

**PetroQuest Resources, Inc.**  
**Consolidated Balance Sheet (Unaudited)**

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
<b>ASSETS</b>		
Cash	5,068.53	22,649.19
Accounts Receivable	255,038.47	121,085.25
Other Current Assets		
Cash Bond (WV Dept of Env Prot)	51,311.84	50,000.00
Other Assets	24,892.49	12,924.67
Supply inventory	53,908.97	38,512.32
Deposits	-	-
Undeposited Funds	-	-
Total Other Current Assets	130,113.30	101,436.99
Total Current Assets	<u>390,220.30</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	195,684.01	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>19,062,527.11</u>	<u>19,050,344.92</u>
Fixed Assets		
Vehicles/Heavy Equipment	946,751.65	864,699.49
Well equipment	639,056.04	520,193.30
Other equipment	1,757.79	1,757.79
Gross Fixed Assets	1,587,565.48	1,386,650.58
Accumulated Depreciation	<u>(597,809.70)</u>	<u>(458,487.52)</u>
Net Fixed Assets	989,755.78	928,163.06
<b>TOTAL ASSETS</b>	<u><b>20,442,503.19</b></u>	<u><b>20,223,679.41</b></u>

**PetroQuest Resources, Inc.**  
**Consolidated Balance Sheet (Unaudited)**

	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	177,059.96	81,203.12
Accrued Expenses	198,773.91	106,990.49
Current Portion Long Term Debt	131,294.39	82,590.95
Payable to CGI	17,173.98	138,519.20
Total Current Liabilities	524,302.24	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	379,694.20	287,989.34
GMAC Colorado	-	3,788.44
GMAC Silverado's	855.19	10,541.68
Toyota Tacoma Loan	63,280.82	17,902.21
John Deere	147,288.54	152,789.91
Key Equipment	118,654.36	156,781.17
Unified Investments	2,370,000.00	2,370,000.00
Total Loans & Notes	4,548,710.36	4,468,730.00
Total Long Term Liabilities	4,548,710.36	4,468,730.00
<b>Total Liabilities</b>	<b>5,073,012.60</b>	<b>4,878,033.76</b>
<b>Equity</b>		
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)
TYR - Common Stock	-	-
TYR - Additional Paid-In Capital	-	-
Twin Fork - Common Stock	-	-
Twin Fork - Minority Interest - Condor	78,392.54	78,392.54
Advanced Brine Disposal - Common Stock	-	-
Adv. Brine Disp. - Minority Interest - Unified	720,588.00	720,588.00
Current year net income (loss)	(301,155.06)	(57,855.36)
<b>Total Equity</b>	<b>15,369,490.59</b>	<b>15,345,645.65</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>20,442,503.19</b>	<b>20,223,679.41</b>

\*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)**

	Year Ended	
	December 31, 2008	December 31, 2007
<b>INCOME</b>		
Fees	26,538.03	77,393.21
Sales	22,779.58	100,419.01
Services	337,403.98	547,391.62
Production	292,928.57	208,405.83
<b>Total Income</b>	<b>679,650.16</b>	<b>933,609.67</b>
<b>Cost of Goods Sold</b>	<b>502,102.81</b>	<b>494,382.01</b>
<b>Gross Profit</b>	<b>177,547.35</b>	<b>439,227.66</b>
<b>Expenses</b>		
Auto expenses	-	-
Bank service charges	26.85	248.67
Depreciation/Depletion	197,771.57	184,101.21
Equipment repairs	143.54	-
Insurance	55,526.06	57,958.84
Interest expense	121,213.98	120,535.02
Royalties	38,741.99	62,790.25
Licenses and permits	6,384.99	100.00
Postage & delivery	929.44	1,473.91
Printing	-	-
Professional fees	23,466.72	58,840.10
Rent	26,883.00	26,883.00
Telephone	5,232.83	11,161.99
Travel & entertainment	10,467.64	4,017.95
Utilities	3,038.63	1,566.53
Office supplies	3,374.48	1,845.06
Corporate fees	2,168.03	2,211.72
Taxes	12,164.29	5,611.81
Other Expenses	5,675.53	1,364.93
<b>Total Expenses</b>	<b>513,209.57</b>	<b>540,710.99</b>
<b>Net Ordinary Income (Loss)</b>	<b>(335,662.22)</b>	<b>(101,483.33)</b>
<b>Other Income (Expense)</b>		
Interest Income	2,446.42	6,209.27
Interest Expense	-	-
Other Income	29,780.20	37,418.70
Other Expense	2,280.54	-
Royalty Income	(0.00)	-
Royalty Expense	-	-
<b>Total Other Income</b>	<b>34,507.16</b>	<b>43,627.97</b>
<b>Net Income Before Minority Interests</b>	<b>(301,155.06)</b>	<b>(57,855.36)</b>

**PetroQuest Resources, Inc.**  
**Consolidated Income Statement (unaudited)**

	Year Ended	
	December 31, 2008	December 31, 2007
Minority Interests		
Minority Interest Twin Fork	-	-
Minority Interest Advanced Brine Disposal	-	-
Total Minority Interests	-	-
<b>Net Income Before Income Taxes</b>	<b>(301,155.06)</b>	<b>(57,855.36)</b>
Income Taxes	-	-
<b>Net Income</b>	<b>(301,155.06)</b>	<b>(57,855.36)</b>

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**PetroQuest Resources, Inc. (Consolidated)**  
**Preliminary Statement of Stockholders' Equity**  
**December 31, 2008**

Date	Stock FMV	Preferred stock						Common stock Shares	Common stock Amount	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						
<b>Balances as of December 31, 2007</b>													
		-	-	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.	03/20/08							161,290	161	99,839			100,000
Stock issued for cash - Condor Gty.	04/21/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty.	05/21/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty.	06/30/08							76,923	77	49,923			50,000
Stock issued for cash - Condor Gty.	09/15/08							115,385	115	74,885			75,000
		-	-	-	-	-	-	507,444	508	324,493	-	-	325,000
Net Income/(Loss)											(301,155)	(301,155)	
<b>Balances as of September 30, 2008</b>													
		-	-	256,243	14,093,340	2,000,000	-	39,031,216	39,030	18,338,968	798,981	(17,400,823)	15,869,495

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)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Year Ended</b>	
	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Net income	(301,155)	(57,855)
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation expense	197,772	184,101
Changes in operating assets and liabilities:		
Accounts receivable	(133,953)	61,141
Inventory	(15,397)	8,131
Prepaid expenses and other current assets	(13,280)	(3,794)
Accounts payable	(25,490)	(61,163)
Accrued expenses	91,785	(33,342)
<b>CASH USED FOR OPERATING ACTIVITIES</b>	<b>(199,718)</b>	<b>97,219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchase of property and equipment	(271,546)	(480,826)
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<b>(271,546)</b>	<b>(480,826)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sale of stock	325,000	125,000
Interest expense	91,705	91,705
Borrowings on debt	-	-
Principal payments on long term debt	36,979	(13,829)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>453,684</b>	<b>202,876</b>
<b>NON-CASH INVESTING &amp; FINANCING ACTIVITIES</b>		
Stock reverse split	-	-
Stock issued for properties	-	-
Stock issued for debt	-	-
Stock issued for services / property	-	-
<b>TOTAL NON-CASH INVESTING &amp; FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE(DECREASE) IN CASH</b>	<b>(17,580)</b>	<b>(180,731)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>22,649</b>	<b>203,379</b>
<b>CASH AT SEPTEMBER 30, 2008 &amp; 2007</b>	<b>5,069</b>	<b>22,649</b>

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