Leader en exploration pétrolière au Québec

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS

For the second quarter ended March 31, 2010

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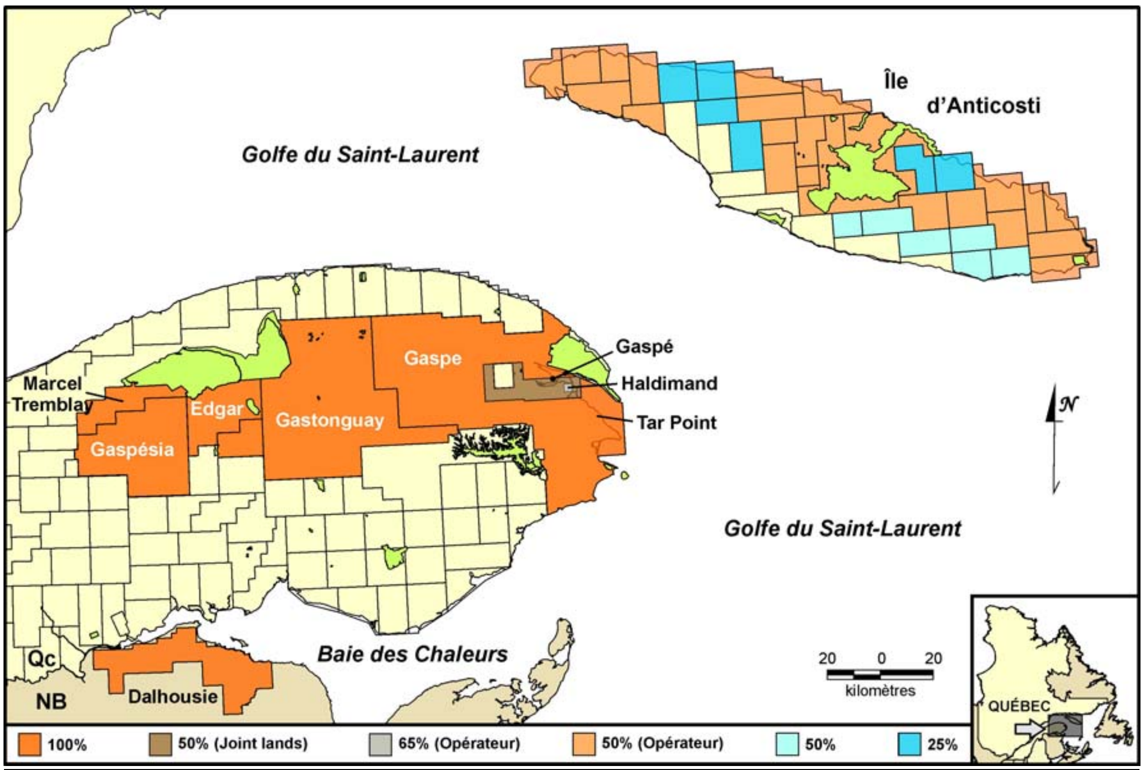
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED MARCH 31, 2010

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, 2009 and 2008, and the annual management report when required. It presents the view of Management on current Company activities and financial results as at March 31, 2010 as well as a preview of activities during the coming months.

PÉTROLIA'S INTERESTS



1.1 DATE

This management discussion and analysis for the three-month period ended March 31, 2010, is prepared as at May 11, 2010.

1.2 NATURE OF ACTIVITIES

The Company is incorporated under Part 1A of the Quebec Companies Act. The Company has been listed on the TSX Venture Stock Exchange since February 16, 2005. The Company's primary activities are the exploration and development of its oil and gas properties. In addition, to achieve its objectives, the Company has entered into various partnership agreements characteristic of the oil and gas industry.

1.3 FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements and information (hereinafter referred to as "forward-looking statements") as defined by Canadian securities laws. Aside from factual reports, all statements are forward-looking. Forward-looking statements generally contain words such as "anticipate," "believe," "plan," "continued," "estimated," "expect," "may," "will," "plan," "should," or other similar words suggesting future results. In particular, this management report contains forward-looking statements pertaining to Pétrolia's drilling exploration program.

