Leader en exploration pétrolière au Québec

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS

For the second quarter ended March 31, 2009

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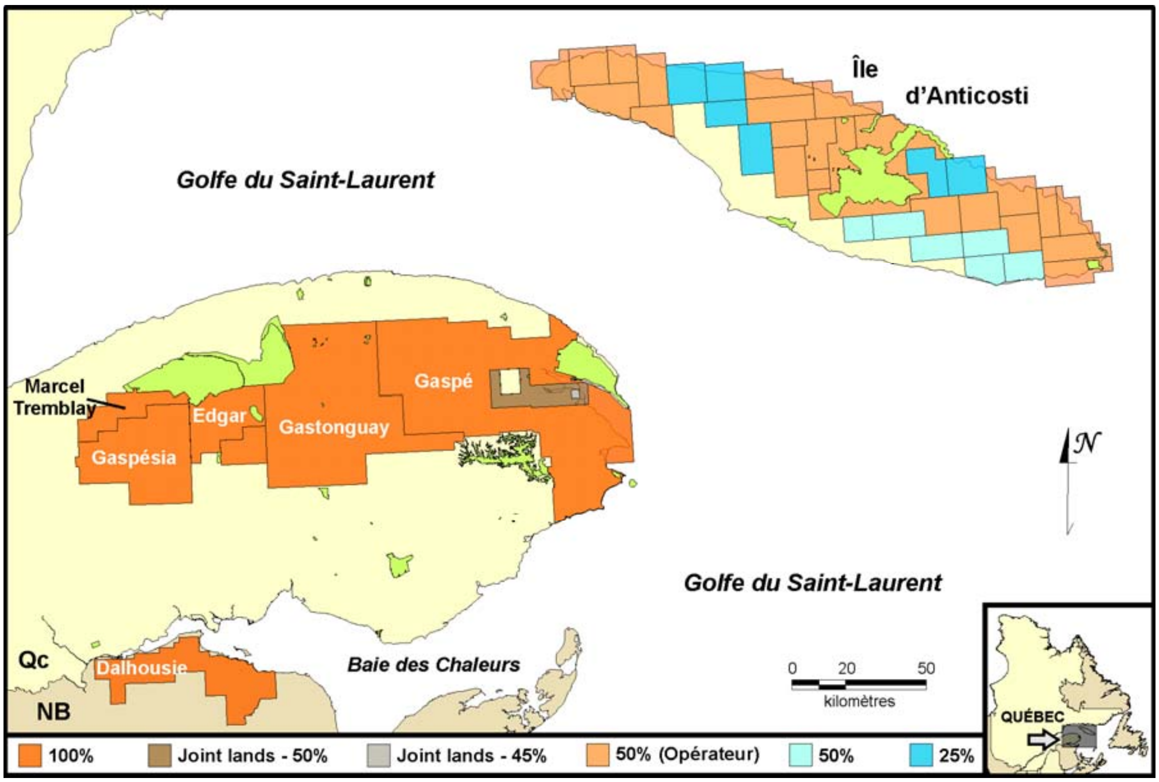
MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED MARCH 31, 2009

This interim management discussion and analysis 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, 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 six-month period ended March 31, 2009, is dated May 11, 2009.

Pétrolia's leases as of March 31, 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 permitted area in Quebec. 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.

Since its activities began, the Company has devoted most of its efforts to carrying out exploration programs for its various properties. Each program was designed based on the level of maturity of the exploration, the geological nature of the terrain, and the targeted oil objectives. During the previous quarters, its efforts were particularly directed towards the interpretation of data acquired during seismic and geochemical campaigns carried out in 2008 and towards to the choice of drilling sites based on these results. In 2009, Pétrolia is starting a crucial phase in its exploration work, since it will move on to the drilling stage on the main targets already identified.

Pétrolia's goal is to produce 5% of Quebec's oil consumption within the next four years. For 2009, Pétrolia took on a slogan: DRILLING TO DISCOVER. The Company is structuring its exploration strategies to achieve its primary objective: to become the leader in oil production in Quebec.

1.2.1 FINANCING AND INCOME

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

During the second quarter, the Company carried out exploration work for a total of $607,043, including $67,745 on behalf of a partner. The net loss for the quarter was $456,584 ($0.0112 per share) compared to a net loss of $107,581 ($0.0035 per share) for the corresponding quarter of the previous year.

