



## MANAGEMENT'S DISCUSSION AND ANALYSIS FORM 51-102F1

**For the Period Ended September 30, 2008**

The following discussion and analysis of the results of operations and financial condition ("MD&A") for PetroWorth Resources Inc. ("PetroWorth" or the "Company") should be read in conjunction with the Company's interim unaudited financial statements and accompanying notes for the period ended September 30, 2008 and the audited financial statements for the year ended December 31, 2007.

This discussion and analysis of the operating results and financial position of the Company may contain forward looking statements about the future prospects of PetroWorth, but the Company provides no assurances that actual results will meet the expectations of management. This MD&A is prepared in conformity with National Instrument 51-102 F1 and has been approved by the Board of Directors. The Company's auditors have NOT reviewed this MD&A prior to release.

### **DATE**

This management discussion and analysis is as at November 20, 2008

### **OVERALL PERFORMANCE**

PetroWorth continued to be active during the third quarter ending September 30, 2008. The Company made significant progress in exploration activities in New Brunswick following the completion of a \$10 million financing in June. The Company's exploration activities during the quarter can be summarized as follows:

In July, the Company:

- Announced that the A-08 well in New Brunswick encountered hydrocarbon-charged sand and shale sequences, and that a petrophysical analysis of the well was being commissioned.
- Conducted fracking operations at the E-08 discovery well in New Brunswick.
- Commenced drilling the A-63 well in the southwestern part of the Company's Rosevale license in New Brunswick
- Announced a revised agreement with Corridor Resources Inc. on Prince Edward Island where PetroWorth would earn a 10% working interest in Corridor's Green Gables license 04-03.

In August, the Company:

- Reported the test results from the fracking of four zones in the E-08 well in New Brunswick
- Reported that the A-63 well had reached a total depth of 1340 metres before being suspended
- Reported the results of the petrophysical analysis of the A-08 well.

In September, the Company:

- Reported on the frac operations at Green Gables #3 in Prince Edward Island.

During the quarter, PetroWorth continued its normal course issuer bid and repurchased 210,000 shares at an average price of \$0.76 per share.

## **Natural Gas Exploration Activities**

PetroWorth was founded as an oil and gas exploration company in 2003. PetroWorth is engaged in the acquisition and exploration of natural gas properties in eastern Canada. The Company has extensive properties onshore in Eastern Canada with 100% working interests in approximately 960,000 acres in Prince Edward Island, Nova Scotia and New Brunswick. The Company has drilled three exploration wells on its Rosevale license in New Brunswick and carried out fracture stimulation on two zones in one of the wells. In Prince Edward Island, the Company via a farm-out agreement with Corridor Resources Inc. has had one exploration well drilled on its licensed property in Prince Edward Island. The Company also has 7 farm-in wells in Alberta of which 2 are in commercial production.

### **Prince Edward Island**

In July 2008, PetroWorth and Corridor entered into a revised agreement whereby PetroWorth agreed to finance 100% of the costs up to \$2 million of fracturing and testing the initial two zones in the Green Gables #3 well in early August to earn a 10% working interest in Corridor's Green Gables license 04-03. In return, PetroWorth extended the deadline of October 1, 2008 to July 31, 2009 for the drilling and fracturing of two exploration wells on PetroWorth's Prince Edward Island licenses to earn Corridor a 50% interest in these licenses. The companies also agreed that each shall have the right to back into a 50% working interest in any license acquired by the other party on Prince Edward Island for the next five years.

In August, Corridor conducted two fracs (financed by PetroWorth) at Green Gables #3. Less than 50% of the frac fluids and small amounts of natural gas were recovered. The well is currently shut in to monitor pressure build-ups in the casing and tubing. With the financing of these two fracs, PetroWorth earned a 10% interest in the Green Gables license 04-03.

### **New Brunswick**

In August, the A-08 was drilled and cased, following logging operations, to a total depth of 1950 metres. The well is located on the northeast part of the 37,000-acre Rosevale lease, which is situated between the Stoney Creek field to the east and the McCully field to the southwest. In order to fully evaluate the hydrocarbon-charged sand and shale sequences encountered within the well, a comprehensive logging suite was run, including high resolution image logs, which are currently being processed. These logs were run to provide more information about the nature of the hydrocarbon resource within the Albert Formation, which includes the Hiram Brook sands, Frederick Brook shale and Dawson Settlement intervals.

