

PetroQuest Resources, Inc.
Consolidated Balance Sheet (Unaudited)

	<u>Six Months Ended June 30, 2008</u>	<u>Year Ended December 31, 2007</u>
ASSETS		
Cash	13,681.78	22,649.19
Accounts Receivable	89,142.46	121,085.25
Other Current Assets		
Cash Bond (WV Dept of Env Prot)	50,709.20	50,000.00
Other Assets	29,677.34	12,924.67
Supply inventory	43,305.10	38,512.32
Deposits	-	-
Undeposited Funds	-	-
Total Other Current Assets	<u>123,691.64</u>	<u>101,436.99</u>
Total Current Assets	<u>226,515.88</u>	<u>245,171.43</u>
Properties		
Proven reserves	1,350,000.00	1,350,000.00
Unproven reserves	5,736,467.00	5,736,467.00
Journey wells	1,275,000.00	1,275,000.00
Vinton Co. Wells	4,152,335.00	4,152,335.00
Brine Disposal Well	1,470,588.00	1,470,588.00
W. Virginia pipeline	192,528.35	183,501.82
Ohio pipeline	3,629,784.10	3,629,784.10
Invest Texas Partnersp	1,010,004.00	1,010,004.00
Invest Vinton CTWR	242,665.00	242,665.00
Invest-TF	-	-
Invest-ABDS	-	-
Total Properties	<u>19,059,371.45</u>	<u>19,050,344.92</u>
Fixed Assets		
Vehicles/Heavy Equipment	946,751.65	864,699.49
Well equipment	570,498.30	520,193.30
Other equipment	1,757.79	1,757.79
Gross Fixed Assets	<u>1,519,007.74</u>	<u>1,386,650.58</u>
Accumulated Depreciation	<u>(511,881.23)</u>	<u>(458,487.52)</u>
Net Fixed Assets	<u>1,007,126.51</u>	<u>928,163.06</u>
TOTAL ASSETS	<u>20,293,013.84</u>	<u>20,223,679.41</u>

PetroQuest Resources, Inc.
Consolidated Balance Sheet (Unaudited)

	Six Months Ended June 30, 2008	Year Ended December 31, 2007
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	102,598.96	81,203.12
Accrued Expenses	18,703.75	106,990.49
Current Portion Long Term Debt	115,806.50	82,590.95
Payable to Condor	145,620.20	138,519.20
Total Current Liabilities	382,729.41	409,303.76
Long Term Liabilities		
Loans & Notes		
Lee & Moniz	65,000.00	65,000.00
Gas Search-face value	500,005.00	500,005.00
Payments-Gas Search	(13,115.75)	(13,115.75)
Net-Gas Search	486,889.25	486,889.25
IDIC	917,048.00	917,048.00
Interest Payable - IDIC	333,841.80	287,989.34
GMAC Colorado	1,534.31	3,788.44
GMAC Silverado's	5,828.58	10,541.68
Toyota Tacoma Loan	68,181.47	17,902.21
John Deere	164,680.76	152,789.91
Key Equipment	125,894.83	156,781.17
Unified Investments	2,370,000.00	2,370,000.00
Total Loans & Notes	4,538,899.00	4,468,730.00
Total Long Term Liabilities	4,538,899.00	4,468,730.00
Total Liabilities	4,921,628.41	4,878,033.76
Equity		
Preferred Series B	13,593,335.00	13,593,335.00
Preferred Series C	-	-
Common Stock	38,813.00	38,524.00
Additional Paid-In Capital	18,164,186.00	18,014,475.00
Retained Earnings	(17,099,668.89)	(17,041,813.53)
Twin Fork - Minority Interest - Condor	78,392.54	78,392.54
Adv. Brine Disp. - Minority Interest - Unified	720,588.00	720,588.00
Current year net income (loss)	(124,260.22)	(57,855.36)
Total Equity	15,371,385.43	15,345,645.65
TOTAL LIABILITIES & EQUITY	20,293,013.84	20,223,679.41

*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)