Readers are cautioned not to place undue reliance on forward-looking statements, which are uncertain by nature, based on estimates and assumptions and subject to risks and uncertainties (general and specific) known and unknown that contribute to the possibility that the future events mentioned in the forward-looking statements will not become a reality. These factors include but are not limited to: risks associated with oil and gas exploration, financial risks, substantial capital requirements, bank financing, governmental regulations, the environment, prices, markets and marketing, debt issuance, changes in exchange rates, and hedging. Readers should note that the preceding list of factors capable of influencing future earnings is not exhaustive. There is no guarantee that the plans, intentions, or expectations on which the forward-looking statements are based will materialize. Actual results will be different, and the difference may be significant and unfavourable towards Pétrolia and its shareholders.

The forward-looking statements are based on Pétrolia's current opinions as well as the assumptions issued and the informations currently available to Pétrolia in light of the change in financial performance, business opportunities, strategies, regulatory developments, future oil and natural gas prices, the ability to obtain, within the required time frames, the equipment necessary to continue development activities, the ability to market the oil and natural gas, the impact of increased competition, the ability to obtain financing under acceptable conditions, and the ability to increase production and the reserves through exploration and development activities. Although the Company's management considers these assumptions to be reasonable based on the information currently available, they may prove to be incorrect. The forward-looking statements contained in this management report are made as of the date mentioned above. Pétrolia makes no commitment to update them officially or revise any forward-looking statement whatsoever, unless it is required to do so by a current regulation. The forward-looking statements contained below are expressly covered by this notice.

1.4 STRATEGY AND OUTLOOK

The Company's strategy primarily involves discovering oil reserves and putting them into production as quickly as possible under good profitability and safety conditions. Pétrolia achieves its objectives by holding rights over promising properties, signing agreements with experienced partners, and drilling wells based on technical knowledge. The goal is to attain best drilling practices and to strike a balance between risk and return. The discovery made on Haldimand (the first commercially exploitable oil deposit in Quebec) results from efforts thus deployed by the Company. The Company seeks to put certain wells into production during the next two quarters (see press release dated May 7, 2010).

The Company is actively continuing its efforts to identify new partners having both the technical expertise and the financial capacity necessary for the development of unconventional deposits, such as Haldimand, which are currently raising a lot of interest around the world.

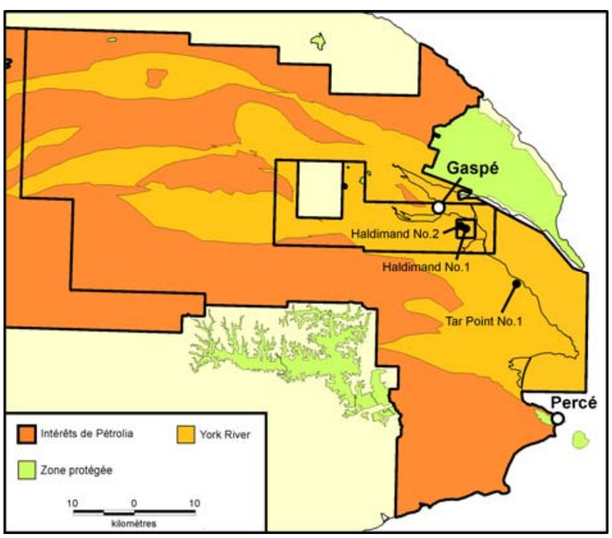
The Company is currently in the exploration stage and therefore exploits no oil well. The revenues during this quarter come mainly from interest. Its financing is still ensured through issuance of shares of its capital, tax credits arising from current tax rules in Quebec, and agreements entered into with partners.

The commitments intended to keep its exploration licences in effect are disclosed under "Commitments."

During the quarter, the Company performed exploration work for $2,450,816 compared with $607,043 for the corresponding quarter in 2009. For the second quarter, it incurred a loss of $402,692 ($0.0092 per share) compared to a loss of $456,584 ($0.0112 per share) for the same quarter in 2009.

