



Leader en exploration pétrolière au Québec



THIRD QUARTER

**Unaudited interim financial statements
as at June 30, 2010**





UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE- AND NINE-MONTH PERIODS ENDED JUNE 30, 2010

Declaration concerning the interim financial statements

Management has prepared the interim financial statements of Pétrolia Inc., including the balance sheet as at June 30, 2010, as well as the statements of income and comprehensive income, shareholders' equity, deferred exploration expenses, and cash flows for the three- and nine-month periods ended on June 30, 2010. No external auditor's firm examined or verified these interim financial statements.

Pétrolia Inc.
(Oil and gas exploration company)



BALANCE SHEET

	As at June 30 2010 \$ (unaudited)	As at September 30 2009 \$ (audited)
ASSETS		
Current assets		
Cash and cash equivalents	3,805,937	4,833,084
Receivables	1,615,629	2,029,860
Advance on exploration work	607,613	-
Prepaid expenses	26,935	356,068
Investments cashable during the next fiscal year	380,000	380,000
	6,436,114	7,599,012
Equity investments	-	595,200
Fixed assets	226,105	150,530
Oil and gas properties (Note 3)	3,835,190	2,333,394
Deferred exploration expenses (Note 4)	18,723,842	13,346,303
	29,221,251	24,024,439
LIABILITIES		
Current liabilities		
Payables and accrued expenses	759,128	1,661,967
Future taxes	1,721,563	913,549
	2,480,691	2,575,516
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	28,100,877	21,674,783
Contributed surplus ó Stock options	1,293,490	1,957,120
Contributed surplus ó Expired stock options	783,366	225,721
Deficit	(3,437,173)	(2,408,701)
	26,740,560	21,448,923
	29,221,251	24,024,439

Event subsequent to the balance sheet date (Note 7)

On behalf of the Board

(signed) André Proulx
Director

(signed) Vincent Causse
Director

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF INCOME AND COMPREHENSIVE INCOME (unaudited)

	Periods ended June 30			
	2010 (three months) \$	2009 (three months) \$	2010 (nine months) \$	2009 (nine months) \$
REVENUE				
Project income	-	1,953	1,781	11,005
Interest income	7,345	64,233	18,834	146,881
Revenue from production testing	39,997	-	52,145	-
	47,342	66,186	72,760	157,886
OPERATING EXPENSES				
Administrative expenses (Appendix A)	382,287	312,335	1,257,207	971,423
General expenses (Appendix B)	-	-	-	-
Transport costs and overriding royalty interest related to production testing	6,597	-	8,715	-
	388,884	312,335	1,265,922	971,423
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	(341,542)	(246,149)	(1,193,162)	(813,537)
OTHER ITEMS				
Gain on disposal of shares	-	-	439,597	-
Unrealized gain (unrealized loss) on financial assets held for trading	-	70,000	(499,200)	(650,000)
LOSS BEFORE INCOME TAXES	(341,542)	(174,149)	(1,252,765)	(1,463,537)
Future income taxes	(96,998)	(41,046)	(224,293)	(217,880)
NET LOSS AND COMPREHENSIVE INCOME	(244,544)	(135,103)	(1,028,472)	(1,245,657)
BASIC AND DILUTED NET LOSS PER SHARE	(0.0053)	(0.0033)	(0.0224)	(0.0304)

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF SHAREHOLDER'S EQUITY

	<u>Capital stock</u>		<u>Contributed surplus</u>		<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>\$</u>	<u>Stock options</u>	<u>Expired stock options</u>		
			<u>\$</u>	<u>\$</u>		
Audited balance at September 30, 2008	40,914,219	21,674,783	1,877,170	195,946	(1,553,790)	22,194,105
Other activities						
Granted stock options	-	-	109,725	-	-	109,725
Expired stock options	-	-	(40,913)	40,913	-	-
Net loss	-	-	-	-	(1,245,657)	(1,245,657)
Unaudited balance at June 30, 2009	40,914,219	21,674,783	1,945,982	236,859	(2,799,447)	21,058,177
Audited balance at September 30, 2009	40,914,219	21,674,783	1,957,120	225,721	(2,408,701)	21,448,923
Issued during the period						
Cash	7,960,568	7,129,910	-	-	-	7,129,910
Stock options exercised	1,192,500	806,585	(289,585)	-	-	517,000
Share issuance costs						
Future income taxes	-	(1,032,307)	-	-	-	(1,032,307)
Other	-	(478,094)	-	-	-	(478,094)
Other activities						
Stock-based compensation	-	-	183,600	-	-	183,600
Expired stock options	-	-	(162,675)	162,675	-	-
Expired broker warrants	-	-	(394,970)	394,970	-	-
Net loss	-	-	-	-	(1,028,472)	(1,028,472)
Unaudited balance at June 30, 2010	50,067,287	28,100,877	1,293,490	783,366	(3,437,173)	26,740,560