In late August, PetroWorth reported the results of the petrophysical analysis of the A-08 well, conducted by KC Petrophysics Inc., based in Calgary. The analysis identified two primary zones of interest:

- 1) Interval 550-620 metres: cooling effects on the temperature log covered about 150 metres. The noise log recorded notable audio over 60 metres and the total gas log registered gas over 40 metres. The total net gas pay for this interval is interpreted to be 70 metres, which includes 15 metres of fractured conventional sand at the top with the remainder being shale. The matrix porosity of the sand and shale is 3-5%.
- 2) Interval 1130-1149 metres: a gas interval with potential net gas pay of 4.5 metres at average porosity of 8.5%.

PetroWorth concluded that the two intervals described above are good candidates for frac stimulation, which will likely take place in the spring/summer of 2009.

## Nova Scotia

In July, PetroWorth received a one-year extension on its Lake Ainslie property in Cape Breton, Nova Scotia. PetroWorth is required to expend a total of \$4.5 million over a period of 3 years on the property of which \$1.5 million has to be expended before July 15, 2009 and an additional \$1.5 million for the next 2 years totaling \$4.5 million. PetroWorth's planned seismic program was not completed as planned due to problems encountered in obtaining property access from absentee owners. The Company is preparing to complete the seismic program in the spring of 2009.

## Alberta

The Bruce well 15-21-46-13 (50% working interest to PetroWorth) and Ferrybank well 8-32-44-27 (55% working interest to PetroWorth) continued to generate cash flow in during the second quarter of 2008. Results from those two wells in Q3 2008 consisted of results from July and August as the Company did not receive production results for September in time for financial reporting purposes.

The following is a summary of oil and gas reserves as of December 31, 2007 based on forecast prices and costs as evaluated by Sproule in their reserve evaluation report dated April 17, 2008.

Reserve Category	Natural Gas (non-associated & associated)		Natural Gas Liquids	
	Gross (Mcf)	Net (Mcf)	Gross (Mbbbl)	Net (Mbbbl)
<b>Proved</b>				
Developed Producing	116	91	0.9	0.6
Developed Non-Producing	0	0	0.0	0.0
Undeveloped	70	59	0.2	0.1
<b>Total Proved</b>	<b>186</b>	<b>149</b>	<b>1.1</b>	<b>0.7</b>
Probable	191	152	1.3	0.8
<b>Total Proved Plus Probable</b>	<b>377</b>	<b>302</b>	<b>2.4</b>	<b>1.6</b>

## Corporate Governance and Compliance

During the quarter, PetroWorth continued to make progress to improve its corporate governance and compliance practice. The Company engaged an independent international audit firm to assist in the design, set up and operating effectiveness of the Company's internal control over financial reporting ("ICFR") with the objective of best practice. The Company's Corporate Governance and Compensation Committee reviewed the preliminary findings and actions were taken to correct any deficiencies. The Committee also reviewed and updated all its policies and approved a mandate for the board of directors.

## RESULTS OF OPERATIONS

### Three Month Period Ended September 30, 2008

Total operating revenue for the three month period ending September 30, 2008 was \$89,487 (2007 - \$70,720) from 2 wells in Alberta. Net operating loss to PetroWorth after royalty and production expense is \$21,683 (2007 - \$36,582). The Company incurred a loss before income taxes during the third quarter of 2008 in the amount of \$624,148 (2007 - \$1,324,627) after interest income of \$52,844 (2007 - \$55,992). Salaries and management fees during the quarter were \$483,049 (2007 - \$242,844), an increase of \$195,205 largely due to two large severance payments. The Company also incurred consulting fees of \$9,356 (2007 - \$292,710), a significant decrease of \$283,354 as the Company terminated two consultants. Professional fees during the quarter were \$42,347 (2007 - \$31,196). Total corporate expenses for the period were \$901,876 (2007 - \$1,609,196), a decrease of \$707,320 largely due to stock based compensation of \$193,200 (2007 - \$925,750), a reduction of \$832,550 from the same period last year.

