent more than 70% of Quebec's land oil potential.

2) On May 6, the Company signed a joint operating agreement with Junex and Gastem for the development of the Haldimand oil project and a comprehensive agreement with Junex, particularly consisting of an amendment to the agreement signed on July 13, 2005, between Pétrolia and Junex pertaining to the Gaspé and Gastonguay properties.

   The first agreement defines the area of development of the oil project and specifies, in particular, the rules for its development and the financial aspect, in which Pétrolia, Junex and Gastem holds respectively an interest of 45%, 45% and 10%.

   Under the second agreement, Junex waives its back-in right as well as its right of first refusal on the exploration permits comprising the Gastonguay and Gaspé properties (6,334 km^2) held by Pétrolia. For its part, Pétrolia waives its right of first refusal on the exploration permits held by Junex in the Baie-des-Chaleurs and in the Taconic Front in the Gaspé region.

   Also, each party agrees to become a 50% partner in a block of permits covering a corridor of about 291 km^2 located between the Galt property and the Pétrolia-Haldimand No. 1 discovery well. Junex will be the operator in this area. Pétrolia grants to Junex a royalty varying between 0.5% and 2.5% on the eventual production of hydrocarbons from the Gaspé and Gastonguay properties on the remaining area of 6,043 km^2.

In the wake of recent positive events, the Company modified its fundraising objective from $5,000,000 to a minimum of $8,000,000 with issuance of shares at $1.50 per unit instead of $1.00 as issued in the last quarter. Obtaining this new liquidity will ensure that the Company has the funds necessary to carry out all of the exploration projects that it has established for the next twelve months.

The Company's current revenues come from interest income, since the Company is at the stage of exploring and evaluating the Pétrolia-Haldimand No. 1 well. As such, it is financed through the issuance of shares of its capital stock.

During the quarter, stock options were exercised, resulting in the issuance of 25,000 shares for a total amount of $10,000.

During the second quarter, the Company carried out exploration work totalling $672,204, excluding stock-based compensation. The quarter's net loss was $107,581 ($0.0035 per share), compared with net earnings of $315,253 ($0.109 per share) for the corresponding quarter of the previous year. General and administrative expenses increased somewhat, owing to the Company's growing activities and the recording of stock-based compensation of $207,450. However, the Company recorded $200,000 in unrealized gains for the period on financial assets held for trading, compared with $400,000 for the same period in 2007.

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1.3 STRATEGY AND OUTLOOK

For the next two quarters, Pétrolia's main objectives are:

1) To put the Pétrolia-Haldimand No. 1 well into production as quickly as possible, now the framework operating agreement has been signed. A technical meeting will be held between the partners beforehand to establish the work program.

2) To prioritize exploration programs for the ongoing assessment of its vast holdings in the Gaspé region, in particular by conducting seismic and geochemical surveys on the Gaspé, Gaspésia, and Gastonguay properties. The Company is also drawing up an exploration program for Anticosti Island, with a view to attracting partners.

3) To find partners for further exploration of its properties in the Gaspé region, Anticosti Island, and New Brunswick.

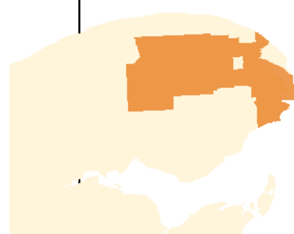
As a result of its better work and studies commissioned from consultants, Pétrolia is now able to design more powerful geologic models, leading to more precisely-targeted exploration programs. Opportunities to sign partnership agreements will thus be more numerous and more profitable.

Complete information on the development and exploration work can be found on the "Press Releases" page of the Company's website.

Gaspé property (Haldimand and Bourque projects):

Pétrolia's interest: 100%

The Company is focusing its attention on two portions of the Gaspé property: the Haldimand project, aimed at developing the Gaspé Sandstone discovery in the Pétrolia-Haldimand No. 1 well, and the Bourque project, where the work carried out to date suggests the presence of potential traps in the Devonian reefs at depth.



Highlights:

- Discovery of light crude in the Pétrolia-Haldimand No.1 well;
- Gaspé's most explored region: 7 holes drilled since 1999;
- Proven oil and gas potential in the region;
- Adequate regional seismic cover.

Haldimand project

Recent exploration work

- A two-part contract has been awarded to INRS-ETE [National Institute of Scientific Research - Water, Land, and Environment]:
  1) Characterization of organic matter in the Pétrolia-Haldimand No. 1 well.
  2) Palynologic study of rocks from the bottom of the Soquip Douglas No. 1 well, near the Pétrolia-Haldimand No. 1 well, to determine their age. This study is important for an understanding of the origin and emplacement of the hydrocarbons.

- Earlier seismic-survey lines bordering Haldimand were reprocessed to improve the quality of information on these profiles.

Proposed work

- A program to acquire new seismic data is planned, aimed at defining the deposit's geometry. The results will be used to position at least one confirmation well. This work will help to confirm the petroleum reserves (reserve-certification study) and to define the scope of future development work.
- Pétrolia would like to carry out a surface geochemical survey in order to delimit the Haldimand deposit.