1.3 STRATEGY AND OUTLOOK

Pétrolia has made it clear that in 2009 it intends to drill a number of the targets that have been identified on its properties. Because the current economic situation has led to a widespread slowdown in oil and gas exploration, particularly in Canada, the Company will be able to take advantage of the increased availability of drills and experienced crews.

Exploration demands time, major investments, and a detailed study of the data. A discovery in one of the wells will also require additional analyses and follow-up drilling before any reserves can be certified. It is therefore essential for Pétrolia to advance to the drilling stage as quickly as possible, in order to improve its position with investors once the economy resumes its normal course.

During the next quarter the Company will continue to formulate its drilling program, assigning priorities to the projects to be featured during 2009. The seismic and geochemical surveys carried out in 2008 have identified a number of targets on the Gaspé, Anticosti, and Dalhousie properties. The Company plans to drill at least two of these targets; if it is able to secure partners, other targets could also be drilled over the next three quarters.

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

Haldimand Project *(45 % interest)*

As indicated in the press release of May 7, 2008, a $5M exploration program was implemented by the partners, designed to put the Haldimand field into production and also to obtain a certification of the deposit's reserves from an independent firm. Only the drilling of a second well remains to complete this program.

Haldimand No. 1
The Pétrolia-Haldimand No. 1 discovery well was located on a single seismic profile; the extent of the producing zones on either side of this profile is therefore unknown. The data obtained from the discovery hole were insufficient to define the characteristics of the petroleum or the reservoir. Without these data it is almost impossible to characterize the deposit or to produce from it without possibly jeopardizing the future recovery rate. Faced with these uncertainties, the partners decided to take a cautious approach and postponed commissioning the well until they have undertaken additional work and are in a position to properly define the limits and physical properties of the reservoir. In view of all this it was decided not to resume production from Haldimand No. 1 until the No. 2 well has been drilled and the results assessed.

Haldimand No. 2
On February 18, 2009 the project's partners announced that interpretation of the 3-D seismic data acquired in the fall of 2008 had been completed, and that the location of the Haldimand No. 2 Well had been selected. Depending on the results obtained during drilling, the new well should have a depth of about 1,100 metres. The partners also announced their intention to drill this new well after the spring thaw, as soon as the operator considers it appropriate.

This drilling is expected to enable:

1) confirmation of the extent of the producing zones identified in the first well,
2) definition of the gas/oil ratio under reservoir conditions,
3) characterization of the reservoir,
4) calibration of the interpretations of the logs from the first well, so that other intervals could possibly be perforated, thereby increasing the output from the producing zone.

The surface rights have already been leased from the owner, and development of the well-site should begin in the near future.

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Haldimand: 900 hectares

Partnership	• Signing of a partnership agreement with Junex (45 %) and Gastem (10 %) • Signature in 2008 of a joint operating agreement for the development 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
Proposed Work	• Continuing analyses and tests in the Pétrolia-Haldimand No. 1 Well • Extended production test to confirm the production capacity of the Pétrolia-Haldimand No. 1 Well • More detailed geologic studies of the various formations • Gravimetric survey to refine the current models • Drilling of a second well to target the producing zones already identified in the previous borehole

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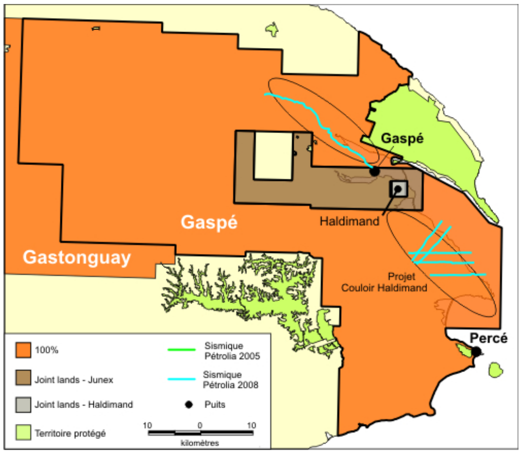

Haldimand Corridor Project *(100 % interest)*

The Haldimand Corridor Project was conceived during 2008. This project, 100 % owned by Pétrolia, is located to the northwest and southeast of Haldimand. The Haldimand Corridor is a priority project, in which the Company invested $1.2M in exploration work during 2008. It plans to drill there as soon as possible.

