



Leader en exploration pétrolière au Québec



## FOURTH QUARTER

Condensed unaudited interim  
financial statements

for the 12-month period ended  
September 30, 2013





## CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 12-MONTH PERIOD ENDED

SEPTEMBER 30, 2013

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**CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE 12-MONTH PERIOD ENDED**  
**SEPTEMBER 30, 2013**

**Declaration Concerning the Interim Financial Statements**

Management has prepared Pétrolia Inc.'s condensed interim financial statements, which include the statements of financial position as at September 30, 2013 and September 30, 2012, as well as the statements of comprehensive income, statements of changes in equity and statements of cash flows for the periods ended September 30, 2013 and September 30, 2012. No auditing firm has examined or audited these interim financial statements.



**STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – in Canadian dollars)

	As at September 30, 2013 \$	As at September 30, 2012 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	3,068,777	10,242,262
Cash held for exploration (Note 3)	1,404,150	-
Receivables (Note 4)	4,276,765	5,086,302
Prepaid expenses	168,398	113,074
Inventories	-	51,470
Investments (Note 5)	930,000	1,080,000
	9,848,090	16,573,108
<b>Non-current</b>		
Deposit on exploration costs	-	2,100,000
Property, plant and equipment (Note 6)	800,959	1,031,975
Exploration and evaluation assets (Note 7)	41,676,920	32,695,097
	42,477,879	35,827,072
	52,325,969	52,400,180
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (Note 8)	2,185,073	3,027,306
Provision for site restoration (Note 9)	-	98,000
	2,185,073	3,125,306
<b>Non-current</b>		
Deferred lease inducements	73,068	100,469
Provision for site restoration (Note 9)	710,297	287,938
Liability related to flow-through shares	329,670	-
Deferred tax liabilities	393,181	1,224,584
	1,506,216	1,612,991
	3,691,289	4,738,297
<b>EQUITY</b>		
Share capital (Note 10)	54,462,709	51,378,040
Other components of equity	4,308,118	3,026,923
Deficit	(10,136,147)	(6,743,080)
	48,634,680	47,661,883
	52,325,969	52,400,180

Contingencies (Note 13)

Supplementary notes are an integral part of the interim financial statements

On behalf of the Board

(signed) *Myron Tétreault*  
Director

(signed) *Charles Boulanger*  
Director



**STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited – in Canadian dollars)

	For the 3 months ended September 30,		For the 12 months ended September 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>INCOME</b>				
Rental income	2,994	3,025	49,832	12,156
Project management	3,247	(282)	12,054	22,340
	6,241	2,743	61,886	34,496
Administrative expenses (Appendix A)	1,493,142	896,865	4,569,747	3,622,835
Operating expenses (Appendix B)	-	(160,190)	-	-
Financial income and expenses (Appendix C)	36,050	(76,721)	(38,134)	(209,667)
Write-off of exploration and evaluation assets	-	-	-	(494,486)
Gain (loss) on disposal of assets	-	-	3,576	-
<b>INCOME (LOSS) BEFORE TAXES</b>	(1,522,951)	(657,211)	(4,473,303)	(3,873,158)
Deferred tax expense	(317,409)	(163,077)	(1,080,236)	(854,125)
<b>NET LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD</b>	(1,205,541)	(494,134)	(3,393,067)	(3,019,033)
<b>NET LOSS PER SHARE</b>	(0.014)	(0.008)	(0.047)	(0.051)
<b>NET LOSS PER SHARE</b>	(0.014)	(0.008)	(0.047)	(0.051)



**STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – in Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total equity
	\$	\$	\$	\$
<b>Balance at September 30, 2011</b>	35,432,271	2,395,117	(3,724,047)	34,103,341
Warrants exercised	344,136	-	-	344,136
Exercise of options	460,208	(181,358)	-	278,850
Shares issued	15,750,004	-	-	15,750,004
Share issuance costs	(769,000)	-	-	(769,000)
Future income taxes related to share issuance costs	160,421	-	-	160,421
Broker compensation	-	173,472	-	173,472
Share-based payment	-	639,692	-	639,692
Net and comprehensive loss	-	-	(3,019,033)	(3,019,033)
<b>Balance at September 30, 2012</b>	51,378,040	3,026,923	(6,743,080)	47,661,883
Exercise of options	478,600	(194,200)	-	284,400
Shares issued	2,974,107	-	-	2,974,107
Share issuance costs	(368,038)	-	-	(368,038)
Broker compensation	-	5,724	-	5,724
Share-based payment	-	1,469,671	-	1,469,671
Net and comprehensive loss	-	-	(3,393,067)	(3,393,067)
<b>Balance at September 30, 2013</b>	54,462,709	4,308,118	(10,136,147)	48,634,680



## STATEMENTS OF CASH FLOWS

(Unaudited – in Canadian dollars)

	<b>For the 12 months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	(3,393,067)	(3,019,033)
Items not affecting cash:		
Depreciation of property, plant and equipment	261,421	117,125
Deferred tax expense	(1,080,236)	(854,125)
Share-based payment	1,307,620	506,709
Depreciation of deferred rental incentives	(27,401)	(11,804)
Write-off of exploration and evaluation assets	-	494,486
Accretion expense	32,747	12,268
	(2,898,916)	(2,754,374)
Net change in non-cash working capital items:		
Receivables	976,782	(1,002,632)
Prepaid expenses	(55,324)	28,084
Inventories	51,470	10,149
Trade and other payables	(261,679)	446,690
	711,249	(517,709)
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	3,837,010	16,372,990
Share issuance costs	(362,314)	(595,528)
Increase in loans and borrowings	-	-
Repayment of bank debt	-	(2,243,310)
	3,474,696	13,534,152
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(34,982)	(380,438)
Acquisition of investments	-	(150,000)
Disposal of investments	150,000	-
Disposal of property, plant and equipment	4,576	-
Deposit on exploration costs	2,100,000	(2,100,000)
Increase in exploration and evaluation assets, net of deductions	(9,275,958)	(5,540,403)
	(7,056,364)	(8,170,841)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,769,335)</b>	<b>2,091,228</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>10,242,262</b>	<b>8,151,034</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>4,472,927</b>	<b>10,242,262</b>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF THE FOLLOWING:</b>		
Cash (bank overdraft)	2,018,597	(1,872,572)
Guaranteed investment certificates (redeemable at any time)	2,454,330	4,254,331
Money market fund	-	7,860,503
	4,472,927	10,242,262

## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

### 1. CONDENSED INTERIM FINANCIAL INFORMATION

The financial information as at September 30, 2013 and for the period ended September 30, 2013 is not audited. However, it is management's opinion that all adjustments required to give a faithful picture of the results for these periods have been included. The adjustments made were of a normal recurring nature. The interim operating results do not necessarily reflect the operating results anticipated for the full fiscal year.

### 2. BASIS FOR THE PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

These unaudited condensed interim financial statements were prepared in accordance IAS 34, "Interim Financial Reporting." The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the fiscal year ended September 30, 2012, which were prepared in accordance with the IFRS published by the IASB. These financial statements were approved by the Board of Directors on November 25<sup>th</sup>, 2013.

All amounts are expressed in Canadian dollars.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following items:

	As at September 30, 2013 \$	As at September 30, 2012 \$
Cash (bank overdraft)	2,018,597	(1,872,572)
Guaranteed investment certificates	2,454,330	4,254,331
Money market fund	-	7,860,503
	4,472,927	10,242,262
Less: cash held for exploration (1)	(1,404,150)	-
Cash and cash equivalents	3,068,777	10,242,262

- (1) Cash held for exploration represents proceeds from financing not yet incurred related to flow-through shares. According to restrictions imposed under financing arrangements, the Company must allocate these funds to the exploration of oil and natural gas properties.

On September 30, 2013, cash and cash equivalents included guaranteed investment certificates bearing interest between 1.04% and 1.30% (1.75% and 2.4% on September 30, 2012), expiring on December 22, 2013, May 8, 2014, and July 12, 2014. These instruments are cashable at any time without penalty.