Bourque project:

Proposed work

- Seismic-acquisition program, to start during Summer 2008. This new survey is essential for an understanding of the subsurface distribution of exploration targets.
- A maturation study of the organic matter in surface samples collected in 2007.

Gastonguay property:

There is very little knowledge of this property's bedrock geology, but comparison with adjacent areas suggests there is a potential for traps in the Silurian rocks.

Pétrolia's interest: 100%

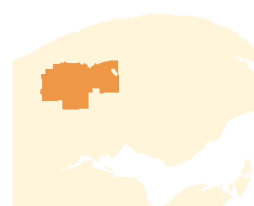
Highlights:

- Low level of exploration in the region;
- 1 hole drilled on basis of seismic results;
- Old regional seismic data.

Proposed work:

- A thermal-maturation study would show whether the rocks are located in zones favourable to the generation and preservation of hydrocarbons.
- If the results are encouraging, Pétrolia will go ahead with a reconnaissance seismic program.

Gaspésia, Edgar, and Marcel-Tremblay properties:



Until Pétrolia came on the scene, these areas had seen little exploration. However, the seismic lines acquired by the Company and the Ministry of Natural Resources and Fauna suggest the presence of potential targets in the Silurian formations. These profiles also show major structures that do not appear on surface but could form interesting traps.

Pétrolia's interest 100%

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Highlights:

- Variable regional seismic cover.
- 1 significant hole drilled in the area west of the property.

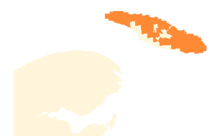
Recent exploration work:

- Assessment of available seismic and surface data.
- Examination of cuttings from the LaVérendrye No. 1 well, which intersected the same formations a little to the west of the Gaspé region, so as to confirm the seismic interpretations.

Proposed work

- A seismic-acquisition program to define drilling targets.
- A surface geochemical survey aimed at identifying the presence of subsurface hydrocarbons.

Anticosti property



Anticosti Island constitutes a vast area with excellent potential, but is relatively unexplored. The island's bedrock consists of rocks whose composition and age are similar to those in the producing areas of the northeastern United States; they also resemble those in the St. Lawrence Lowlands, another area where significant discoveries have been made in hydrothermal dolomites. Source rocks are present on the island, and data from wells show that they did indeed generate oil at some point during the basin's history. Porous zones and traces of petroleum have also been encountered during drilling. A number of structures associated with hydrothermal dolomitization phenomena, like those mentioned above, appear on the seismic records. The permits jointly held by Pétrolia and Corridor Resources cover the entire area of interest for petroleum exploration. The property is especially attractive because exploration is already at the drilling stage, and the Company can hope to obtain results in the short and medium term.

Pétrolia's interest: 25 to 50%

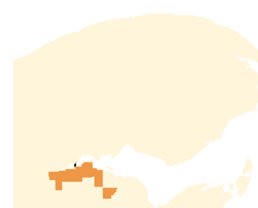
Highlights :

- 17 wells including 8 on seismic targets (5 recent of them);
- Modern regional seismic surveys;
- Region has recognized petroleum potential;
- Limited access to the island.

Proposed work

A joint technical committee comprising representatives from Pétrolia and Corridor Resources will decide on an exploration program that could include both seismic and drilling work.

Dalhousie property:



Pétrolia is the first oil company to become interested in this region of New Brunswick. Recent studies of organic matter show that it has potential for oil and gas.

Pétrolia's interest 100%

Highlights:

- Very low level of regional exploration (no previous drilling or seismic work).
- Area has potential for gas;
- Proximity to market.

Recent exploration work:

- Contract awarded to INRS-ETE for the assessment of the petrophysical properties of the Ordovician volcanic rocks that constitute one of the potential objectives in this region.
- Acquisition of a gravimetric survey.

Proposed work

- Three-dimensional (3-D) modelling and inversion of potential fields.
- A regional geochemical survey.
- Acquisition of reconnaissance seismic profiles to identify the location of potential targets. These targets will then be the subject of more detailed surveys and possible drilling.

1.4 EFFECTIVENESS OF DISCLOSURE PROCEDURES AND CONTROLS

The President and Chief Executive Officer and the Vice President of Finance have 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 them, particularly during the period in which the interim filings are being prepared. They have 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 external purposes in accordance with Canadian generally accepted accounting principles.

The assessment of the effectiveness of disclosure procedures and controls was conducted as at September 30, 2007, by the Company's officers, specifically the President and Chief Executive Officer and the Vice President of Finance, and under their supervision. Based on this assessment, these officers concluded that the Company's disclosure controls and procedures are effective in reasonably ensuring that the material information relating to the Company is made known to them by other members of the Company's staff on a timely basis.