During the three month period ended September 30, 2008, PetroWorth recorded a total of \$6,893,233 (\$2007 - \$558,960) in natural gas exploration expenditures which is summarized by province as follows:

<b>Province</b>	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Alberta	\$ 17,766	\$ 17,399
New Brunswick	4,950,773	426,606
Nova Scotia	43,330	78,602
Prince Edward Island	1,880,593	12,173
General Exploration	770	24,180
<b>Total Exploration</b>	<b>\$ 6,893,233</b>	<b>\$ 558,960</b>

During the three months ended September 30, 2008, no general and administrative expenses, and no travel expenses relating to general corporate purposes were capitalized. Natural gas exploration expenditure can be summarized as follows:

<b>Exploration Expenditures</b>	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Drilling	\$ 3,188,595	\$ 398,225
Geological & Environmental Consulting	95,680	84,867
Seismic	20,357	47,541
Rental & Surface Lease	100,507	2,822
Travel	2,879	-
Completion	27,655	25,505
Test/Frac	3,437,771	-
General Exploration	19,789	-
<b>Total Natural Gas Exploration</b>	<b>\$ 6,893,233</b>	<b>\$ 558,960</b>

In Alberta, the two producing wells Ferrybank 08-32-44-27w4 and Bruce 15-21-46-13w4 continued to produce. The following summarizes the natural gas production for the quarter ended September 30, 2008:

	2008 September 30	2007 September 30
<b>Average Daily Production</b>		
Natural Gas (mcf/d)	58.0	77.2
<b>Average Price Received</b>		
Natural Gas (\$/mcf)	\$9.53	\$4.61
<b>Royalties Paid</b>		
Natural Gas (\$/mcf)	\$1.35	\$1.54
<b>Operating Expenses</b>		
Natural Gas (\$/mcf)	\$10.12	\$2.84
<b>Netback Received</b>		
Natural Gas (\$/mcf)	(\$1.94)	\$0.23

## Selected Annual Information

	Year Ended December 31, 2007 (Audited)	Year Ended December 31, 2006 (Audited)	Year Ended December 31, 2005 (Audited) (Restated)
	\$	\$	\$
Net income (loss) before taxes	(8,389,423)	(1,026,888)	(1,072,127)
Net income (loss) after taxes	(7,347,423)	(1,026,888)	57,873
Basic and diluted income (loss) per share	(0.22)	(0.05)	0.01
Total Assets	23,700,217	9,329,311	9,736,098
Total long-term liabilities	Nil	Nil	Nil
Dividends declared per share	Nil	Nil	Nil

The financial statements have been prepared in accordance with Canadian GAAP and amounts are reported in Canadian Dollars.

## SUMMARY OF QUARTERLY RESULTS

	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
	Unaudited	Unaudited	Unaudited	Audited
	\$	\$	\$	\$
Revenue	89,487	44,336	25,171	140,788
Net gain (loss) for the period	(624,148)	(850,679)	(396,263)	(1,571,978)
Net gain (loss) per share - basic	(0.02)	(0.02)	(0.01)	(0.03)
<b>Number of shares outstanding</b>	43,457,181	43,667,181	38,263,806	38,163,806
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
	Unaudited	Unaudited	Unaudited	Audited
	\$	\$	\$	\$
Revenue	163,293	31,833	1,077	9,720
Net gain (loss) for the period	(1,324,627)	(3,628,075)	(822,743)	(654,184)
Net gain (loss) per share	(0.04)	(0.12)	(0.03)	(0.03)
<b>Number of shares outstanding</b>	36,418,273	35,293,273	28,215,190	21,938,720

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2008 PetroWorth had working capital of \$6,346,332 (2007 – \$9,758,011), excluding future income tax liability. As of the date of this MD&A, the Company had approximately \$4 million in cash and has sufficient funds to carry out its exploration commitments on its various exploration licenses. Any additional exploration activities will depend on future financings. PetroWorth is an exploration stage company and continues to rely on continuous equity offerings and possible joint ventures and farm-outs to fund its exploration activities. There is no guarantee that the Company's exploration projects will be successful. The availability of funds is subject to market conditions and there is no guarantee that funds will be available to fund its projects, commitments and plans.

In order to maintain the Company's oil and natural gas permits in good standing, the Company must pay an annual rental and incur certain exploration costs. As of September 30, 2008, PetroWorth has paid all annual rental to 2009. The remaining minimum annual rental on PetroWorth's property leases due in 2009 for 2010 is \$96,610.

PetroWorth has satisfied all exploration working commitment under its exploration licenses and agreements except for \$4,500,000 in Nova Scotia. Under the Exploration Agreements 04-07-15-01 and 04-07-15-03 in Nova Scotia, PetroWorth has to complete exploratory work commitment of a total of \$4,500,000 over a three year period of which \$1,500,000 must be completed prior to July 15, 2009.

