

PETROWORTH

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**Management Prepared Unaudited
Interim Financial Statements**

**For the Nine Month Period
Ended September 30, 2008 and 2007**

**PetroWorth Resources Inc.
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.
Unaudited Interim Balance Sheet
As at September 30, 2008

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 8,671,865	\$ 9,585,580
Sales tax receivable	580,752	494,405
Prepaid expenses and deposits	<u>714,231</u>	<u>713,601</u>
	9,966,848	10,793,586
Property, plant and equipment (Note 7)	84,953	44,983
Natural gas exploration (Note 8)	<u>22,477,944</u>	<u>12,861,648</u>
	\$ 32,529,745	\$ 23,700,217
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,620,516	\$ 1,150,980
Future income taxes (Note 5)	<u>96,813</u>	<u>220,000</u>
	<u>4,117,329</u>	<u>1,370,980</u>
SHAREHOLDERS' EQUITY		
Common shares (Note 9(a))	33,923,443	26,725,207
Contributed surplus (Note 9(d))	5,920,153	5,164,120
Deficit, accumulated during the exploration stage	<u>(11,431,181)</u>	<u>(9,560,090)</u>
	<u>28,412,416</u>	<u>22,329,237</u>
	\$ 32,529,745	\$ 23,700,217

Approved by the Board

Director Signed: "Neal Mednick"
 Neal Mednick

Director Signed: "Amy Stephenson"
 Amy Stephenson

PetroWorth Resources Inc.
Unaudited Interim Statement of Operations and Deficit
For the Nine Month Period Ended September 30, 2008 and 2007

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Operating Revenues				
Revenues	89,487	70,720	158,994	70,720
Royalty expense	(21,733)	(10,930)	(39,745)	(10,930)
Production expense	(46,071)	(23,208)	(106,142)	(23,208)
	<u>\$ 21,683</u>	<u>\$ 36,582</u>	<u>\$ 13,107</u>	<u>\$ 36,582</u>
Expenses				
Professional fees	42,347	31,196	153,515	178,624
General and administrative	72,122	33,565	287,461	143,487
Travel and promotion	61,319	74,838	200,598	235,251
Consulting fees	9,356	292,710	359,928	671,318
Salaries and management fees	483,049	242,844	917,196	887,452
Stock-based compensation	193,200	925,750	555,800	4,283,288
Depletion, amortization & accretion	40,483	8,293	96,628	15,324
	<u>901,876</u>	<u>1,609,196</u>	<u>2,571,126</u>	<u>6,414,744</u>
Loss before the following items	(880,193)	(1,572,615)	(2,558,019)	(6,378,162)
Interest income	(52,844)	(55,992)	(152,106)	(88,902)
Loss before income tax	(827,348)	(1,516,623)	(2,405,912)	(6,289,261)
Income tax provision	(203,201)	(191,996)	(534,822)	(513,816)
Net loss	(624,148)	(1,324,627)	(1,871,091)	(5,775,445)
Deficit, beginning of period	(10,807,033)	(6,663,485)	(9,560,090)	(2,212,667)
Deficit, end of period	\$ (11,431,181)	\$ (7,988,112)	\$ (11,431,181)	\$ (7,988,112)
Net loss per share	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.18)
Fully diluted loss per share	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.18)
Weighted average number of shares (basic)	43,664,923	36,039,347	40,315,505	32,085,607
Weighted average number of shares (fully diluted)	49,349,825	42,527,854	45,429,568	38,574,114

PetroWorth Resources Inc.
Unaudited Interim Statement of Cash Flows
For the Nine Month Period Ended September 30, 2008 and 2007

	Three Months Ending		Nine Months Ending	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Cash provided by (used in):				
Operating Activities				
Net loss for the period	\$ (624,148)	\$ (1,324,627)	\$ (1,871,091)	\$ (5,775,445)
Adjustments for items not affecting cash				
Depletion, depreciation and accretion	40,483	8,293	96,628	15,324
Shares issued for services	-	280,475	218,000	798,875
Options exercised for services	-	-	-	72,800
Stock-based compensation	193,200	925,750	555,800	4,283,288
Future income tax recovery	(203,201)	(191,996)	(534,822)	(513,816)
	<u>(593,665)</u>	<u>(302,105)</u>	<u>(1,535,484)</u>	<u>(1,118,973)</u>
Changes in non-cash components of working capital				
Sales tax receivable	189,974	(52,305)	(86,347)	85,982
Prepaid expenses	697,331	(388,768)	(630)	(548,461)
Accounts payable and accrued liabilities	1,921,722	73,632	2,469,535	(70,656)
	<u>2,215,363</u>	<u>(669,546)</u>	<u>847,075</u>	<u>(1,652,107)</u>
Investing Activities				
Natural gas exploration	(6,893,233)	(563,960)	(9,700,354)	(1,960,771)
Purchase of equipment & leasehold improvement	(7,476)	-	(52,541)	(4,608)
	<u>(6,900,709)</u>	<u>(563,960)</u>	<u>(9,752,895)</u>	<u>(1,965,380)</u>
Financing Activities				
Sale of common shares	92	2,192,796	9,412,132	12,317,056
Purchase of common shares under normal course issuer bid	(159,080)	-	(1,451,028)	-
Exercise of purchase warrants	-	-	-	258,000
Exercise of options	-	162,500	31,000	347,700
	<u>(158,987)</u>	<u>2,355,296</u>	<u>7,992,105</u>	<u>12,922,756</u>
Increase (Decrease) in cash and cash equivalents	(4,844,333)	1,121,791	(913,715)	9,305,270
Cash, beginning of period	<u>13,516,198</u>	<u>8,471,369</u>	<u>9,585,580</u>	<u>287,890</u>
Cash, end of period	\$ <u>8,671,865</u>	\$ <u>9,593,160</u>	\$ <u>8,671,865</u>	\$ <u>9,593,160</u>
SUPPLEMENTAL INFORMATION				
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income taxes paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes

