

PetroQuest Resources, Inc.
Consolidated Balance Sheet (unaudited)
December 31, 2006

LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	143,024.68
Accrued Expenses	140,332.83
Current Portion Long Term Debt	91,710.64
Payable to Condor	137,860.28
Total Current Liabilities	512,928.43
Long Term Liabilities	
Loans & Notes	
Lee & Moniz	65,000.00
Gas Search-face value	500,005.00
Payments-Gas Search	(11,001.40)
Net-Gas Search	489,003.60
IDIC	917,048.00
Interest Payable - IDIC	196,284.50
GMAC Colorado	8,131.46
GMAC Silverado's	19,240.72
Toyota Tacoma Loan	18,915.52
John Deere	298,111.32
Unified Investments	2,370,000.00
Total Loans & Notes	4,381,735.12
Total Long Term Liabilities	4,381,735.12
Total Liabilities	4,894,663.55
Equity	
Preferred Series B	13,593,335.00
Preferred Series C	-
Common Stock	38,377.00
Additional Paid-In Capital	17,889,620.29
Retained Earnings	(16,608,960.27)
Twin Fork - Minority Interest - Condor	78,392.54
Adv. Brine Disp. - Minority Interest - Unified	720,588.00
Current year net income (loss)	(432,853.26)
Total Equity	15,278,499.30
TOTAL LIABILITIES & EQUITY	20,173,162.85

*The publication of this unaudited balance sheet statement is not, and may not be considered, a solicitation for the purchase of any securities issued by PetroQuest Resources, Inc.

PetroQuest Resources, Inc. is presently being audited for calendar years 2005 and 2006. This balance sheet statement was internally prepared by PetroQuest Resources, Inc. employees. As with any internally prepared work product that is not verified by a third party professional, it is subject to errors and differing opinions as to the interpretation of the applicable rules governing the preparation of balance sheets.

The values set forth in this internally prepared balance sheet are based on the prices actually paid by PetroQuest Resources, Inc. for the assets listed herein. Please be further advised that the carrying "book" value of some of the assets may change after the completion of the 2005 and 2006 audits pursuant to technical requirements of Generally Accepted Accounting Principles and reporting requirements of any rule or regulation promulgated by the Securities and Exchange Commission with respect to disclosure requirements in connection with related party transactions.

PetroQuest Resources, Inc. strongly recommends that any party interested in making an investment in any security relating to PetroQuest Resources, Inc. should have its audited financial statements and this income statement reviewed by a financial professional of their choice prior to actually making an investment.

PetroQuest Resources, Inc.
Consolidated Income Statement(unaudited)
December 31, 2006

INCOME	
Fees	53,687.23
Sales	88,596.36
Services	372,750.58
Production	124,203.00
Total Income	639,237.17
Cost of Goods Sold	596,058.61
Gross Profit	43,178.56
Expenses	
Auto expenses	8,569.40
Bank service charges	1,102.19
Depreciation/Depletion	172,905.73
Insurance	44,841.78
Interest expense	117,797.07
Royalties	71,038.61
Licenses and permits	615.22
Postage & delivery	1,700.90
Printing	659.22
Professional fees	39,710.85
Rent	24,483.00
Telephone	13,616.07
Travel & entertainment	4,500.86
Utilities	1,438.01
Office supplies	8,302.37
Corporate fees	1,515.00
Taxes	5,611.81
Other Expenses	-
Total Expenses	518,408.09
Net Ordinary Income (Loss)	(475,229.53)
Other Income (Expense)	
Interest Income	35,785.67
Other Income	6,590.60
Other Expense	-
Royalty Expense	-
Total Other Income	42,376.27
Net Income Before Minority Interests	(432,853.26)

PetroQuest Resources, Inc.
Consolidated Income Statement(unaudited)
December 31, 2006

Minority Interests	
Minority Interest (TF)	-
Minority Interest (ABDS)	-
Total Minority Interests	-
Net Income Before Income Taxes	<u>(432,853.26)</u>
Income Taxes	-
Net Income	<u>(432,853.26)</u>