**Notes to the condensed interim financial statements (unaudited)**

As at September 30, 2013

**4. RECEIVABLES**

	<b>As at September 30, 2013</b>	<b>As at September 30, 2012</b>
	<b>\$</b>	<b>\$</b>
Partner	199,634	510,256
Consumer tax credits	136,133	1,056,880
Tax credits receivable	3,833,513	3,408,957
Interest receivable	24,828	94,949
Other	82,657	15,260
	<b>4,276,765</b>	<b>5,086,302</b>

Tax credits relate to claims that have not yet been examined by tax authorities.

All amounts show short-term maturities. Their net carrying value corresponds to a reasonable approximation of their fair value.

**5. INVESTMENTS**

	<b>As at September 30, 2013</b>	<b>As at September 30, 2012</b>
	<b>\$</b>	<b>\$</b>
Guaranteed investment certificate, 1.252%, cashable at any time and expiring December 2013.	930,000	1,080,000
	<b>930,000</b>	<b>1,080,000</b>

**Notes to the condensed interim financial statements (unaudited)**  
As at September 30, 2013

**6. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements	Office equipment	Rolling stock	Reservoirs and construction facilities	Sites	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance as at October 1, 2012	577,483	294,443	244,486	434,516	75,434	1,626,362
Additions	-	2,870	-	74,472	-	77,342
Disposal	-	-	46,935	-	-	46,935
Balance as at September 30, 2013	577,483	297,313	197,551	508,988	75,434	1,656,769
<b>Accumulated depreciation</b>						
Balance as at October 1, 2012	224,947	139,817	182,833	46,794	-	594,390
Retirement	-	-	42,358	-	-	42,358
Depreciation	158,031	36,602	17,204	91,940	-	303,778
Balance as at September 30, 2013	382,978	176,419	157,679	138,734	-	855,810
<b>Book value as at September 30, 2013</b>	<b>194,505</b>	<b>120,894</b>	<b>39,872</b>	<b>370,254</b>	<b>75,434</b>	<b>800,959</b>

	Leasehold improvements	Office equipment	Rolling stock	Reservoirs and construction facilities	Sites	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance as at October 1, 2011	565,179	266,809	236,187	115,739	75,434	1,259,348
Additions	12,305	27,635	8,300	318,777	-	367,017
Disposal	-	-	-	-	-	-
Balance as at September 30, 2012	577,484	294,444	244,487	434,516	75,434	1,626,365
<b>Accumulated depreciation</b>						
Balance as at October 1, 2011	65,807	96,046	157,594	8,122	-	327,569
Retirement	-	-	-	-	-	-
Depreciation	159,140	43,771	25,238	38,672	-	266,821
Balance as at September 30, 2012	224,947	139,817	182,832	46,794	-	594,390
<b>Book value as at September 30, 2012</b>	<b>352,537</b>	<b>154,627</b>	<b>61,656</b>	<b>387,722</b>	<b>75,434</b>	<b>1,031,975</b>

Notes to the condensed interim financial statements (unaudited)  
As at September 30, 2013