PetroWorth Resources Inc.
Notes to Financial Statements
For the Nine Month Period Ended September 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 nine months ended September 30, 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 nine months ended September 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 nine months ended September 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 Financial Statements
For the Nine Month Period Ended September 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 Financial Statements
For the Nine Month Period Ended September 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. Property, plant and equipment

	Cost	Accumulated Depreciation	Net Book Value
Office furniture	41,657	21,537	20,120
Computer hardware	80,604	51,734	28,870
Leasehold improvements	39,960	3,996	35,964
Balance, September 30, 2008	162,221	77,267	84,954

PetroWorth Resources Inc.
Notes to Financial Statements
For the Nine Month Period Ended September 30, 2008

7. Property, plant and equipment (cont'd)

	Cost	Accumulated Depreciation	Net Book Value
Office furniture	71,044	46,202	24,842
Computer hardware	38,635	18,494	20,141
Balance, December 31, 2007	109,679	64,696	44,983

8. Natural gas exploration

The Corporation was founded to operate as a natural gas exploration, development and production company. During the nine month period ended September 30, 2008, total capitalized natural gas exploration expenditures were \$6,893,233 (2007 - \$558,960), no general and administration expenses were included in this amount:

	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>
September 30, 2008	<u>\$ 12,861,648</u>	<u>\$ 9,700,354</u>	<u>\$ 84,058</u>	<u>\$ 22,477,944</u>

9. Share capital

(a) Common Shares

Authorized Unlimited Common shares	Number of shares	Amount
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)	-	(410,054)
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 under normal course issuer bid	<u>(1,510,000)</u>	<u>(1,451,028)</u>
Balance, September 30, 2008	<u>43,457,181</u>	<u>\$ 33,923,443</u>

- (i) 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.
- (ii) 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.
- (iii) During the quarter, the Company purchased 210,000 shares at an average price of \$0.76 per share under normal course issuer bid.

PetroWorth Resources Inc.
Notes to Financial Statements
For the Nine Month Period Ended September 30, 2008

(b) Warrants

A summary of the status of the Company's purchase warrants as of September 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, September 30, 2008	<u>1,548,355</u>	<u>\$ 1.33</u>

During the quarter ended September 30, 2008, there were no common share purchase warrants issued. The following is a summary of warrant activities during the nine month period:

On June 20, 2008, the Company issued 298,355 common shares 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 September 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 September 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	600,000	1.55
Exercised	<u>(50,000)</u>	<u>(0.62)</u>
Balance, September 30, 2008	<u>4,364,074</u>	<u>\$ 1.29</u>

PetroWorth Resources Inc.
Notes to Financial Statements
For the Nine Month Period Ended September 30, 2008

(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

On August 19, 2008, the Company granted 230,000 stock options exercisable at \$1.55 until June 30, 2010 to a consultant of the company. The estimated fair value of the 230,000 stock options was \$193,200 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	106%
Risk-free interest rate	2.5%
Expected average life	1.86 years

At September 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	370,000
June 30, 2010	1.55	<u>230,000</u>
		<u>4,364,074</u>

(d) Contributed surplus

Balance, December 31, 2007	\$ 5,164,120
Fair value of stock based compensation	555,800
Fair value of broker warrants	229,733
Exercise of options	<u>(29,500)</u>
Balance, September 30, 2008	<u>\$ 5,920,153</u>

PetroWorth Resources Inc.
Notes to Financial Statements
For the Nine Month Period Ended September 30, 2008

10. Related party transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions during the quarter ending September 30, 2008:

- (a) Included in general and administration is \$31,611 (2007 - \$7,199) that was paid or payable to directors and officers of the Company for expenses.
- (b) Included in travel and promotion is \$23,144 (2007 - \$31,494) that was paid or payable to directors and officers of the Company for expenses.
- (c) Included in salaries and management fees is \$71,389 (2007 - \$60,329) that was paid or payable to directors and officers of the Company.

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.

11. Commitments

The Company has lease commitments for base rental payments for offices and equipment through 2013. The approximate minimum lease commitments for the next five years are as follows:

Year	\$
2008	11,822
2009	47,288
2010	47,288
2011	51,571
2012	52,428
2013	8,738
Total	<u>219,135</u>

12. Comparative figures

Certain comparative figures as at September 30, 2008 have been reclassified to conform with the current year' financial statement presentation.

13. Subsequent event

Subsequent to the period ended September 30, 2008, the Company purchased a further 95,000 shares under the normal course issuer bid.