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF DEFERRED EXPLORATION EXPENSES (unaudited)

	Periods ended June 30			
	2010	2009	2010	2009
	(three months)	(three months)	(nine months)	(nine months)
	\$	\$	\$	\$
EXPLORATION EXPENSES				
Analyses	1,206	-	1,206	-
Drilling	165 634	42,831	4,632,433	199,512
Geology	101,430	154,327	365,272	781,434
Geophysical surveys	29,527	70,794	159,395	2,562,826
Completion	549 895	-	2,682,927	-
General exploration expenses	1,616	-	10,306	-
Stock option-based compensation	-	7,125	-	7,125
	849,308	275,077	7,851,539	3,550,897
DEDUCTIONS				
Exchange of properties	825,295	-	825,295	-
Exploration subsidies	446,874	65,182	1,467,716	821,570
Partner contributions	2,929	15,303	180,989	620,496
	1,275,098	80,485	2,474,000	1,442,066
INCREASE (DECREASE) IN EXPLORATION EXPENSES FOR THE PERIOD	(425,790)	194,592	5,377,539	2,108,831
BALANCE, BEGINNING OF PERIOD	19,149,632	11,046,126	13,346,303	9,131,887
BALANCE, END OF PERIOD	18,723,842	11,240,718	18,723,842	11,240,718

Pétrolia Inc.
(Oil and gas exploration company)



STATEMENT OF CASH FLOWS (unaudited)

	Periods ended June 30			
	2010	2009	2010	2009
	(three months)	(three months)	(nine months)	(nine months)
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(244,544)	(135,103)	(1,028,472)	(1,245,657)
Items not affecting cash				
Stock-based compensation	-	102,600	183,600	102,600
Depreciation of fixed assets	22,852	15,229	56,392	44,813
Gain on disposal of rolling stock	-		(439,597)	-
Future income taxes	(96,998)	(41,046)	(224,293)	(217,880)
Unrealized loss (unrealized gain) on financial assets held for trading	-	(70,000)	499,200	650,000
	(318,690)	(128,320)	(953,170)	(666,124)
Net change in non-cash operating items	(304,077)	115,253	(487,157)	(93,802)
	(622,767)	(13,067)	(1,440,327)	(759,926)
FINANCING ACTIVITIES				
Capital stock issuance	-	-	7,646,910	-
Share issuance costs	50	-	(478,094)	-
	50	-	7,168,816	-
INVESTING ACTIVITIES				
Acquisition of fixed assets	(15,240)	(4,868)	(131,967)	(15,079)
Acquisition of oil and gas properties	-	(2,626)	(676,501)	(156,975)
Decrease (increase) in deferred exploration expenses net of deductions	354,887	(362,719)	(6,482,765)	(3,764,672)
Disposal of shares	-	-	535,597	-
	339,647	(370,213)	(6,755,636)	(3,936,726)
DECREASE IN CASH AND CASH EQUIVALENTS	(283,070)	(383,280)	(1,027,147)	(4,696,652)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,089,007	6,961,685	4,833,084	11,275,057
CASH AND CASH EQUIVALENTS, END OF PERIOD	3,805,937	6,578,405	3,805,937	6,578,405
CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:				
Cash	365,202	115,157	365,202	115,157
Money market fund	3,440,735	6,463,248	3,440,735	6,463,248
	3,805,937	6,578,405	3,805,937	6,578,405



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2010
(unaudited)

1) INTERIM FINANCIAL INFORMATION

The financial information as at June 30, 2010, and for the periods ended on June 30, 2010 and 2009, have not been audited. However, Management feels that all adjustments required to provide a fair presentation of the earnings for these periods have been included. These adjustments are of a normal, recurring nature. The interim operating earnings do not necessarily reflect the expected operating earnings for the full fiscal year.

2) MAIN ACCOUNTING STANDARDS

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles and are based on the same accounting policies and methods as those mentioned in Note 3 of the Company's annual financial statements as at September 30, 2009, with the exception of recent accounting changes. However, they do not include all of the information that must be provided in annual financial statements. These unaudited interim financial statements should therefore be read in parallel with the Company's most recent audited annual financial statements.