1.5 EXPLORATION WORK

The main activity during this quarter was the completion work performed on three wells: Haldimand No. 1, Haldimand No. 2, and Tar Point No. 1.



Map 1 York River Formation: An unconventional new approach to finding light crude

Haldimand Project

During the second quarter the Company undertook completion work. Although this work may appear tedious in the eyes of investors, it represents the basis for a reliable assessment of the production potential of the zones that showed signs of gas or oil during the drilling.

The work carried out has shown that the Haldimand deposit is unconventional in type, and analogous to the Bakken oilfield. Although this type of deposit is highly prized in North America, extracting its oil requires more time and a different technique.

The Company therefore plans to devote the next quarter to analyzing the results of this work. Accordingly, it will be seeking the advice of independent experts on the use of massive fracturing techniques to improve the productivity of certain zones.

Depending on the advice received, Pétrolia will begin the third phase of the work, i.e., either the installation of permanent production equipment, or the application of additional stimulation, using hydraulic-fracturing or other procedures.

The sequence of work carried out during the completion stage was as follows:

- When the drilling stage ended, steel casing was lowered into the well and cemented.
- The first stage of completion work consisted of perforating the casing within the porous and permeable zones, so as to re-establish communication between them and the well.
- These perforations were then washed with acid to clean out the cement used to install the casing, and thereby to improve the flow of fluids from the porous formations into the well. This operation was carried out over small intervals, kept separate from each other in order to identify the best zones.
- The perforated zones were put into production through the use of tubing and production packers while swabbing was used to start up the well. The volumes of fluids produced and the wellhead pressures were carefully noted during this operation. Pressure recorders were lowered to the bottom of the hole, to supplement the information acquired.
- When the testing was completed, production was interrupted to monitor the rise of pressure, which indicates the formation's ability to replace the fluids extracted. Analysis of these data then enabled assessment of parameters such as the formation's permeability, its production capacity, and so on, the objective being to size the equipment required for the permanent production facilities.

Pétrolia Haldimand No. 1

- On February 16, 2010, the service rig used at Tar Point No. 1 was moved to the site of the Haldimand No. 1 well.
- Additional intervals totalling 21 m were perforated in the Upper York River zone, providing 41.5 m of perforated intervals over the 148 m length of the upper oil-producing zone (952 – 1,100 m KB).
- The well was subjected to a production test from March 11 to April 25, 2010. Following this phase, the well was shut-in to allow the pressure to rise for about thirty days.

Pétrolia Haldimand No. 2

- Completion work on this well began on March 20, 2010
- Intervals totalling more than 93 m in thickness were perforated and cleaned with acid.
- Pressure recorders were lowered to the bottom of the well on March 28, 2010, and should be recovered during the next few weeks.

Haldimand: 900 hectares	
Exploration costs as at March 31, 2010	• $8,636,903
Partnership	• Pétrolia 65%, Junex 35% • Pétrolia became the operator for the Haldimand Project on July 30, 2009
Achievements	• Acquisition of seven seismic profiles in 2005, with a total length of 34 km • Drilling of Pétrolia-Haldimand No. 1 in 2005 • 3-D seismic campaign in 2008, covering 13 km² • Soil-geochemistry survey in 2008 • Gravimetric survey in 2009 to refine the current models • Drilling of Pétrolia-Haldimand No. 2 in 2009 • Additional completion work and production test at the Pétrolia-Haldimand No. 1 well • Completion work and production test at the Haldimand No. 2 well
Work in progress	• Assessment of results from the production tests and consultations on the best stimulation strategy
Proposed work	• Initiation of production, and stimulation based on advice from consultants

Tar Point No. 1 Project

- The completion work began on January 15, 2010 and ended on February 15. This work mainly involved the Indian Cove limestones, which were perforated and then stimulated with acid.
- Downhole pressure recorders were installed on February 1, 2010 and removed from the well on March 27, 2010.
- The production and pressure data are currently being studied by the Calgary-based Petro Management Group.