The seismic, magnetic, geochemical, and geologic surveys carried out in 2008 have substantially improved the database that Pétrolia acquired. For example, the results from geochemical analyses performed on soil samples (adsorbed gases) confirm the near-surface presence of strongly anomalous concentrations of hydrocarbons. These results have defined a number of zones likely to contain petroleum. Based on these results and its assessment of earlier work, Pétrolia carried out an 83-km seismic-acquisition program in December 2008.

The seismic results indicate that the Haldimand Corridor contains different types of potential traps in its northern and southern portions:

1) The Southern Haldimand Fairway constitutes the natural extension of the Pétrolia-Haldimand No. 1 field. The results of the earlier and newly-acquired 2-D seismics, combined with the surface geology and an aeromagnetic survey (partially in HD) acquired by Pétrolia in 2008, have defined two drilling targets at a maximum depth of 1,500 m.

2) In the Northern Haldimand Fairway, the seismics suggest the presence of reefs within the Chaleurs Group. The Northern Haldimand Corridor thus shows similarities to the Bourque Project. Reefal traps are very abundant in the Western Canadian Sedimentary Basin, and also in Ontario and Michigan, which further supports Pétrolia's interest in this region. The old seismic data, combined with the new data acquired by Pétrolia in 2008, should enable a drill target to be identified in this area. The present estimate is that a well 2,000 metres deep would be necessary to reach the reef-bearing strata.

Southern Haldimand Corridor	
Achievements	• Reassessment of available data and reprocessing of some of the old seismic lines • Soil-geochemistry survey conducted in 2008 (900 samples) • In 2008, acquisition of five seismic lines with a total length of 57 km, including a portion in the sea • High-resolution 550-km^2 airborne magnetic survey to extend the government surveys to the east

Proposed work	• Analyses of the organic matter in eight field samples from the Tar Point anticline
	• Planning of a drilling campaign
	    • Drilling of an exploration well (depending on the available budget)
	    • Gravimetric survey leading to a gravimetric inversion to define the top of the basement

Northern Haldimand Corridor	
Achievements	• In 2008, acquisition and processing of a 26-km long seismic profile • Integration of earlier and recent seismic data with gravimetric, magnetic, and geologic data, to establish a model for exploration • Soil-geochemistry survey over a portion of the Northern Corridor
Proposed work	• Continued assessment of results • Selection of targets for drilling

Bourque Project *(100% interest)*

The Bourque Project covers ground northwest of Gaspé located on the northern margin of a Siluro-Devonian sedimentary basin which contains numerous petroleum showings. Pétrolia has been carrying out geoscientific studies on the property for nearly two years, and has reinterpreted earlier data in order to assess its petroleum potential. In 2008 this led Pétrolia to carry out an exploration program based on a search for Siluro-Devonian reefs, following the model of marginal reefs and pinnacle reefs proposed by P.A. Bourque. Pétrolia has refined this model and identified some promising targets. The discovery of hydrocarbons in a Siluro-Devonian reef could lead to commercial production and would revive exploration in new sectors of the Gaspé region.

Discussions with Pilatus Energy Canada led to the signing of a $20M agreement for exploration of the Bourque Project properties. This partner will earn a 70% interest in the project if it meets all the terms of the agreement (*Press Release of August 5, 2008)*. Under the terms of the agreement Pilatus first had to carry out a 3-D seismic campaign. This stage was completed in September 2008 with the acquisition of a 65-km^2 survey.

The results of the 3-D survey confirm the presence of the reefs that had been predicted by the 2-D seismics. Several potential drilling targets were identified: Pétrolia and Pilatus are thus now in a position to select a site for the first exploration borehole. The starting date for the work will be determined by Pilatus.

With the Bourque Project, Pilatus has opted for an ambitious exploration program. It is anxious to advance quickly to the next stage. Besides being a partner in the Bourque Project through its Canadian subsidiary Pilatus Energy Canada, the Pilatus Group of Switzerland also owns 11% of Pétrolia's capital stock *(Press Release of Jan. 31, 2008)*. In fact, Pilatus believes that Pétrolia's positioning gives it a strategic stake in the future of the North American petroleum industry.