New Accounting Standards

Financial Instruments ó Disclosures

In June 2009, the CICA amended the Handbook's Section 3862, "Financial Instruments ó Disclosures" (Section 3862), in order to adopt changes recently made by the IASB to international financial reporting standard 7, Financial Instruments: Disclosures (IFRS 7) in March 2009. These changes apply to companies that have a public accountability obligation as well as to closely held companies, cooperative enterprises, rate-regulated enterprises, and non-profit organizations that have decided to adopt Section 3862. The changes were made in order to include additional disclosure obligations involving valuations of financial instrument fair value and to expand the disclosure obligations regarding liquidity risk.

The changes took effect for the annual financial statements for fiscal years ended after September 30, 2009. In order to ease the burden on preparers and for the sake of consistency with IFRS 7, the CICA decided that, in the first year of application, entities would not have to disclose comparative information for the information required under the changes. The adoption of Section 3862 had no impact on the amounts recorded in the Company's financial statements as at June 30, 2010.

Financial Instruments ó Recognition and Measurement

In August 2009, the CICA amended Section 3855, "Financial Instruments ó Recognition and Measurement" (Section 3855), by adding and modifying paragraphs pertaining to the categorization of financial assets and to financial assets having lost value and by providing particular transitional guidelines. On October 1, 2009, the Company adopted the changes to Section 3855. Their application had no significant impact on operating results or the Company's financial position.

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2010
(unaudited)



2) MAIN ACCOUNTING STANDARDS (continued)

New Accounting Standards (continued)

Accounting Changes

In June 2009, the CICA amended Section 1506, "Accounting Changes," in order to exclude from the scope of application changes in accounting methods resulting from the full replacement of an entity's accounting basis. This change applies to fiscal years opened after July 1, 2009. It was adopted on October 1, 2009, and had no impact on the financial statements.

3. OIL AND GAS PROPERTIES

	June 30, 2010	September 30, 2009
	\$	\$
	(unaudited)	(audited)
Quebec		
Anticosti	278,687	241,006
Gastonguay	638,497	612,595
Gaspésia-Edgar-Marcel-Tremblay	382,915	360,897
Gaspé	2,395,552	979,120
New Brunswick		
Dalhousie	143,307	139,776
	<u>3,838,958</u>	<u>2 333 394</u>
Less:		
Gaspé: Contribution of a partner	3,768	-
	<u>3,835,190</u>	<u>2,333,394</u>

The amounts recorded for the oil and gas properties represent the cost of acquiring the properties and the annual income related to these properties.

Pétrolia Inc.

(Oil and gas exploration company)

ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS as at June 30, 2010 (unaudited)

4. DEFERRED EXPLORATION EXPENSES

	September 30, 2009	Additions	Exchange	June 30, 2010
	\$	\$	\$	\$
	(audited)	(unaudited)		(unaudited)
Quebec				
Anticosti	1,344,024	156,010	-	1,500,034
Gastonguay	46,502	9,483	-	55,985
Gaspésia-Edgar-Marcel-Tremblay	3,475,534	26,493	-	3,502,027
Gaspé	2,875,327	62,738	(728,799)	2,209,266
Bourque project	3,364,231	215,424	-	3,579,655
Haldimand project	6,331,201	2 752 696	-	9 083 897
Tar Point No. 1 project	177,140	4 604 150	-	4 781 290
Others	102,707	-	(102,707)	-
New Brunswick				
Dalhousie	1,085,303	24,545	-	1,109,848
	18,801,969	7,851,539	(831,506)	25,822,002
Less:				
Exploration subsidies and partner contributions				
Anticosti	442,611	54,132	-	496,743
Gastonguay	10,683	1,611	-	12,294
Gaspésia-Edgar-Marcel-Tremblay	325,194	6,331	-	331,525
Gaspé	462,824	7,459	(6,211)	464,072
Bourque project	2,844,231	183,145	-	3,027,376
Haldimand project	1,301,186	874,930	-	2,176,116
Tar Point No. 1 project	62,015	521,097	-	583,112
Dalhousie	6,922	-	-	6,922
	5,455,666	1,648,705	(6,211)	7,098,160
	13,346,303	6,202,834	(825,295)	18,723,842

Incomes resulting from the Haldimand well will be taken at 100 % by Pétrolia, up to an approximate amount of 1.2M\$, because its partner did not participate in some exploration works.