1.5 OPERATING RESULTS AND CASH POSITION

For the quarter, the Company's revenues were limited to interest income of $37,479 on short-term investments, compared with $12,212 for the same quarter in 2007. These increased revenues are explained by the issuance of shares during the first quarter.

As at March 31, 2008, the Company had cash and cash equivalents of $3,500,344, a decrease of $664,685 for the quarter. Disbursements of $723,261 related to deferred exploration expenses, operating expenses and the collection of rent billed to a partner explain the main changes in cash and cash equivalents.

As at March 31, 2008, working capital was $3,850,252, which is a sufficient amount for continuing its exploration projects.

Under the terms of research permits granted by Quebec's Ministry of Natural Resources and Fauna and New Brunswick's Ministry of Natural Resources, the balance of the fees that the Company has agreed to pay to them is $148,536 by 2012. In addition, the Company must perform 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 are $168,122 for the fiscal year 2008, $813,165 in 2009, $164,665 in 2010, $191,355 in 2011, and $89,213 in 2012.

1.6 Analysis of General and Administrative Expenses

General and administrative expenses for the quarter totalled $393,106, compared with $136,670 in 2007. The variance of $256,436 between this quarter in 2008 and the same quarter in 2007 is mainly a result of recorded stock-based compensation of $207,450.

1.7 Summary of quarterly results

	2008	**2007**				**2006**		
	March $	**December $**	**September $**	**June $**	**March $**	**December $**	**September $**	**June $**
Revenue	37,479	43,349	17,008	1,366	12,212	22,338	12,233	11,596
Net earnings (Net loss)	(107,581)	38,617	(192,054)	(390,336)	315,253	(102,649)	(122,458)	(105,935)
Net earnings (Net loss) per share and diluted per share	(0.0035)	0.0013	(0.0066)	(0.0134)	0.109	(0.0036)	(0.0049)	(0.0047)

Revenues are comprised of subsidies and earned interest and, for December 2007, a gain on the disposal of rolling stock. General and administrative expenses are relatively stable from one quarter to the next. The main changes in quarterly losses or profit are explained as follows:

2007 – March: Gain of $400,000 resulting from the recording of an investment at fair value

2007 – June: Recorded stock-based compensation of $148,770 and an unrealized loss of $150,000 on an investment, resulting from its presentation at its fair value held for trading

2007 - December Recorded an unrealized gain of $110,000 on an investment, resulting from its presentation at its fair value held for trading

1.8 RELATED-PARTY TRANSACTIONS

During the quarter, a company (Géominex Inc.) in which one of the Pétrolia directors holds a minority interest billed for deferred exploration expenses totalling $136,525 (2007 - $47,580) and rent of $1,400 (2007 - $684). An amount of $61,888 is due as at March 31, 2008 (2007 – $36,407).

The Company shares its administrative expenses with Ressources Appalaches, a company that has the same chief executive officer. It billed the Company for the following expenses:

	2008 **$**	**2007** **$**
General and administrative expenses:		
Salaries and fringe benefits	64,003	45,635
Office supplies	900	600
Telecommunications	2,300	1,180

The sum of $90,207 is due to this company as at March 31, 2008 (2007 – $37,130).

In addition, Pétrolia was billed by a company (SEISSERV), whose principal shareholder is a Pétrolia director, for deferred operating expenses totalling $6,975 (2007 – $22,997). The amount due as at March 31, 2008, is $1,800 (2006 – $122).

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

1.9 NEW ACCOUNTING STANDARDS

Readers are asked to refer to the notes in the financial statements for the second quarter 2008 in order to obtain a detailed description of the changes to the accounting standards.

1.10 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. Therefore, management considers the risk of non-performance on these instruments to be very minimal.

Interest rate risk

As at March 31, 2008, the Company's exposure to interest rate risk is summarized as follows:

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

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1.11 RISKS AND UNCERTAINTIES

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 are 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, the market value of oil and gas, and the competitive nature of the industry.

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

1.12 ADDITIONAL INFORMATION

a) Supplemental information

Certain supplemental information, 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.Pétroliagaz.com**.

b) Rule 51-102A-section 5.3

Details of deferred exploration expenses for the three- and six-month periods ended March 31, 2008, are presented in the statement of deferred exploration expenses and in Note 4 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 May 8, 2008:

Common shares: 34,210,054 common shares have been issued, including 469,308 shares that have been escrowed, thus leaving 33,740,746 shares outstanding.

Warrants: Warrants can be exercised as follows:

- 1,750,000 shares at the price of $1.00 per share until April 26, 2009;
- 3,000,000 shares at the price of $1.00 per share until July 10, 2009.

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

- 25,000 options exercisable at a price of $0.60 per share until October 10, 2008;
- 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;
- 1,075,000 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.

1.13 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements for the periods ended on March 31, 2008, were prepared by management in accordance with Canadian generally accepted accounting principles and were approved by the Audit Committee. The accuracy and objectivity of these financial statements are the responsibility of management.

Rimouski, May 8, 2008

On behalf of the Board

(signed) *André Proulx*
André Proulx
President

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