7. EXPLORATION AND EVALUATION ASSETS

Oil and gas properties	September 30, 2012 \$	Write-off \$	Additions \$	September 30, 2013 \$
<b>Quebec</b>				
Anticosti <sup>1</sup>	340,875	-	7,745	348,620
Gastonguay	690,300	-	-	690,300
Matapédia	-	-	168,717	168,717
Gaspésia – Edgar – Marcel – Tremblay	426,950	-	-	426,950
Gaspé <sup>1</sup>	3,290,457	-	167,698	3,458,155
<b>New Brunswick</b>				
Dalhousie	139,526	-	-	139,526
<b>Oil and gas property totals</b>	<b>4,888,108</b>	<b>-</b>	<b>344,160</b>	<b>5,232,268</b>
<b>Exploration expenses</b>	<b>September 30, 2012 \$</b>	<b>Write-off \$</b>	<b>Additions \$</b>	<b>September 30, 2013 \$</b>
<b>Quebec</b>				
Anticosti	7,466,997	-	1,576,312	9,043,309
Gastonguay	75,037	-	236	75,273
Gaspésia – Edgar – Marcel – Tremblay	3,770,234	-	16,992	3,787,226
Matapédia	-	-	369,315	369,315
Gaspé	2,662,493	-	142,881	2,805,374
Bourque project	11,168,542	-	10,438,267	21,606,809
Haldimand project	13,343,595	-	2,693,741	16,037,336
Tar Point 1 project	5,284,223	-	11,735	5,295,958
<b>New Brunswick</b>				
Dalhousie	861,716	-	489	862,205
	44,632,837	-	15,249,968	59,882,805
<b>Less:</b>				
Exploration subsidies and partner contributions:				
Anticosti	3,012,402	-	842,762	3,855,164
Gastonguay	18,909	-	72	18,981
Gaspésia – Edgar – Marcel – Tremblay	423,091	-	5,623	428,714
Matapédia	-	-	329,135	329,135
Gaspé	644,933	-	45,179	690,112
Bourque project	5,684,276	-	3,209,112	8,893,388
Haldimand project	5,699,488	-	2,128,948	7,828,436
Tar Point 1 project	1,089,615	-	1,870	1,091,485
Dalhousie	6,922	-	-	6,922
	16,579,636	-	6,562,701	23,142,337
Income from evaluation of oil reserves:				
Gaspé				
Haldimand project	246,212	-	49,604	295,816
<b>Total exploration expenses</b>	<b>27,806,989</b>	<b>-</b>	<b>8,637,661</b>	<b>36,444,652</b>

## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

Summary as at September 30, 2013	September 30, 2012 \$	Write-off \$	Additions \$	September 30, 2013 \$
Properties	4,888,108	-	344,160	5,232,268
Exploration expenses	27,806,989	-	8,637,661	36,444,652
Exploration and evaluation assets	32,695,097	-	8,981,821	41,676,920

- (1) Properties with the reference (1) are subject to royalties should they become productive. To date, the Company has satisfied all required obligations and lists only its future or potential obligations and special transactions of the year below.

### Gaspé properties

In May 2008, Pétrolia acquired a 100% interest in a 6,043-km<sup>2</sup> surface area of these properties (excluding the Haldimand property), subject to a royalty of 0.5% to 2.5% on the future production of hydrocarbons. In June 2010, the Company carried out an asset exchange, increasing its interest to 100% in all Gaspé leases, a 150-km<sup>2</sup> territory, with the exception of a 9-km<sup>2</sup> zone in which it holds a 64% interest (Haldimand property). On December 20, 2010, the Company signed definitive agreements for the sale of 50% of its interests in the Haldimand discovery as well as in 13 leases surrounding this discovery to Québénergie Inc. (subsidiary of Investcan) for the sum of \$15,190,000. A sum of \$6,690,000 was paid in cash and \$8,500,000 in exploration work was to be paid by Québénergie Inc. according to the original agreement.

### Haldimand property

On December 20, 2011, Pétrolia and Québénergie paid \$3.1 million to buy all of Junex's interests in this deposit. The agreement releases Junex from the production penalties to which it was exposed by failing to participate in recent work on the properties. Following this transaction, Pétrolia and Québénergie now own an equal share in the deposit and surrounding properties.

### Bourque property

In May 2012, Pétrolia made a private placement totalling \$15.75M, with most of the funds used for the drilling of two wells on the Bourque property. The Company is currently developing a work program for the purpose of identifying the production characteristics of the Forillon Formation.

