

PETROWORTH RESOURCES INC.

Interim Financial Statements

(An Exploration Stage Company)

**For the Six and Three Month Period Ended
June 30, 2008 and 2007**

PetroWorth Resources Inc.
(An Exploration Stage Company)
Interim Financial Statements
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PetroWorth Resources Inc.
 (An Exploration Stage Company)
Interim Balance Sheet

	June 30, (Unaudited)	December 31, (Audited)
ASSETS		
Current		
Cash	\$ 13,516,198	\$ 9,585,580
Sales tax receivable	770,726	494,405
Prepaid expenses and sundry assets	<u>1,411,562</u>	<u>713,601</u>
	15,698,486	10,793,586
Equipment (Note 7)	82,377	44,983
Natural gas exploration (Note 8)	<u>15,620,295</u>	<u>12,861,648</u>
	<u>\$ 31,401,158</u>	<u>\$ 23,700,217</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,698,795	\$ 1,150,980
Future income taxes	<u>700,013</u>	<u>220,000</u>
	<u>2,398,808</u>	<u>1,370,980</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	34,082,430	26,725,207
Contributed surplus (Note 9)	5,726,953	5,164,120
Deficit	<u>(10,807,033)</u>	<u>(9,560,090)</u>
	<u>29,002,350</u>	<u>22,329,237</u>
	<u>\$ 31,401,158</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

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue				
Revenues	\$ 44,336	\$ -	\$ 69,507	\$ -
Royalty expense	(12,088)	-	(18,012)	-
Production expense	(40,430)	-	(60,071)	-
	<u>(8,182)</u>	<u>-</u>	<u>(8,576)</u>	<u>-</u>
Expenses				
Salaries and management fees	171,301	508,426	397,668	644,608
Stock based compensation	362,600	2,764,588	362,600	3,357,538
Consulting fees	108,906	328,000	350,572	378,608
General and administrative	138,922	65,112	215,339	109,921
Travel and promotion	85,544	89,190	139,279	160,413
Professional fees	88,110	115,882	111,168	147,428
Management bonus	36,479	-	36,479	-
Depletion, amortization and accretion	32,995	3,528	56,145	7,031
	<u>1,024,857</u>	<u>3,874,726</u>	<u>1,669,250</u>	<u>4,805,547</u>
Loss before undernoted items	(1,033,039)	(3,874,726)	(1,677,826)	(4,805,547)
Interest income	<u>40,138</u>	<u>31,833</u>	<u>99,262</u>	<u>32,910</u>
Loss before income taxes	(992,901)	(3,842,893)	(1,578,564)	(4,772,637)
Future income tax recovery	<u>(142,222)</u>	<u>(214,819)</u>	<u>(331,621)</u>	<u>(321,819)</u>
Net loss and comprehensive loss	(850,679)	(3,628,074)	(1,246,943)	(4,450,818)
Deficit, beginning of period	<u>(9,956,354)</u>	<u>(3,035,411)</u>	<u>(9,560,090)</u>	<u>(2,212,667)</u>
Deficit, end of period	<u><u>\$(10,807,033)</u></u>	<u><u>\$(6,663,485)</u></u>	<u><u>\$(10,807,033)</u></u>	<u><u>\$(6,663,485)</u></u>
Net loss per share (Note 6)	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.12)</u></u>	<u><u>\$ (0.03)</u></u>	<u><u>\$ (0.15)</u></u>
Fully diluted loss per share	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.12)</u></u>	<u><u>\$ (0.03)</u></u>	<u><u>\$ (0.15)</u></u>
Weighted average number of shares-basic	39,181,035	32,611,537	38,697,421	30,477,711
Weighted average number of shares-diluted	40,620,205	34,169,863	40,136,590	36,562,218

Unaudited - see accompanying notes

PetroWorth Resources Inc.
(An Exploration Stage Company)
Interim Statement of Cash Flows

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash provided by (used in):				
Operating activities				
Net loss	\$ (850,679)	\$ (3,628,074)	\$ (1,246,943)	\$ (4,450,818)
Adjustments for items not affecting cash				
Amortization	32,995	3,528	56,145	7,031
Shares issued for services	-	518,400	218,000	518,400
Stock based compensation	362,600	2,764,588	362,600	3,357,538
Future income tax recovery	(142,222)	(214,819)	(331,621)	(321,819)
Options exercised for services	-	72,800	-	72,800
	<u>(597,306)</u>	<u>(483,577)</u>	<u>(941,819)</u>	<u>(816,868)</u>
Changes in non-cash components of working capital				
Sales tax receivable	(304,365)	(10,403)	(276,321)	138,287
Prepaid expenses	(652,603)	(316,505)	(697,961)	(159,693)
Accounts payable and accrued liabilities	<u>1,207,888</u>	<u>442,986</u>	<u>547,813</u>	<u>(144,288)</u>
	<u>(346,386)</u>	<u>(367,499)</u>	<u>(1,368,288)</u>	<u>(982,562)</u>
Investment activities				
Natural gas exploration	(2,434,954)	(448,758)	(2,807,121)	(1,396,811)
Purchase of common shares for resale	(811,765)	-	(1,291,948)	-
Purchase of equipment	<u>(41,884)</u>	<u>-</u>	<u>(45,065)</u>	<u>(4,608)</u>
	<u>(3,288,603)</u>	<u>(448,758)</u>	<u>(4,144,134)</u>	<u>(1,401,419)</u>
Financing activities				
Sale of common shares and purchase warrants	9,412,040	5,503,772	9,412,040	10,124,260
Exercise of options	31,000	-	31,000	-
Exercise of purchase warrants	-	258,000	-	258,000
Loans receivable	<u>-</u>	<u>185,200</u>	<u>-</u>	<u>185,200</u>
	<u>9,443,040</u>	<u>5,946,972</u>	<u>9,443,040</u>	<u>10,567,460</u>
Increase in cash & cash equivalents	5,808,051	5,130,715	3,930,618	8,183,479
Cash, beginning of period	<u>7,708,147</u>	<u>3,340,654</u>	<u>9,585,580</u>	<u>287,890</u>
Cash, end of period	\$ <u>13,516,198</u>	\$ <u>8,471,369</u>	\$ <u>13,516,198</u>	\$ <u>8,471,369</u>
Supplementary information:				
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unaudited - see accompanying notes

PetroWorth Resources Inc.
Notes to Interim Financial Statements
For the Period Ended June 30, 2008

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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, are not indicative of the results that may be expected for the full year ended December 31, 2008.