Tar Point No. 1:	
Exploration costs as at March 31, 2010	• $4,547,630
Achievements	• Soil-geochemistry survey in 2008 • 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 in 2008 to extend the government surveys to the east • Gravimetric survey in 2009 preliminary to a data inversion to define the top of the basement • Drilling of the Pétrolia Tar Point No. 1 well • Completion work on the well and production test
Work in progress	• Assessment of the results of the production test and consultations on the stimulation strategy
Proposed work	• Fracturing and initiation of production at the Pétrolia Tar Point No. 1 well, based on advice from consultants

Bourque Project

The Bourque Project offers the possibility of discovering a deposit of very great size. The project is located in the northwest portion of the Gaspé property, 70 km west of the town of Gaspé, on licences that are 100% owned by Pétrolia.

The total depth of the intended targets is about 3,000 m. This type of trap can hold considerable quantities of hydrocarbons. It is reminiscent of the Leduc-type reefs in Alberta, in which giant oilfields have been discovered—a turning point for oil and gas exploration in that province. An article published in the AAPG Bulletin in April 2010 confirms the potential of the reef model, the subject of the Bourque project.

The Bourque project is very important to Pétrolia and its shareholders in view of the size of the discoveries that could be made and the interest that would be aroused regarding Pétrolia's other properties, where similar geologic conditions prevail.

Pétrolia has terminated its agreement with Pilatus Energy Canada for the development of the Bourque property, and has granted Pilatus a 5% interest. Pétrolia no longer has any obligation to Pilatus, and is free to sign a new agreement with another partner.

Bourque: 74,267 hectares	
Exploration costs as at March 31, 2010	• $3,568,844
Partnership	• Pétrolia 95%, Pilatus Energy Canada 5% • Pétrolia is the operator
Achievements	• Acquisition and interpretation of previous seismic data • Acquisition of 3-D seismic data (65 km²) in 2008 • Maturation study on the organic matter • Interpretation and evaluation of the results of the 3-D seismic survey • Definition of two targets for drilling
Work in progress	• None
Proposed work	• Planning of a drilling campaign

Dalhousie Project

Results from the seismic programs carried out on the Dalhousie property in 2008 and 2009 were sufficiently encouraging that Pétrolia is now planning to drill there. The surveys have demonstrated the presence of several large-scale anticlinal structures that could form potential traps. Core from a nearby mining drillhole also indicated a potential for porous, highly-fractured reservoirs. Moreover, the seismic study suggests the presence of a gas/liquid interface at a depth of 1,400 m in one of these structures.

Based on the geochemical work, northern New Brunswick is mainly of interest for its gas potential, and because of its large size the target structure could, in the event of a discovery, provide a very large volume of gas. This gas could then supply local companies, and possibly a wider market if the necessary infrastructure were put in place.

However, Pétrolia suspended the project last fall to allow time for the resolution of a number of questions concerning the marketing of the gas potentially contained in the structures identified. At the same time the Company continues to seek partners for a renewal of exploration activities, including drilling.

Dalhousie: 49,493 hectares	
Exploration costs as at March 31, 2010	• $1,103,861
Achievements	• Licences 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 • 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 • Acquisition of 29 km of 2-D seismics in 2009
Work in progress	• None
Proposed work	• Drilling of a well

Anticosti Property

Anticosti Island is a huge and very promising area, but is relatively unexplored. 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 some petroleum. Shell has already given a figure of 30 billion barrels for the quantity of oil produced by this source rock over the history of this sedimentary basin. Moreover, porous zones and shows of petroleum have been encountered during previous drilling. A number of structures favourable to hydrothermal dolomitization phenomena are likely to have trapped a portion of the petroleum generated by the source rock, and have been identified by the seismic work carried out on the island.

