

**PETROWORTH RESOURCES INC.**

**Interim Financial Statements**

(An Exploration Stage Company)

**For the Three Month Period Ended  
March 31, 2008 and 2007**

**PetroWorth Resources Inc.**

(An Exploration Stage Company)

**Management Prepared Interim Financial Statements**

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**NOTICE TO READER**

The attached financial statements have been prepared by management of PetroWorth Resources Inc. and have NOT been reviewed by the auditor of PetroWorth Resources Inc.

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**PetroWorth Resources Inc.**  
 (An Exploration Stage Company)  
**Interim Balance Sheet**  
**As at March 31, 2008 and December 31, 2007**

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	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 7,708,147	\$ 9,585,580
Sales tax receivable	466,361	494,405
Prepaid expenses and sundry assets	<u>758,959</u>	<u>713,601</u>
	8,933,467	10,793,586
Equipment (Note 7)	45,295	44,983
Natural gas exploration	<u>13,213,534</u>	<u>12,861,648</u>
	<u>\$ 22,192,296</u>	<u>\$ 23,700,217</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 490,905	\$ 1,150,980
Future income taxes	<u>1,038,601</u>	<u>220,000</u>
	<u>1,529,506</u>	<u>1,370,980</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	25,455,024	26,725,207
Contributed surplus (Note 9)	5,164,120	5,164,120
Deficit, accumulated during the exploration stage	<u>(9,956,354)</u>	<u>(9,560,090)</u>
	<u>20,662,790</u>	<u>22,329,237</u>
	<u>\$ 22,192,296</u>	<u>\$ 23,700,217</u>

Approved by the Board

Director "Neal Mednick"

Director "Amy Stephenson"

Unaudited - see accompanying notes

**PetroWorth Resources Inc.**

(An Exploration Stage Company)

**Interim Statement of Operations and Deficit  
For the Three Month Period Ended March 31, 2008 and 2007**

	2008	2007
<b>Revenue</b>		
Revenue	\$ 25,171	\$ -
Royalty expense	(5,924)	-
Production expense	<u>(19,641)</u>	<u>-</u>
	<u>(394)</u>	<u>-</u>
<b>Expenses</b>		
Consulting fees	241,666	-
Salaries and management fees	226,367	136,183
General and administrative	76,416	59,262
Travel and promotion	53,735	56,769
Professional fees	23,058	82,154
Stock based compensation	-	592,950
Amortization	<u>23,150</u>	<u>3,502</u>
Interest income	<u>59,124</u>	<u>1,077</u>
<b>Loss before income taxes</b>	(585,662)	(929,743)
Income tax provision	<u>(189,399)</u>	<u>(107,000)</u>
<b>Net loss and comprehensive loss</b>	(396,263)	(822,743)
Deficit, beginning of period	<u>(9,560,091)</u>	<u>(2,212,668)</u>
<b>Deficit, accumulated during the exploration stage, end of period</b>	<u>\$ (9,956,354)</u>	<u>\$ (3,035,411)</u>
<b>Net loss per share</b>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
<b>Fully diluted loss per share</b>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average number of shares (basic)	38,354,556	25,145,796
Weighted average number of shares (fully diluted)	38,617,855	29,152,203

Unaudited - see accompanying notes

**PetroWorth Resources Inc.**

(An Exploration Stage Company)

**Interim Statement of Cash Flows****For the Three Month Period Ended March 31, 2008 and 2007**

	2008	2007
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (396,263)	\$ (822,743)
Adjustments for items not affecting cash		
Depletion, amortization and accretion	23,150	3,502
Stock based compensation	-	592,950
Future income tax recovery	(189,399)	(107,000)
Shares issued for services	<u>218,000</u>	<u>-</u>
	(344,512)	(333,291)
Changes in non-cash components of working capital		
Sales tax receivable	28,044	148,690
Prepaid expenses	(45,358)	156,812
Accounts payable and accrued liabilities	<u>(660,075)</u>	<u>(587,274)</u>
	<u>(1,021,901)</u>	<u>(615,063)</u>
<b>Investment activities</b>		
Natural gas exploration	(372,167)	(948,053)
Purchase of equipment	(3,182)	(4,608)
Purchase of common shares for resale	<u>(480,183)</u>	<u>-</u>
	<u>(855,532)</u>	<u>(952,661)</u>
<b>Financing activities</b>		
Sale of common shares	<u>-</u>	<u>4,620,488</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(1,877,433)	3,052,764
Cash, beginning of period	<u>9,585,580</u>	<u>287,890</u>
<b>Cash, end of period</b>	<u>\$ 7,708,147</u>	<u>\$ 3,340,654</u>
<b>Supplementary information:</b>		
Interest paid	\$ <u>-</u>	\$ <u>-</u>
Income taxes paid	\$ <u>-</u>	\$ <u>-</u>