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 Period Ended June 30, 2008

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 valuations 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 instrument 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 Period Ended June 30, 2008

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

June 30, 2008	Cost	Accumulated Amortization	Net Book Value	December 31, 2007
Office furniture	\$ 40,582	\$ 20,458	\$ 20,124	\$ 20,141
Computer hardware	74,203	49,912	24,291	24,842
Leasehold improvements	39,960	1,998	37,962	-
	<u>\$ 154,745</u>	<u>\$ 72,368</u>	<u>\$ 82,377</u>	<u>\$ 44,983</u>

PetroWorth Resources Inc.
Notes to Interim Financial Statements
For the Period Ended June 30, 2008

8. Natural gas exploration

The Corporation was founded to operate as a natural gas exploration, development and production company. During the six months ended June 30, 2008, total capitalized natural gas exploration expenditures were \$2,807,121 (2007 - \$1,396,811), 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>
June 30, 2008	<u>\$ 13,900,562</u>	<u>\$ 2,807,121</u>	<u>\$ 1,087,388</u>	<u>\$ 15,620,295</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
Flow-through shares issued for cash	2,474,375	3,959,000
Common shares issued for cash	4,179,000	6,059,550
Share issue costs (net of income tax recovery of \$196,365)	-	(410,146)
Valuation of warrants issued for services	-	(229,733)
Exercise of options	50,000	60,500
Shares issued for services	100,000	218,000
Reduction for future income tax liability	-	(1,008,000)
Common shares purchased for sale	<u>(1,300,000)</u>	<u>(1,291,948)</u>
Balance, June 30, 2008	<u>43,667,181</u>	<u>34,082,430</u>

On June 20, 2008, the Company completed a non-brokered private placement of 779,000 common shares and 1,374,375 flow-through common shares at \$1.45/share and \$1.60/share, respectively, to raise a total of \$3,328,550.

On June 20, 2008, the Company completed a brokered private placement of 3,400,000 common shares and 1,100,000 flow-through common shares at \$1.45/share and \$1.60/share, respectively, to raise a total of \$6,690,000.

PetroWorth Resources Inc.
Notes to Interim Financial Statements
For the Period Ended June 30, 2008

9. Share capital (cont'd)

(b) Warrants

A summary of the status of the Company's purchase warrants as of June 30, 2008 and changes during the period then ended are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2007	1,250,000	\$ 1.30
Issued	<u>298,355</u>	<u>1.45</u>
Balance, June 30, 2008	<u>1,548,355</u>	<u>\$ 1.30</u>

The following is a summary of warrant activities during the period:

On June 20, 2008, the Company issued 298,355 purchase warrants to registered brokers for services provided in connection to the private placement on June 20, 2008 exercisable until June 20, 2010 at \$1.45 per share. The estimated fair value was \$229,733 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	99.5%
Risk-free interest rate	2.50%
Expected average life	2 years

As at June 30, 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	250,000
June 20, 2010	1.45	<u>298,355</u>
		<u>1,548,355</u>

(c) Stock options

A summary of the status of the Company's employee stock option plan as of June 30, 2008 and changes during the period then ended are as follows:

	Number of options	Weighted Average Exercise Price
Balance, December 31, 2007	3,814,074	\$ 1.25
Granted	370,000	1.55
Exercised	<u>(50,000)</u>	<u>(0.62)</u>
Balance, June 30, 2008	<u>4,134,074</u>	<u>\$ 1.24</u>

PetroWorth Resources Inc.
Notes to Interim Financial Statements
For the Period Ended June 30, 2008

9. Share capital (cont'd)

(c) Stock options (cont'd)

On June 3, 2008, the Company granted 370,000 stock options exercisable at \$1.55 until June 3, 2013 to directors and officers of the company.

The estimated fair value of the 370,000 stock options was \$362,600 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	101%
Risk-free interest rate	2.5%
Expected average life	5 years

At June 30, 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	680,000
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	210,000
June 3, 2013	1.55	<u>370,000</u>
		<u>4,134,074</u>

On June 30, 2008, the company reserved 730,000 options to be granted to a consultant and the proposed CEO of the Company. The options will be exercisable at \$1.55 per share. 230,000 options will expire on June 30, 2010 and of 500,000 options, 200,000 are to be vested immediately and 100,000 to be vested per quarter thereafter. The remaining options will expire on June 30, 2013.

10. Related party transactions

Included in travel and promotion and general and administration was \$78,003 (2007 - \$41,721) that was paid to directors and officers as disbursements for expenses incurred on behalf of the Company.

Included in consulting fees was \$10,000 (2007 - \$51,800) that was paid to directors and management of the Company.

Included in salaries and management fees were \$146,026 (2007 - \$433,017) that were paid to either a company that is owned by a director and officer of the Company or personally.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

PetroWorth Resources Inc.
Notes to Interim Financial Statements
For the Period Ended June 30, 2008

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.