### Anticosti property

The Company acquired all of Hydro-Québec's rights on Anticosti Island in return for an overriding royalty on future oil production. Under this agreement, Pétrolia shares a 25% interest with Corridor Resources Inc. in six licences and 50% in 29 exploration licences on the island and acts as an operator for most of them. In June 2010, the Company participated in the drilling of three exploration wells and extracted a core sample to evaluate the Macasty Formation's potential as a source rock oil reservoir. Once it obtains the results of the core sample analysis, the Company plans to undertake development work in order to better estimate the oil potential of Anticosti Island. Pétrolia grants to Hydro-Québec a priority fee on the possible oil production. This fee is equal to 1% on the first 3 million barrels of oil produced, 2% on the portion between 3 and 10 million barrels of oil produced and 3% on the portion which exceeds 10 million barrels produced.

## 8. TRADE AND OTHER PAYABLES

	As at September 30, 2013	As at September 30, 2012
	\$	\$
Payables and accrued liabilities	1,584,226	2,449,192
Salaries, vacation pay and directors' fees	368,347	270,614
Security deposits from partners	232,500	307,500
	<b>2,185,073</b>	<b>3,027,306</b>

## 9. PROVISION FOR SITE RESTORATION

Management calculates the total provisions for future site restoration based on the estimated cost to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods.

At September 30, 2013, the future estimated total required to settle obligations related to site restoration, indexed at 3.5%, was \$710,297. The total future amount was discounted using the weighted average rate of 5.25%, according to a payment schedule ranging from 1 to 30 years. The total undiscounted amount of the estimated cash flow required to settle this obligation is \$827,500.

The following table presents the reconciliation of the provision for site restoration:

	As at September 30, 2013	As at September 30, 2012
	\$	\$
Balance, beginning of period	385,938	369,178
Liabilities incurred	291,612	41,992
Accretion expense	32,747	12,268
Amount used	-	(37,500)
Balance, end of period	<b>710,297</b>	<b>385,938</b>
Portion of liability to be settled during the following fiscal year	-	98,000
	<b>710,297</b>	<b>287,938</b>

## 10. SHARE CAPITAL

### Authorized

Unlimited number of common, participating, voting shares without par value.

### Issued:

	12 months ended September 30, 2013		Fiscal year ended September 30, 2012	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of period	66,585,750	51,378,040	54,579,477	35,432,271
Shares issued:				
Shares issued	3,606,622	2,974,107	11,091,552	15,750,004
Warrants exercised	-	-	264,721	344,136
Exercise of share options	460,000	478,600	650,000	460,208
Future taxes		-		160,421
Share issuance costs		(368,038)		(769,000)
Balance, end of period	70,652,372	54,462,709	66,585,750	51,378,040

### Warrants

Outstanding warrants allow holders to subscribe to an equivalent number of common shares as follows:

	12 months ended September 30, 2013		Fiscal year ended September 30, 2012	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of period	5,788,734	1.76	264,721	1.30
Granted	863,126	0.97	5,788,734	1.76
Exercised	-	-	(264,721)	(1.30)
Expired	-	-	-	-
Balance, end of period	6,651,860	1.66	5,788,734	1.76

## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

The number of outstanding warrants that can be exercised for an equivalent number of common shares is established as follows:

Expiry date	12 months ended September 30, 2013		Fiscal year ended September 30, 2012	
	Number of warrants	Exercise price	Number of warrants	Exercise price
		\$		\$
May 14, 2014	242,958	1.42	242,958	1.42
September 25, 2014	48,840	1.15	-	-
May 15, 2015	5,545,776	1.78	5,545,776	1.78
July 10, 2015	100,000	0.70	-	-
July 10, 2016	714,286	1.00	-	-

## 11. EMPLOYEE REMUNERATION

### Employee benefits expense

Expenses recognized for employee benefits are analyzed below:

	As at September 30, 2013	As at September 30, 2012
	\$	\$
Salaries and benefits	2,508,931	2,223,643
Share-based payments	1,469,671	639,692
	3,978,602	2,863,335
Less: salaries capitalized in exploration and evaluation assets	1,247,174	1,276,431
Employee benefits expense	2,731,428	1,586,904

### Share-based payment

The Company has a share option plan that allows it to grant a maximum of 10% of the number of shares outstanding to its directors, officers, key employees and suppliers on a continuous basis. The exercise price of each option equals the market price or discounted market price of the underlying share on the day prior to the grant of the option. All options must be exercised no later than five years after the date of the grant. The options granted to directors vest immediately and over a period of three years for other participants.