Unaudited - see accompanying notes

**PetroWorth Resources Inc.**  
**Notes to Interim Financial Statements**  
**For the Three Month Period Ended March 31, 2008 and 2007**

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**1. Significant accounting policies**

The accounting policies and methods followed in preparing these financial statements are those used by PetroWorth Resources Inc. (the Company") as set out in the December 31, 2007 audited financial statements. However, unaudited financial statements for the three months ended March 31, 2008 do not conform in all respects to the disclosure and information that is required by generally accepted accounting principles in Canada for annual financial statements. For further information, see the Company's December 31, 2007 audited financial statements.

The enclosed unaudited financial statements for the three months ended March 31, 2008 conform with generally accepted accounting principles in Canada for financial reporting for interim financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three months ended March 31, 2008 are not indicative of the results that may be expected for the full year ended December 31, 2007.

**2. Adoption of new accounting standards**

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 1535 *Capital Disclosures*, Section 3862 *Financial Instruments Disclosures* and Section 3863 *Financial Instruments - Presentation*. Sections 3862 and 3863 replace Section 3861 *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The principal changes in the Company's financial statements due to the adoption of these accounting standards are described below.

a) Section 1535 *Capital Disclosures*

This Section specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) summary quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied with such requirements, the consequences of such non-compliance.

b) Section 3862 *Financial Instruments - Disclosures*

This Section places increased emphasis on disclosures that enable the user to evaluate: (i) the significance of financial instruments or the entity's financial position and performance and (ii) the nature and extent of risks arising from financial instruments the entity is exposed to during the period and at the balance sheet date, and how the entity manages those risks.

**PetroWorth Resources Inc.**  
**Notes to Interim Financial Statements**  
**For the Three Month Period Ended March 31, 2008 and 2007**

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**2. Adoption of new accounting standards (cont'd)**

**International Financial Reporting Standards**

Effective January 1, 2011, the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to International Financial Reporting Standards ("IFRS"). Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by IFRS. The Accounting Standards Board plans to implement changes to Canadian generally accepted accounting principles between now and the implementation date to smooth the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure. An IFRS convergence strategy is planned for creation during fiscal 2008 with disclosure of a more detailed plan in 2009. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The impact of this transition on the Company's financial statements has not yet been determined.

**3. Financial instruments**

The Company has designated cash and cash equivalents, as assets held for trading. Accounts receivable are designated as receivables and accounts payable and accrued liabilities are designated as other liabilities. These financial instruments initial measurement is at fair value. Receivables and accounts payable and accrued liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method. Assets held for trading are revalued on the reporting date based on relevant market information and information about the financial instrument. These valuation are estimates and changes in assumptions could significantly affect the estimate.

- a) Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents, are composed of financial instruments issued by large Canadian financial institutions with high investment-grade ratings maturing over various dates. Further, the Company limits its credit risk to any individual counterparty. The Company's receivables consist primarily of GST due from the Federal Government of Canada.
- b) Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in the market prices and is comprised of three types of risk:
  - i) Interest rate risk arises because of changes in market interest rates. The Company's cash and cash equivalents, are subject to minimal risk if changes in value, have an original maturity of 90 days or less from the date of purchase and are readily convertible into cash.
  - ii) Currency risk arises because of changes in foreign exchange rates. Nearly all of the Company's current activities are priced in Canadian dollars. However, The Company expects certain of its future capital and operating costs as well as its future revenue streams will be priced in United States dollars.

**PetroWorth Resources Inc.**  
**Notes to Interim Financial Statements**  
**For the Three Month Period Ended March 31, 2008 and 2007**

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**3. Financial instruments (cont'd)**

- iii) Other price risk arises because of changes in market prices other than those due to interest rates and currency changes. The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is the potential adverse impact on the Company's ability to raise new capital and generate earnings due to movement in the Company's equity price or general movement in the level of the stock market. Commodity price risk is the potential adverse impact on earning and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of oil and natural gas in addition to individual equity movements and the stock market to determine appropriate courses of action to be taken by the Company.
- c) Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they fall due. the Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operation. Accounts payable and accrued liabilities are all current.

**4. Segmented information**

The Company operates in one industry segment and is engaged in the exploration of natural gas properties.

**5. Future income taxes**

The Company is required by the CICA Handbook EIC 146 to recognize the future income tax liability associated with exploration expenditures renounced by the Company to purchasers of the Company's flow-through shares and flow-through warrants. During February of 2008, the Company renounced \$3,102,750 of exploration expenditures. The Company has recognized a future income tax liability of \$1,008,000 and reduced share capital by the same amount.