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2010
(unaudited)

4. DEFERRED EXPLORATION EXPENSES (continued)

	September 30, 2008	Additions	June 30, 2009
	\$	\$	\$
	(audited)	(unaudited)	(unaudited)
Quebec			
Anticosti	1,096,296	245,348	1,341,644
Edgar	230,883	8,546	239,429
Gaspésia	3,119,249	69,793	3,189,042
Gaspé and Gastonguay	8,267,463	2,644,684	10,912,147
Marcel-Tremblay	23,009	9,098	32,107
Saint-Simon	102,707	-	102,707
New Brunswick			
Dalhousie	114,118	573,428	687,546
	12,953,725	3,550,897	16,504,622
Less:			
Exploration subsidies and partner contributions			
Anticosti	356,084	85,694	441,778
Edgar	19,754	2,991	22,745
Gaspésia	262,075	24,428	286,503
Gaspé and Gastonguay	3,169,477	1,325,769	4,495,246
Marcel-Tremblay	7,526	3,184	10,710
Dalhousie	6,922	-	6,922
	3,821,838	1,442,066	5,263,904
	9,131,887	2,108,831	11,240,718

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at **June 30, 2010**
(unaudited)

5) CAPITAL STOCK

Authorized

Unlimited number of common, participating, voting, and no par value shares.

Issued

50,067,287 common shares

Stock-Based Compensation Costs

The Company has a Stock Option plan that allows it to grant a maximum of 10% options to directors, officers, key employees, and suppliers on a continuous basis. The exercise price of each option corresponds to the market price or discounted market price on the day before the option was granted. Granted options cannot last more than five years. Certain options can be exercised immediately upon allocation and others can be exercised according to a vesting schedule.

During the second quarter, the Company granted stock options with an exercise price corresponding to the share's price on the day before their allocation date. The fair value of each allocated option was calculated using the Black-Scholes option pricing model and the following assumptions:

	February 2010	May 2009
Risk-free interest rate	2.25%	2.25%
Expected volatility	102%	103%
Lifetime granted (years)	5 years	5 years
Rate of return of shares	Nil	Nil

Accordingly, the stock-based compensation was distributed as follows:

	February 2010	May 2009
	\$	\$
Statement of income	183,600	102,600
Deferred exploration expenses	-	7,125
Total	183,600	109,725

Pétrolia Inc.
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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at June 30, 2010
(unaudited)

5) CAPITAL STOCK (continued)

Stock options

The following table summarizes information about the stock options:

	2010		2009	
	Number of options outstanding	Weighted average exercise price \$	Number of options outstanding	Weighted average exercise price \$
Outstanding and exercisable at September 30	4,090,000	0.58	3,907,500	0.58
Granted	270,000	0.89	230,000	0.74
Exercised	(1,192,500)	(0.43)	-	-
Expired	(202,500)	(1.18)	(47,500)	(0.91)
Outstanding and exercisable as at June 30	2,965,000	0.64	4,090,000	0.58

As at June 30, 2010, the stock options granted as part of the Plan are allocated as follows:

Weighted average exercise price \$	Shares	Expiration date
0.40	675,000	February 3, 2011
0.58	150,000	May 10, 2011
0.74	50,000	May 21, 2012
0.40	662,500	June 21, 2012
0.60	400,000	February 12, 2013
0.60	150,000	March 3, 2013
1.25	427,500	July 7, 2013
0.74	180,000	May 21, 2014
0.89	270,000	February 25, 2015

Pétrolia Inc.
(Oil and gas exploration company)



ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at **June 30, 2010**
(unaudited)

5) CAPITAL STOCK (continued)

Warrants

Outstanding warrants can be exercised as follows:

Exercise price		
\$	Shares	Expiration date
1.50	3,333,332	December 6, 2010
1.30	2,163,161	December 4, 2011
1.00	1,750,000	October 10, 2012
1.00	3,000,000	January 10, 2013

6) FINANCIAL INSTRUMENT DISCLOSURES

Risk Management Policy

Through its financial assets and liabilities, the Company is exposed to various risks. The following analysis provides an assessment of the risks as at June 30, 2010, 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 governments and related parties. Therefore, Management considers the risk of non-performance on these instruments to be very minimal.

Maximum Exposure to Credit Risk:

	2010	2009
	\$	\$
Money market fund	3,440,735	6,463,248
Receivables	1,615,629	2,011,465
Cash	365,202	115,157
	<u>5,421,566</u>	<u>8,589,870</u>

Market Risk

The Company is also exposed to fluctuations in hydrocarbon and gas prices, as they influence the potential profitability of the oil properties held by the Company and therefore have an impact on its exploration plan and any decision whether to proceed with₁₄ production.



Pétrolia Inc.
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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
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6) FINANCIAL INSTRUMENT DISCLOSURES (continued)

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. Considering the liquid resources at the Company's disposal, Management feels that the Company is exposed to high liquidity risks.

All of the Company's financial liabilities have a maturity of less than one year.