All share-based employee remuneration will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

**Notes to the condensed interim financial statements (unaudited)**

As at September 30, 2013

Share options and weighted average prices are as follows for the reporting periods presented:

	<b>12 months ended September 30, 2013</b>		<b>Fiscal year ended September 30, 2012</b>	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of period	3,706,000	1.16	3,276,250	0.84
Granted	3,020,000	1.00	1,341,000	1.52
Exercised	(460,000)	0.62	(650,000)	0.43
Expired	(393,500)	1.30	(261,250)	0.82
Outstanding at end of period	5,872,500	1.12	3,706,000	1.16
Exercisable	3,456,250	1.12	2,221,500	1.09

The following table reflects share options issued and outstanding at September 30, 2013:

<b>Options outstanding</b>			
Number of options	Exercise price \$	Time to maturity Years	Expiration date
60,000	0.74	0.6	May 21, 2014
270,000	0.89	1.4	February 25, 2015
672,500	0.50	2.2	December 8, 2015
75,000	1.31	2.4	February 25, 2016
500,000	1.69	2.6	May 18, 2016
1,200,000	1.52	3.2	December 4, 2016
75,000	1.51	3.4	February 22, 2017
2,220,000	1.02	4.2	December 10, 2017
150,000	1.14	4.4	February 28, 2018
250,000	0.89	4.9	August 21, 2018
400,000	0.98	5.0	September 15, 2018

The following table reflects share options issued and outstanding at September 30, 2012:

<b>Options outstanding</b>			
Number of options	Exercise price \$	Time to maturity years	Expiration date
400,000	0.60	0.3	February 12, 2013
327,500	1.25	0.8	July 7, 2013
120,000	0.74	1.7	May 21, 2014
270,000	0.89	2.4	February 25, 2015
672,500	0.50	3.2	December 8, 2015
75,000	1.31	3.4	February 25, 2016
500,000	1.69	3.6	May 18, 2016
1,266,000	1.52	4.2	December 4, 2016
75,000	1.51	4.3	February 22, 2017



## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

The fair value of the options granted during the period was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	September 2013	August 2013	March 2013	December 2012
Share price at grant date	0.98	0.89	1.14	1.02
Risk-free interest rate	2.12%	2.05%	1.18%	1.55%
Average expected volatility	92%	93%	102%	102%
Average expected life (years)	5	5	5	1-5
Expected dividend yield	Nil	Nil	Nil	Nil

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of five years since the grant date.

Accordingly, the share-based payment was allocated as follows:

	September 2013	August 2013	May 2013	March 2013	December 2012
	\$	\$	\$	\$	\$
Statement of income	280,000	-	94,500	128,700	804,420
Deferred exploration expenses	-	52,565	-	-	109,486
Total	280,000	52,565	94,500	128,700	913,906

## 12. RELATED PARTY TRANSACTIONS

The Company's related parties include other related parties and key management personnel, as described below.

Unless otherwise indicated, none of the transactions involve special terms or conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

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### Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	12-month period ended September 30,	
	2013	2012
	\$	\$
Short-term employee benefits:		
Salaries and benefits	1,028,884	685,882
Attendance fees	112,374	126,817
Total short-term benefits	1,141,258	812,699
Share-based payments	1,313,593	473,206
Total remuneration	<u>2,454,851</u>	<u>1,285,905</u>

During the 2013 reporting period, key management exercised 460,000 options (547,500 in 2012) granted under the share-based compensation plan.

### Related parties

Transactions were carried out with two companies whose main officer (holding a minority interest) also serves on Pétrolia's Board:

	12-month period ended September 30,	
	2013	2012
	\$	\$
Statement of financial position:		
Exploration and evaluation assets	14,441	5,300
Statement of comprehensive income:		
Other expenses	<u>9,199</u>	<u>9,110</u>

The balance due from these companies is \$19,955 at September 30, 2013 (September 30, 2012 – \$0).

## Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

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The Company entered into the following transactions with a company whose director also sits on Pétrolia's board:

	12 months ended September 30,	
	2013	2012
	\$	\$
Statement of comprehensive income:		
Salaries and benefits	1,206	4,354
Office supplies and transportation	1,127	1,200

The balance due from this Company is \$5,886 at September 30 2013 (September 30, 2012 – \$4,754).

The Company entered into the following transactions with a close relative of a member of management, who provided services to the Company:

	12-month period ended September 30,	
	2013	2012
	\$	\$
Statement of financial position:		
Property, plant and equipment	-	10,685
Office maintenance	1,503	11,605

The balance owing this supplier was \$1,739 at September 30, 2013 (September 30, 2012 – \$0).

These transactions took place in the normal course of business and were measured at their exchange value, which is the consideration established and accepted by related parties.

### 13. CONTINGENCIES

#### Environment and letters of guarantee

The Company's operations are subject to environmental protection legislation. Environmental consequences are difficult to predict, whether in terms of their outcomes, dates or impact. Currently, to the best of management's knowledge, the Company is operating in compliance with current legislation. Letters of guarantee in the amount of \$930,000 were issued in favour of the Ministère des Ressources naturelles to guarantee the work to shut down certain sites.

These letters are secured by guaranteed investment certificates (GICs) in an equivalent amount.

### 14. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 5, 2012, a motion to institute proceedings was filed against the Company. The amount claimed was \$198,832. On November 7, 2013, the Company reached an out-of-court settlement.

Notes to the condensed interim financial statements (unaudited)

As at September 30, 2013

APPENDICES

	2013 \$ (3 months)	2012 \$ (3 months)	2013 \$ (12 months)	2012 \$ (12 months)
<b>A – ADMINISTRATIVE EXPENSES</b>				
Share-based payment	280,000	-	1,307,620	506,709
Salaries and benefits	619,863	252,146	1,423,808	1,080,195
Insurance	13,800	13,175	53,328	58,445
Maintenance and office supplies	19,430	25,087	79,227	107,828
Board of Directors fees	38,812	31,727	145,875	162,756
Information for shareholders	9,766	11,409	91,611	87,560
Office rent	36,188	29,371	138,926	124,331
Promotion and entertainment	225,995	234,581	518,916	460,040
Transportation	32,891	53,062	211,040	190,839
Professional fees	180,120	210,836	446,843	721,032
Capital tax	-	-	8,748	(12,663)
Telecommunications	4,476	3,251	19,163	12,920
Depreciation of property, plant and equipment	26,292	29,727	105,286	117,125
Other expenses	5,509	2,493	19,356	5,718
	1,493,142	896,865	4,569,747	3,622,835
<b>B – OPERATING EXPENSES</b>				
Share-based payment	52,565	-	162,051	132,983
Salaries and benefits	194,311	343,415	1,085,123	1,143,448
Insurance	438	319	1,781	10,926
Maintenance and office supplies	10,917	8,940	51,176	37,409
Transportation	9,674	1,982	30,662	24,002
Training	11,858	7,166	19,156	15,435
Office rent	39,804	39,384	159,096	150,318
Professional fees	-	-	2,240	3,469
Telecommunications	1,674	1,879	6,353	8,854
Depreciation of property, plant and equipment	49,890	47,483	198,495	149,696
Other expenses	1,145	1,498	5,169	7,154
Allocation to deferred exploration work	(372,276)	(568,503)	(1,721,302)	(1,683,694)
Under (over) charge	-	(43,753)	-	-
	-	(160,190)	-	-
<b>C – FINANCIAL INCOME AND EXPENSES</b>				
Interest income	(14,788)	(91,058)	(93,009)	(236,680)
Accretion expense	32,747	12,268	32,747	12,268
Bank fees	835	2,069	4,872	6,430
Interest on debt	17,256	-	17,256	8,315
	36,050	(76,721)	(38,134)	(209,667)