**6. Loss per share**

The loss per share figures are calculated using the weighted monthly average number of common share outstanding during the period.

**7. Equipment**

March 31, 2008	Cost	Accumulated Amortization	Net Book Value
Office furniture	\$ 40,177	\$ 19,501	\$ 20,676
Computer hardware	<u>72,684</u>	<u>48,065</u>	<u>24,619</u>
	<u>\$ 112,861</u>	<u>\$ 67,566</u>	<u>\$ 45,295</u>

Unaudited

**PetroWorth Resources Inc.**  
**Notes to Interim Financial Statements**  
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**7. Equipment (cont'd)**

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Office furniture	\$ 38,635	\$ 18,494	\$ 20,141
Computer hardware	<u>71,044</u>	<u>46,202</u>	<u>24,842</u>
	<u>\$ 109,679</u>	<u>\$ 64,696</u>	<u>\$ 44,983</u>

**8. Natural gas exploration**

The Corporation was founded to operate as a natural gas exploration, development and production company. During the quarter, total capitalized natural gas exploration expenditures were \$372,466 (2007 - \$948,053), no general and administration expenses were included in this amount in 2008:

	Beginning Balance	Addition	Depletion	Cumulative Total
December 31, 2007	<u>\$ 8,615,294</u>	<u>\$ 5,285,268</u>	<u>\$ 1,038,914</u>	<u>\$ 12,861,648</u>
March 31, 2008	<u>\$ 13,900,562</u>	<u>\$ 372,166</u>	<u>\$ 1,059,194</u>	<u>\$ 13,213,534</u>

**9. Share capital**

(a) Common shares	Number of shares	Amount
Authorized		
Unlimited Common shares		
Issued		
Balance, December 31, 2006	21,938,720	\$ 9,125,366
Flow-through shares issued for cash	2,763,182	3,102,750
Common shares issued for cash	10,427,371	9,358,329
Share issue costs (net of income tax recovery of \$47,000)	-	(97,023)
Extension of warrants	-	(716,451)
Exercise of warrants	1,874,533	4,512,074
Exercise of options	575,000	641,287
Shares issued for services	<u>585,000</u>	<u>798,875</u>
Balance, December 31, 2007	38,163,806	26,725,207
Reduction for future income tax liability	-	(1,008,000)
Shares issued for services	<u>100,000</u>	<u>218,000</u>
Common shares purchased for sale	<u>-</u>	<u>(480,183)</u>
Balance, March 31, 2008	<u>38,263,806</u>	<u>25,455,024</u>

On February 5, 2008 the Company issued a total of 100,000 common shares at a deemed value of \$2.18 per share to a consultant.

Unaudited

**PetroWorth Resources Inc.**  
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**For the Three Month Period Ended March 31, 2008 and 2007**

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**9. Share capital (cont'd)**

(b) Warrants

A summary of the status of the Company's purchase warrants as of March 31, 2008 and changes during the period then ended are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, March 31, 2008 and December 31, 2007	<u>1,250,000</u>	<u>\$ 1.30</u>

As at March 31, 2008, the following share purchase warrants were outstanding:

Expiry date	Exercise Price	Warrants
April 16, 2009	\$ 1.00	1,000,000
November 7, 2009	2.50	<u>250,000</u>
		<u>1,250,000</u>

(c) Stock options

A summary of the status of the Company's employee stock option plan as of March 31, 2008 and changes during the period then ended are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, March 31, 2008 and December 31, 2007	<u>3,814,074</u>	<u>\$ 1.25</u>

At March 31, 2008, the following employee stock options were outstanding:

Expiry date	Exercise Price	Options
September 30, 2009	0.50	687,974
February 28, 2010	0.62	730,000
April 16, 2010	1.10	150,000
April 17, 2010	1.15	25,000
April 23, 2010	1.33	850,000
April 30, 2010	1.50	632,100
August 21, 2010	2.24	529,000
October 31, 2010	2.65	<u>210,000</u>
		<u>3,814,074</u>

**PetroWorth Resources Inc.**  
**Notes to Interim Financial Statements**  
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**10. Related party transactions**

Included in travel and promotion and general and administration were \$35,266 (2007 - Nil) that was paid to directors and officers as disbursements for expenses incurred on behalf of the Company.

Included in consulting fees was \$Nil (2007 - \$40,340) that was paid to directors and management of the Company.

Included in salaries and management fees were \$60,585 (2007 - Nil) that were paid to either a company that is owned by a director and officer of the Company or personally.

**11. Management of capital**

The Company's objectives when managing capital are: (i) to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and (ii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company includes the components of shareholders' equity, long-term debt, the Company's cash and cash equivalents and short-term investments in the management of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and the associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use its of capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regards to the expected timing of expenditure from operations.