The licences 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 may then hope for results in the near and medium term, since Pétrolia and Corridor Resources are planning to complete four wells during the summer of 2010. Pétrolia will also continue to analyze and interpret the Shell and Hydro-Québec seismic data, as well as the data obtained from drilling, so as to define and develop new concepts.

Anticosti Island meets the four criteria looked for in a petroleum system, namely a highly productive source rock favourable for the production of petroleum, a good quality reservoir, impermeable cover rocks, and the presence of numerous large-scale traps.

The work carried out by Pétrolia and its partner in this area has identified a number of targets for drilling. At the end of the next quarter a drilling program will be initiated on the structures considered favourable for containing large quantities of hydrocarbons. The exploration model targeted by this drilling campaign has been very successful in the Appalachian Basin.

Pétrolia and its partners have selected the horizontal drilling technique, which is a first for this region. This technique, considered to be better suited to the nature of the Anticosti Island structures, both increases the production capacity of the well and improves the chances of intersecting productive zones.

Anticosti: 638,106 hectares	
Exploration costs as at March 31, 2010	• $1,366,460
Partnership	• Petrolia's interest: 25 to 50% • Corridor Resources Inc.
Achievements	• Licences acquired in 2007 • Interpretation of seismic lines and available 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 • Incorporation 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 drilled in the eastern portion of the Island • Drilling of four wells in the summer of 2010

Other Properties

The Haldimand discovery led Pétrolia to concentrate its efforts on developing the deposit, with a view to putting it into production. The resources available to Pétrolia were consequently devoted to that project, thereby leading to a reduction in activities on its other properties. Pétrolia is considering the possibility of carrying out certain geophysical work on those properties, perhaps during the current year.

1.6 OPERATING RESULTS AND CASH POSITION

For the second quarter, the Company's revenues were primarily made up of interest revenue on short-term investments of $6,646, compared with $18,869 for the 2009 period. The 2009 revenues included interest on short-term investments and interest on accounts receivable from a partner due to an agreement entered into during this quarter.

As at March 31, 2010, the Company had cash and cash equivalents of $4,089,007, an increase of $3,637,347 since December 31, 2009. The exploration fee disbursements of $2,283,617 are the main explanations for this change.

As at March 31, 2010, working capital was positive at $6,413,320, which will allow the Company to continue its exploration projects.

1.7 Commitments

Under the terms of exploration licences 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 $748,450 by 2014. 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 licences; therefore, they correspond to $0.50 per hectare for the first year of the licence 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 $0 in 2010, $1,233,749 in 2011, $2,127.465 in 2012, and $2,056,247 in 2013.

1.8 Analysis of General and Administrative Expenses

General and administrative expenses for the quarter totalled $571,512, compared to $432,297 in 2009. The main differences are caused by the recording of stock-based compensation of $183,600 and additional expenses related to the increase in Pétrolia's activities.

1.9 Summary of Quarterly Results

	2010	2009				2008		
	March $	December $	September $	June $	March $	December $	September $	June $
Revenue	6,646	18,772	46,759	66,186	27,921	63,778	129,439	44,908
Net earnings (Net loss)	(402,692)	(381,236)	386,447	(135,103)	(456,584)	(649,671)	(2,193,065)	1,487,502
Net earnings (net loss) per share								
Basic	(0.0092)	(0.0092)	0.0095	(0.0033)	(0.0112)	(0.0159)	(0.0623)	0.0448
Diluted	(0.0092)	(0.0094)	0.0073	(0.0033)	(0.0112)	(0.0159)	(0.0623)	0.0399

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

2008 – June	Unrealized gain of $1,590,000 on a long-term investment recorded.
2008 – September	Stock-based compensation of $461,325 and an unrealized loss of $1,380,000 on a long-term investment recorded.
2009 – March	Capital tax of $164,124 for fiscal years 2006, 2007, and 2008, which the Company disputed through a notice of objection to the Minister of Revenu du Québec and an unrealized loss of $180,000 on an investment recorded.
2009 – September	Unrealized gain of $200,000 on the investment and future income taxes of $542,000 recorded.