Bourque: 74,267 hectares	
<u>Partnership</u>	• Pilatus Energy Canada
<u>Achievements</u>	• Acquisition and interpretation of old seismic data that are now in the public domain • Acquisition of 3-D seismic data (65 km^2) 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
<u>Proposed work</u>	• Planning of a drilling campaign (depending on partner's decision)

Dalhousie Property *(100 % interest)*

Pétrolia is the first oil company to take an interest in this region of northern New Brunswick, based initially on a study of organic matter published by the GSC, which showed that a large portion of the region has oil and gas potential. Moreover, a study of the regional magnetic and gravity surveys, together with an inversion of the gravitational field, suggests the presence of a major structure in the coastal region southeast of Charlo. The core of this structure consists of fractured Middle Ordovician volcanic rocks.

Pétrolia confirmed the presence of this structure by means of two 39-km long seismic profiles acquired during the previous quarter. A horizontal event in the seismics, within a layer assumed to be Ordovician volcanic rocks, was interpreted as a water/gas contact. In addition, analyses of samples collected from a mining drillhole also show that gas has circulated through fractures in the volcanic rocks, which made them the primary drill target.

Thus all the elements of an oil-producing system are present, and a drillhole will enable their confirmation and also determine the petroleum potential of this structure.

Dalhousie: 68,163 hectares

Achievements	• 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
Proposed work	• Planning of a drilling campaign (depending on the available budget)

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

Anticosti Island comprises a vast area that is highly prospective but relatively little explored. The island's geology consists of rocks whose composition and age are similar to those in producing areas of the northeastern United States. The island's geology also resembles that of the Saint Lawrence Lowlands, where interesting discoveries have also been made, including the one at St-Flavien in hydrothermal dolomites. A good source rock is present on the island, and analyses of organic matter from drillholes show that it has generated petroleum during the basin's history. Porous zones and petroleum showings have also been encountered in drillholes, and a number of structures favourable to hydrothermal dolomitization were identified on the seismics.

The leases jointly held by Pétrolia and Corridor Resources cover almost all of the ground that is prospective for petroleum. The Anticosti property is particularly interesting for Pétrolia because exploration has reached the drilling stage, with several targets ready for drilling. The Company looks forward to results in the short and medium term. However, considering the high cost of drilling in this region, and the unfavourable economic situation, the partners have not yet taken a decision on starting operations on the island. Pétrolia will nevertheless continue to analyze and interpret Shell's seismic data and the data obtained from drilling so as to identify and develop new concepts.

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Anticosti: 638,106 hectares

Partnership	• Corridor Resources Inc.
Achievements	• Leases acquired in 2007 • Interpretation of seismic lines and available drilling data • Soil-geochemistry survey (adsorbed gases and microbial analysis) in 2008, covering 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 in three drillholes from the east of the island

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

There had been little exploration work on these properties prior to Pétrolia's arrival. However, the seismic lines acquired by the Company and the Quebec Ministry of Natural Resources and Wildlife suggest the presence of potential targets in the Silurian and Devonian formations. The profiles also show major structures that do not appear on surface, but that could form promising traps. The rocks' thermal maturation renders them favourable for the preservation of gas. Several outcrops of dolomitized limestone and sandstone located on the edge of the sedimentary basin show porosity and contain traces of hydrocarbons. They could form a reservoir capable of accumulating large quantities of natural gas.

The results of a soil-geochemistry survey conducted in 2008 show the presence of anomalous hydrocarbon values over major structures seen in the seismic profiles acquired by Pétrolia since 2005. Additional seismic surveys may be necessary to more precisely define targets for drilling.

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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 shows 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, 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 • Reprocessing of seismic lines MRN-12 (2001) and PET 06-04

Gastonguay Property (*100 % interest*)

Since the Company's efforts during the year have focused on properties having more established potential, exploration work on the Gastonguay property was limited to a brief review of existing geoscientific data. This was nevertheless able to establish that the property's geology is comparable to that of the adjacent regions (Bourque and Gaspésia Projects). There should therefore be potential traps in the Silurian and Devonian rocks on this property. If results from the above two projects are encouraging, Pétrolia will go ahead with a seismic-reconnaissance program.

Gastonguay: 258,993 hectares	
Summary	• Unexplored area • Only one significant well • Geologic characteristics similar to Gaspésia and Bourque • Assessment of existing data in progress
Proposed work	• Reconnaissance and data-compilation work required to evaluate the property. If the results are encouraging, Pétrolia will launch a regional seismic program

1.4 EFFECTIVENESS OF INFORMATION 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 when 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 publication, in accordance with Canadian generally accepted accounting principles.

