

PetroQuest Resources, Inc.
Consolidated Balance Sheet (Unaudited)

ASSETS	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
Cash	29,771.61	22,649.19
Accounts Receivable	185,135.88	121,085.25
Other Current Assets		
Cash Bond (WV Dept of Env Prot)	51,118.08	50,000.00
Other Assets	41,750.97	12,924.67
Supply inventory	54,282.97	38,512.32
Deposits	-	-
Undeposited Funds	-	-
Total Other Current Assets	147,152.02	101,436.99
Total Current Assets	<u>362,059.51</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	193,346.24	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>19,060,189.34</u>	<u>19,050,344.92</u>
Fixed Assets		
Vehicles/Heavy Equipment	946,751.65	864,699.49
Well equipment	626,081.59	520,193.30
Other equipment	1,757.79	1,757.79
Gross Fixed Assets	1,574,591.03	1,386,650.58
Accumulated Depreciation	<u>(546,577.50)</u>	<u>(458,487.52)</u>
Net Fixed Assets	1,028,013.53	928,163.06
TOTAL ASSETS	<u>20,450,262.38</u>	<u>20,223,679.41</u>

PetroQuest Resources, Inc.
Consolidated Balance Sheet (Unaudited)

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	107,019.58	81,203.12
Accrued Expenses	47,671.96	106,990.49
Current Portion Long Term Debt	120,550.84	82,590.95
Payable to Condor	148,346.51	138,519.20
Total Current Liabilities	423,588.89	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	356,768.00	287,989.34
GMAC Colorado	385.97	3,788.44
GMAC Silverado's	3,375.31	10,541.68
Toyota Tacoma Loan	63,467.21	17,902.21
John Deere	160,954.34	152,789.91
Key Equipment	128,349.00	156,781.17
Unified Investments	2,370,000.00	2,370,000.00
Total Loans & Notes	4,552,237.08	4,468,730.00
Total Long Term Liabilities	4,552,237.08	4,468,730.00
Total Liabilities	4,975,825.97	4,878,033.76
Equity		
Preferred Series B	13,593,335.00	13,593,335.00
Preferred Series C	-	-
Common Stock	39,031.00	38,524.00
Additional Paid-In Capital	18,338,968.00	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)	(196,209.24)	(57,855.36)
Total Equity	15,474,436.41	15,345,645.65
TOTAL LIABILITIES & EQUITY	20,450,262.38	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)

	Nine Months Ended	
	September 30, 2008	September 30, 2007
INCOME		
Fees	23,002.21	46,866.87
Sales	15,586.70	67,035.47
Services	276,461.97	321,359.88
Production	236,757.74	142,432.02
Total Income	551,808.62	577,694.24
Cost of Goods Sold	349,711.63	259,801.70
Gross Profit	202,097.00	317,892.54
Expenses		
Auto expenses	-	-
Bank service charges	26.85	258.02
Depreciation/Depletion	147,925.85	138,075.91
Equipment repairs	-	-
Insurance	29,512.96	42,761.00
Interest expense	91,039.99	91,535.22
Royalties	76,275.35	51,024.85
Licenses and permits	6,126.93	100.00
Postage & delivery	751.34	1,266.14
Printing	-	-
Professional fees	20,403.81	47,079.99
Rent	20,162.25	20,162.25
Telephone	3,894.63	8,375.05
Travel & entertainment	8,379.07	2,670.83
Utilities	2,377.66	1,226.66
Office supplies	1,822.13	1,503.75
Corporate fees	2,168.03	818.74
Taxes	6,750.04	5,611.81
Other Expenses	4,653.28	1,143.02
Total Expenses	422,270.17	444,213.39
Net Ordinary Income (Loss)	(220,173.17)	(126,320.85)
Other Income (Expense)		
Interest Income	2,252.66	1,765.93
Interest Expense	-	-
Other Income	21,711.27	37,418.70
Other Expense	-	-
Royalty Income	(0.00)	-
Royalty Expense	-	-
Total Other Income	23,963.93	39,184.63
Net Income Before Minority Interests	(196,209.25)	(87,136.22)

PetroQuest Resources, Inc.
Consolidated Income Statement (unaudited)

	Nine Months Ended	
	September 30, 2008	September 30, 2007
Minority Interests		
Minority Interest Twin Fork	-	-
Minority Interest Advanced Brine Disposal	-	-
Total Minority Interests	-	-
Net Income Before Income Taxes	(196,209.25)	(87,136.22)
Income Taxes	-	-
Net Income	(196,209.25)	(87,136.22)

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PetroQuest Resources, Inc. (Consolidated)
Preliminary Statement of Stockholders' Equity
September 30, 2008

Date	Series A		Preferred stock		Series C		Common stock		Additional paid-in capital	Minority Interest	Accum Deficit	Equity
	Shares	Amount	Shares	Amount	Shares	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 cash</u>												
Stock issued for cash - Condor Gty. 3/20/08			-	-			161,290	161	99,839			100,000
Stock issued for cash - Condor Gty. 4/21/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty. 5/21/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty. 6/30/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty. 9/15/08							115,385	115	74,885			75,000
	-	-	-	-	-	-	507,444	508	324,493	-	-	325,000
Net Income/(Loss)											(196,209)	(196,209)
Balances as of September 30, 2008	-	-	256,243	14,093,340	2,000,000	-	39,031,216	39,030	18,338,968	798,981	(17,295,877)	15,974,441

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	Nine Months Ended	
	September 30, 2008	September 30, 2007
Net income	(196,209)	(87,136)
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation expense	138,076	138,076
Changes in operating assets and liabilities:		
Accounts receivable	(64,051)	15,878
Inventory	(15,771)	(26,385)
Prepaid expenses and other current assets	(29,944)	-
Accounts payable	35,644	(7,769)
Accrued expenses	(59,319)	36,486
	(191,574)	69,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of property and equipment	(247,771)	(333,915)
	(247,771)	(333,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	325,000	-
Interest expense	68,779	68,779
Borrowings on debt	-	17,957
Principal payments on long term debt	52,688	-
	446,467	86,736
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	7,122	(178,029)
CASH AT BEGINNING OF YEAR	22,649	203,379
CASH AT SEPTEMBER 30, 2008 & 2007	29,771	25,350

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