1.10 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 $2,214 (2009 – $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 $0 (2009 – $136,525). As at March 31, 2010, $33,995 is due from these companies (2009 – $99,867).

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

	2010 **$**	**2009** **$**
Salaries and fringe benefits	34,110	84,107
Office supplies	900	1,200
Telecommunications	1,266	1,006

A sum of $13,555 is due to this company as at March 31, 2010 (2009 – $38,295).

Transactions were carried out with a company (Seisserv Inc.) whose majority shareholder is a director of Pétrolia. The exploration work billed to the Company for the quarter amounted to $6,780 (2008 – $25,658). Nothing is due as at March 31, 2010 (2009 – $2,249).

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

1.11 ACCOUNTING STANDARDS

Readers are asked to refer to Note 3 in the financial statements dated September 30, 2009, for a detailed description of the accounting standards.

1.12 NEW ACCOUNTING STANDARDS

No new accounting standards were adopted by the Company during this second quarter.

1.13 FUTURE ACCOUNTING STANDARD

IFRS Convergence

In February 2008, the ASB confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by the IFRS. The IFRS rely on a conceptual framework similar to that of Canadian GAAP, but there are significant differences in terms of recognition, evaluation, and disclosures.

The transition will take place at the latest for fiscal years begun on or after January 1, 2011. Consequently, the Company expects that the interim financial statements for the three-month period ended on December 31, 2011, and the annual financial statements for the fiscal year ended on September 30, 2012, will be the first that it presents in accordance with the IFRS.

Training

The personnel assigned to convergence with the IFRS have undergone and continue to receive training by the Order of Chartered Accountants of Quebec. Given that the IFRS will change by 2011, all changes that could affect the Company must be monitored.

Affected Accounting Standards

The detailed analysis of accounting standards affected by the IFRS convergence should be completed throughout 2010. In general, much effort must be put into the presentation of financial statements, since the IFRS require more disclosures.

The following list contains the main areas in which the accounting standard modifications are expected to have an impact on the Company's financial statements. This list should not be considered an exhaustive list of the modifications that will result from conversion to the IFRS. It aims to highlight the areas that the Company considers most important; however, the analysis of the modification is not complete, and the choice of accounting standards under IFRS, if any, has not been determined. The regulatory bodies that promulgate Canadian GAAP and the IFRS carry out significant projects on a continuous basis, which could have an impact on the final differences between Canadian GAAP and the IFRS and their repercussions on the Company's financial statements during the coming years. The following list covers the standards that exist based on the current Canadian GAAP and IFRS. For now, however, the Company is unable to reliably quantify the expected impact of these differences on its financial statements. The standards are as follows:

Initial Adoption (IFRS 1)

IFRS 1 gives directives on the general approach to be taken when the IFRS are adopted for the first time. The fundamental principle of IFRS 1 is the retrospective application of the valid IFRS as of the date of initial adoption. IFRS 1 realizes that a full retrospective application may not be possible or appropriate in all situations and stipulates:

• exemptions for certain specific aspects of certain IFRS in the preparation of the opening balance sheet; and
• mandatory exemptions in the retrospective application of certain IFRS.

In addition, in order to ensure that the financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure obligations to highlight the changes made to the financial statements following the IFRS convergence.

The following table presents some of the main modifications of accounting methods which we believe should have an impact on the recording and evaluation of certain elements of the balance sheet and the income statement. Unless otherwise indicated, all accounting method modifications will be applied retrospectively.