Categorization of Financial Instruments

Financial instruments fall into one of the following five categories: held for trading, investments held to maturity, loans and debts, financial assets available for sale, or other financial liabilities. The category determines the instrument's accounting treatment. The Company establishes the category during the initial recording of the financial instrument based on its underlying goal.

The Company's financial assets and liabilities are categorized and valued as follows:

Financial assets/liabilities	Category	Valuation
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and debts	Cost after impairment
Trade and other payables	Other financial liabilities	Cost after impairment

Categorization of Financial Instruments

Financial instruments valued at the cost after impairment are initially recognized at fair value then at the cost after impairment, with gains and losses recognized in net earnings for the period during which the gain or loss occurs. Changes in the fair value of financial instruments categorized as held for trading are recorded in net earnings for the period during which the change takes place.



Pétrolia Inc.
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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS
as at **June 30, 2010**
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6) FINANCIAL INSTRUMENT DISCLOSURES (continued)

Hierarchy of Fair Value Valuations

Financial instruments recorded at fair value on the balance sheets are categorized according to a hierarchy that reflects the significance of the data used to carry out the valuations.

The hierarchy of fair value valuations is broken down into the following levels:

Level 1 ó valuation based on the prices (non-adjusted) listed on the asset markets for identical assets or liabilities: cash and cash equivalents are found on this level.

Level 2 ó valuation techniques based on data other than the listed prices referred to in level 1 observable for assets or liabilities directly (prices) or indirectly (price derivatives).

Level 3 ó valuation techniques based on a significant share of data related to the asset or liability not based on observable market data (non-observable data).

The hierarchy that applies as part of the determination of the fair value requires the use of data observable on the market each time such data exist. A financial instrument is placed at the lowest level of the hierarchy for which a piece of significant data has been taken into account in the valuation of the fair value.

The fair value of financial instruments is summarized as follows:

	2010		2009	
	Book value	Fair value	Book value	Fair value
	\$	\$	\$	\$
Financial assets				
Held for trading:				
Cash and cash equivalents	3,805,937	3,805,937	6,578,405	6,578,405
Loans and debts:				
Receivables	1,615,629	1,615,629	2,011,465	2,011,465
Financial liabilities				
Other liabilities:				
Trade and other payables	759,128	759,128	132,163	132,163



Pétrolia Inc.

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ADDITIONAL NOTES TO INTERIM FINANCIAL STATEMENTS

as at **June 30, 2010**

(unaudited)

7) EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On July 22, 2010, the Company announced that it signed an agreement in principle with SCDM Énergie, through the subsidiary Investcan Energy. Upon the signing of the final agreements and in exchange for \$15M, including \$6.5M in cash and \$8.5M in future work, Investcan Energy will acquire 50% of Pétrolia's interests in the Haldimand discovery as well as in 13 licences around this discovery.

8) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to make them consistent with the presentation adopted for the current periods.

Pétrolia Inc.
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APPENDICES

For the periods ended June 30, 2010

	2010 (three months) \$	2009 (three months) \$	2010 (nine months) \$	2009 (nine months) \$
A- ADMINISTRATIVE EXPENSES				
Stock-based compensation	-	102,600	183,600	102,600
Salaries and fringe benefits	161,029	81,396	433,497	277,880
Insurance	15,535	18,746	40,368	39,373
Maintenance and office supplies	17,541	5,151	35,914	13,214
Board of directors expenses	53,361	19,873	110,894	37,383
Information for shareholders	8,875	13,810	72,288	54,990
Office rent	8,068	6,704	21,760	20,396
Promotion and entertainment	12,091	7,058	94,471	51,570
Professional fees	38,465	11,403	127,888	35,751
Capital tax	11,868	-	2,505	164,124
Professional fees	4,350	3,854	14,128	9,776
Depreciation of fixed assets	16,231	9,447	40,238	27,668
Other expenses	34,873	32,293	79,656	136,698
	382,287	312,335	1,257,207	971,423
B- GENERAL EXPENSES				
Salaries and fringe benefits	184,278	178,599	743,794	477,969
Insurance	600	-	1,455	1,305
Maintenance and office supplies	3,375	11,803	27,217	30,232
Training	-	3,911	4,797	55,192
Office rent	19,574	18,525	56,747	55,728
Telecommunications	2,603	1,969	6,610	5,105
Depreciation of fixed assets	6,621	5,782	16,154	17,145
Other expenses	3,297	13,236	5,307	19,113
Allocation to deferred exploration work	(230,876)	(238,005)	(872,916)	(659,351)
On allocation	10,528	4,180	10,835	(2,438)
	-	-	-	-