The Company will conduct its operations in a manner consistent with environmental regulations as stipulated in applicable legislation. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. The Company does not anticipate, however, that it will be subject to any increases in such expenditures which, as a percentage of cash flow, will be greater than those expected, on average, by other industry operators. The Company will maintain insurance coverage where available and financially desirable in light of risk versus cost factors. Unforeseen significant changes in such areas as markets, prices, royalties, interest rates and government regulations would have an impact on the Company's future operating results or financial condition.

The oil and gas industry has been subject to considerable price volatility, and while such risks can be hedged, a material decline in the price of oil or natural gas could result in a significant decrease in the Company's future anticipated revenues. The oil and gas industry has inherent business risks and there is no assurance that products can be produced at economical rates or that produced reserves will be replaced. Fluctuations in currency and exchange rates and changes in production volumes are daily risks in the oil and gas industry.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at September 30, 2008 the Company has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

- (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.

## **CRITICAL ACCOUNTING ESTIMATES**

PetroWorth has no critical accounting estimates other than the carrying value of deferred natural gas exploration expenditures, determination of reserves, depletion expenses, impairment test calculation and the estimated value of stock-based compensation.

### **Reserves**

All PetroWorth's reserves are evaluated and reported by independent petroleum consultants in accordance with National Instrument 51-101. Sproule Associates Limited ("Sproule") evaluated and reported on PetroWorth's natural gas reserves in all seven farm-in wells in Alberta.

Reserve estimates have a material impact on depletion expenses and impairment test calculation, all of which could have a material impact on net earnings and deferred natural gas exploration expenditures.

### **Depletion**

Deferred natural gas exploration expenditures are depleted based on the proportion of estimated proved natural gas reserves produced during the year compared to total proved natural gas reserves produced during the year compared to total proved reserves. Changes in proved reserve estimates could materially impact depletion expense.

### **Impairment**

Impairment assessments are based on fair value assessments. Impairment exists if the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of unproved properties are less than the carrying value. If an impairment is identified a write-down to fair value is required. The fair value is calculated based on future net cash flows from proved plus probable reserves, discounted at a risk-free interest rate using future commodity prices, plus the cost of unproved properties. There is a significant uncertainty regarding future commodity prices and reserves. Impairment could result in a material loss for a particular period, however future depletion expense would also be reduced.

## **CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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.

### **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 schedule 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.

### **OUTSTANDING SHARE DATA**

During the third quarter, PetroWorth granted 230,000 options to directors, officers and consultants. No common share purchase warrants were issued during the quarter. The Company also purchased 210,000 shares at an average price of \$0.76 per share to be returned to treasury for cancellation as a result of the normal course issuer bid announced in February 2008. Subsequent to the quarter end the Company repurchase a further 95,000 shares.

As of September 30, 2008, PetroWorth had 43,457,181 common shares issued and outstanding and 49,369,610 shares on a fully-diluted basis which includes 4,364,074 stock options outstanding exercisable at prices ranging between \$0.50 and \$2.65 per share and 1,548,355 common share purchase warrants exercisable at prices ranging between \$1.00 and \$2.50.

As of the date of this MD&A, PetroWorth had 43,362,181 common shares issued and outstanding and 49,044,610 shares on a fully diluted basis.

### **CERTIFICATION – INTERNAL CONTROLS**

The Company has concluded that its disclosure controls and procedures for the period ended September 30, 2008 were adequate given the Company's small size. The President and Chief Financial Officer are responsible for certifying that they have designed, or caused to be designed under their supervision, internal controls to a standard which provides reasonable assurance on the reliability of financial reporting and the preparation of financial statements.

**Additional Information on the Company is available on the Company's website at [www.petroworth.com](http://www.petroworth.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).**

**Forward Looking Statements**

*This discussion and analysis of the operating results and financial position of the Company may contain forward looking statements that involve a number of risks and uncertainties including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, the ability to commence and complete exploration programs on a timely and cost effective basis, the opportunity to acquire other exploration properties or valuable assets, competition for technical resources and equipment, capital and operating costs varying significantly from estimates, delays in or failure to obtain governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law. The reader is cautioned not to place undue reliance on this forward-looking information.*