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PetroQuest Resources, Inc.
Consolidated Statement of Stockholders' Equity (unaudited)
December 31, 2006

Date	Stock FMV	Preferred stock				Common stock		Additional paid-in capital	Minority Interest	Accum Deficit	Equity		
		Series A Shares	Series A Amount	Series B Shares	Series B Amount	Series C Shares	Series C Amount					Shares	Amount
Balances as of December 31, 2005													
		-	-	142,285	7,825,675	2,500,000	-	36,955,304	36,955	16,831,040	798,981	(16,608,960)	8,883,691
<u>Common stock issued for Investment</u>													
Texas Partnership -Harvey Brooks	12/15/06			-	-			626,186	626	469,313			469,939
Texas Partnership -Jaret Brooks	12/15/06							141,154	141	105,724			105,866
Texas Partnership -Michael Brooks	12/15/06							141,154	141	105,724			105,866
Texas Partnership -Ronald Weinstein	12/15/06							285,468	285	213,950			214,235
Texas Partnership -Harry Winston	12/15/06							152,128	152	113,944			114,096
		-	-	-	-	-	-	1,346,090	1,346	1,008,656	-	-	1,010,002
<u>Common stock issued for O&G property</u>													
Tyr Energy	05/18/06			50,910	2,800,000								2,800,000
Unified - Vinton County 48 wells	05/18/06			59,545	3,275,000								3,275,000
Mountaineer - Vinton 2 wells	10/12/06			3,503	192,665								192,665
		-	-	113,958	6,267,665	-	-	-	-	-	-	-	6,267,665
<u>Stock issued for cash</u>													
Stock issued for cash - Condor Gty.	12/19/06			-	-			38,462	38	24,962			25,000
Stock issued for cash - Condor Gty.	12/22/06			-	-			38,462	38	24,962			25,000
		-	-	-	-	-	-	76,924	76	49,924	-	-	50,000
<u>Preferred Stock issued for investment</u>													
Stock rescinded pursuant agreement	11/09/06					(2,500,000)							
Stock issued	11/14/06					2,000,000							
Net Income/(Loss)												(432,853)	(432,853)
Balances as of December 31, 2006													
		-	-	256,243	14,093,340	2,000,000	-	38,378,318	38,377	17,889,620	798,981	(17,041,813)	15,778,505

(1) Note: Stock value issued to Gas Search is shown as a debt on the balance sheet rather than part of equity.

(2) Note: PetroQuest Resources Preferred Series C has an agreed upon value of \$50 per share, making the aggregate value \$100,000,000.

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PetroQuest Resources, Inc.
Consolidated Statement of Cash Flows(unaudited)
December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	(432,853)
Adjustments to reconcile net income to net cash used for operating activities:	
Depreciation expense	172,906
Changes in operating assets and liabilities:	
Accounts receivable	(74,751)
Inventory	(25,043)
Prepaid expenses and other current assets	3,980
Accounts payable	270,149
Accrued expenses	7,308
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CASH USED FOR OPERATING ACTIVITIES	(78,305)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchase of property and equipment	<u>(9,445,099)</u>
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CASH USED FOR INVESTING ACTIVITIES	(9,445,099)
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from sale of stock	50,000
Interest expense	91,704
Borrowings on debt	2,242,281
Principal payments on long term debt	<u>-</u>

CASH PROVIDED BY FINANCING ACTIVITIES	2,383,985
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NON-CASH INVESTING & FINANCING ACTIVITIES

Stock reverse split	-
Stock issued for properties	7,277,666
Stock issued for debt	-
Stock issued for services / property	<u>-</u>

TOTAL NON-CASH INVESTING & FINANCING ACTIVITIES	7,277,666
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NET INCREASE IN CASH	138,247
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CASH AT BEGINNING OF YEAR	<u>65,133</u>
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CASH AT YEAR END	<u><u>203,379</u></u>
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