	Six Months Ended	
	June 30, 2008	June 30, 2007
INCOME		
Fees	18,074.10	39,086.32
Sales	9,152.97	55,843.05
Services	170,428.65	274,129.25
Production	160,896.83	95,718.17
Total Income	358,552.55	464,776.79
Cost of Goods Sold	211,043.66	193,171.73
Gross Profit	147,508.89	271,605.06
Expenses		
Auto expenses	-	-
Bank service charges	26.85	165.14
Depreciation/Depletion	97,871.00	92,050.61
Equipment repairs	-	-
Insurance	18,858.04	27,556.00
Interest expense	58,217.28	62,170.20
Royalties	52,205.40	35,703.70
Licenses and permits	6,064.73	100.00
Postage & delivery	456.18	1,001.12
Printing	-	659.22
Professional fees	13,071.63	40,876.90
Rent	13,441.50	13,441.50
Telephone	2,474.54	5,517.37
Travel & entertainment	6,671.92	2,623.63
Utilities	1,827.89	766.35
Office supplies	1,066.70	1,578.53
Corporate fees	1,438.03	286.24
Taxes	4,619.95	5,611.81
Other Expenses	3,751.94	832.25
Total Expenses	282,063.57	290,940.56
Net Ordinary Income (Loss)	(134,554.68)	(19,335.50)
Other Income (Expense)		
Interest Income	709.29	1,089.27
Interest Expense	-	-
Other Income	9,585.17	35,111.92
Other Expense	-	-
Royalty Income	0.00	-
Royalty Expense	-	-
Total Other Income	10,294.46	36,201.19
Net Income Before Minority Interests	(124,260.22)	16,865.69

PetroQuest Resources, Inc.
Consolidated Income Statement(unaudited)

	Six Months Ended	
	June 30, 2008	June 30, 2007
Minority Interests		
Minority Interest Twin Fork	-	-
Minority Interest Advanced Brine Disposal	-	-
Total Minority Interests	-	-
Net Income Before Income Taxes	(124,260.22)	16,865.69
Income Taxes	-	-
Net Income	(124,260.22)	16,865.69

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PetroQuest Resources, Inc.
Consolidated Statement of Stockholders' Equity (unaudited)
June 30, 2008

	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, 2007			-	-	256,243	14,093,340	2,000,000	-	38,523,772	38,522	18,014,475	798,981	(17,099,668)	15,845,650
<u>Stock issued for investment</u>														
Stock issued for invest-Condor Gty.	01/02/08						500,000							
<u>Stock issued for cash</u>														
Stock issued for cash - Condor Gty.	03/20/08							161,290	161		99,839			100,000
Stock issued for cash - Condor Gty.	05/21/08							128,205	128		49,872			50,000
								289,495	289		149,711			150,000
Net Income/(Loss)													(124,260)	(124,260)
Balances as of March 31, 2008														
			-	-	256,243	14,093,340	2,500,000	-	38,813,267	38,811	18,164,186	798,981	(17,223,928)	15,871,390

(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 \$125,000,000.

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

	Six Months Ended	
CASH FLOWS FROM OPERATING ACTIVITIES	June 30, 2008	June 30, 2007
Net income	(124,260)	16,866
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation expense	97,871	92,051
Changes in operating assets and liabilities:		
Accounts receivable	31,943	(28,369)
Inventory	(4,793)	(19,442)
Prepaid expenses and other current assets	(17,462)	-
Accounts payable	28,497	54,186
Accrued expenses	(88,287)	(38,171)
	(76,491)	77,121
CASH USED FOR OPERATING ACTIVITIES	(76,491)	77,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of property and equipment	(185,861)	(308,028)
	(185,861)	(308,028)
CASH USED FOR INVESTING ACTIVITIES	(185,861)	(308,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	150,000	-
Interest expense	45,852	45,852
Borrowings on debt	-	43,793
Principal payments on long term debt	57,532	-
	253,384	89,645
CASH PROVIDED BY FINANCING ACTIVITIES	253,384	89,645
NON-CASH INVESTING & FINANCING ACTIVITIES		
Stock reverse split	-	-
Stock issued for properties	-	-
Stock issued for debt	-	-
Stock issued for services / property	-	-
	-	-
TOTAL NON-CASH INVESTING & FINANCING ACTIVITIES	-	-
NET INCREASE(DECREASE) IN CASH	(8,968)	(141,262)
CASH AT BEGINNING OF YEAR	22,649	203,379
CASH AT YEAR END	13,682	62,118

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