1.5 OPERATING RESULTS AND CASH POSITION

During the second quarter, the Company's income was limited to interest income of $18,869 from short-term investments, compared to $37,479 for the same quarter in 2008, and project management income of $9,052. The decreased interest income resulted from a write-off of interest on a partner's debt.

As at March 31, 2009, the Company had cash and cash equivalents of $6,961,685, a decrease of $2,059,024 for the quarter. This change is primarily explained by $1,435,527 in exploration work expenditures and by operating activities.

As at March 31, 2009, working capital was positive at $8,560,927, which will allow the Company to continue its exploration projects.

Under the terms of research permits 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 $104,849 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, net of exploration work already performed, 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 $432,297, compared to $393,106 in 2008. The variance of $39,191 between this quarter in 2009 and the same quarter in 2008 is mainly a result of recorded stock-based compensation of $207,450 in 2008 and the capital tax for fiscal years 2006, 2007, and 2008, which the Company disputed through a notice of objection filed with Quebec's Ministry of Finance.

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1.7 SUMMARY OF QUARTERLY RESULTS

	2009	2008				2007		
	March	**December**	**September**	**June**	**March**	**December**	**September**	**June**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	27,921	63,778	129,439	44,908	37,479	43,349	17,008	1,366
Net earnings (Net loss)	(456,584)	(649,671)	(2,193,065)	1,487,502	(107,581)	38,617	(192,054)	(390,336)
Net earnings (Net loss) per share :								
Basic	(0.0112)	(0.0159)	(0.0623)	0.0448	(0.0035)	0.0013	(0.0066)	(0.0134)
Diluted	(0.0112)	(0.0159)	(0.0623)	0.0399	(0.0035)	0.001	(0.0066)	(0.0134)

The revenue primarily consists of interest earned in each quarter. 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 – June: Unrealized loss of $150,000 on a long-term investment and stock-based compensation of $148,770 recorded;

2007 – December: Unrealized gain of $110,000 on a long-term investment recorded;

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

2008 – September: Unrealized loss of $1,380,000 on an investment and stock-based compensation of $461,325 recorded;

2008 – December: Unrealized loss of $540,000 on an investment 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 rent for a location in the amount of $2,142 (2008 – $1,400). During the corresponding quarter of the prior year, a company (Géominex Inc.) had billed the Company for deferred exploration expenses in the amount of $136,525. As at March 31, 2009, $99,867 is due from these companies (2008 – balance due $61,888).

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

	2009 $	2008 $
General and administrative expenses:		
Salaries and fringe benefits	84,107	64,003
Office supplies	1,200	900
Telecommunications	1,006	2,300

A sum of $38,295 is due to this company as at March 31, 2009 (2008 – $90,207).

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 $25,658 (2008 – $6,975). No amount is due as at March 31, 2009 (2008 – $1,800).

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 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.

During the 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.

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

Fair Value

The Company holds the following financial instruments:

i) Instruments held for trading designated as held for trading

Cash and cash equivalents as well as investments are recorded at fair value at each balance sheet reporting date. Any variation in the fair value is presented in net earnings in the period during which these variations occur. The fair value of equity instruments is based on the market price for the investments in question.

ii) Loans and Receivables

The book value of receivables is close to their fair value because of their short-term maturity. After their initial fair value valuation, they are valued at the amortized cost using the effective interest method, which generally corresponds to cost.

iii) Other Financial Liabilities

The book value of payables and accrued expenses is close to their fair value because of their short-term maturity. After their initial fair value valuation, they are valued at the amortized cost using the effective interest method, which generally corresponds to cost.

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Risk Management Policy
The Company's financial assets and liabilities expose it to various risks. The following analysis provides an assessment of the risks as at March 31, 2009, the date of the balance sheet:

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 performed.

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.

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.

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1.13 ADDITIONAL INFORMATION

a) Supplemental documents

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 six-month periods ended March 31, 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 May 11, 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 price of $1.00 per share until October 10, 2012;
- 3,000,000 shares at the 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;
- 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;
- 600,000 options exercisable at a price of $1.25 per share until July 7, 2013.

1.14 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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, May 11, 2009

On behalf of the Board

(signed) *André Proulx*
André Proulx
President