Accounting method	**Main differences in accounting treatment**	**Potential impacts**
Provisions and contingent liabilities	IFRS require the recording of a provision if it is more likely than not that an outflow of resources will be necessary to settle the obligation, while Canadian GAAP use a higher threshold. IFRS also require that a provision be recorded in the case of onerous contracts, while according to GAAP, the recording of such a liability is only required in certain situations.	Opening balance sheet and after the transition: We have not finished our evaluation. It is possible that additional provisions will be recorded according to IFRS.
Income tax	The various accounting method modifications according to IFRS will also have an impact on the corresponding deferred tax asset or liability, unless a reduction of value is required.	Opening balance sheet: No significant impact is expected. No short-term deferred taxes. After the transition: The impact will depend on the net effect of all of the differences between the accounting methods.
	The tax consequences of a transaction recorded in other comprehensive income or directly in shareholders' equity during previous periods must be recorded directly in other comprehensive income or directly in shareholders' equity ("retrospective research"). According to Canadian GAAP, any subsequent variation of deferred taxes is charged against earnings.	Opening balance sheet: No significant impact is expected. After the transition: The impact on earnings will depend on the extent of the variations in deferred taxes that will be recorded in other comprehensive income or directly in shareholders' equity.

Accounting method	Main differences in accounting treatment	Potential impacts
Stock-based compensation	IFRS requires that expected extinctions be taken into account in the recording of stock-based compensation cost at the time of the granting rather than recognize the extinctions when they occur. When the acquisition is gradual, IFRS requires that each segment of the granting be evaluated and recorded separately, as each segment has a different acquisition period, and the fair value of each will therefore be different.	Opening balance sheet: No significant impact. After the transition: The impact will depend on the method of granting stock options.

Information Systems

The Company's accounting process is simple, since it is a company in the exploration stage. The Company should be able to operate its accounting systems under IFRS, since no significant challenge is foreseen. However, certain Excel spreadsheets will need to be adapted in order to support the necessary changes due to the convergence.

Internal Controls

The Company's signing officers have the responsibility of ensuring that there are processes allowing them to have the necessary knowledge in support of the declarations made in the certifications, more specifically that the documents in SEDAR are reliable. The officers will ensure that once the convergence process is completed, they will still be able to sign their certification.

Impact on Commercial Activities

The Company's business processes are simple, and no significant challenge is expected in order to operate according to IFRS. The Company has few transactions in foreign currencies and has no debt or capital obligations. The Company does not expect that the IFRS will change these processes when it completes flow-through private placements. The Company has no compensation plan that will be affected by the IFRS. The stock option plan is not affected by financial ratios or objectives.

Business processes will be monitored during 2010 in order to detect impacts not identified during our initial analysis.

1.14 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 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, consideration should also be given to environmental regulations and the attributes of any oil and gas deposits, i.e. the quality and quantity of resources. The development costs of a production infrastructure, financial costs, the price of oil, and the competitive nature of the industry must also be analyzed.

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.

1.15 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 51-102 Section 5.3

The deferred exploration expenses for the quarter ended March 31, 2010, are detailed as follows:

	Geology	Geophysical surveys	Drilling	Supervision	Total
	$	$	$	$	$
Anticosti	8,988	2,052	-	-	11,040
Gastonguay	4,560	-	-	-	4,560
Gaspésia-Edgar-Marcel-Tremblay	10,800	36	-	-	10,836
Gaspé	30,860	12,075	622	-	43,557
Gaspé Bourque project	10,028	427	114	-	10,569
Gaspé Haldimand project	81,821	22,582	990,999		1,095,402
Gaspé Tar Point project	14,826	1,581	1,258,210	-	1,274,617
Dalhousie (New Brunswick)	-	235	-	-	235
	161,883	38,988	2,249,945	-	2,450,816

c) Rule 51-102A-Section 5.4

Information on shares issued, warrants, and stock options as at May 11, 2010:

Common shares: 50,067,287 common shares have been issued and are outstanding.

Warrants: Warrants can be exercised as follows:

- 3,333,332 shares at a price of $1.50 per share until December 6, 2010
- 2,163,161 shares at a price of $1.30 per share until December 4, 2011
- 1,750,000 shares at a 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.

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

- 675,000 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
- 662,500 options exercisable at a price of $0.40 per share until June 21, 2012
- 400,000 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
- 427,500 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
- 270,000 options exercisable at a price of $0.89 per share until February 25, 2015.

1.16 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

Rimouski, May 11, 2010

On behalf of the Board

(signed) *André Proulx*

André Proulx
President