MONARCH ENERGY LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2011 AND 2010

INDEX

Notice to Reader	1
Interim Consolidated Statements of Financial Position	2
Interim Consolidated Statements of Operations and Comprehensive Loss	3
Interim Consolidated Statements of Changes in Shareholders' Equity	4
Interim Consolidated Statements of Cash Flows	5
Notes to the Interim Consolidated Financial Statements	6 - 19

Notice to Reader – From Monarch Energy Limited

The interim unaudited consolidated financial statements of Monarch Energy Limited (the "Company") including the accompanying consolidated statements of financial position as at December 31, 2011, September 30, 2011 and October 1, 2010 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the three month periods ended December 31, 2011 and 2010 are the responsibility of the Company's management. The interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The interim unaudited consolidated financial statements as at and for the three month period ended December 31, 2011 have not been reviewed by the Company's auditors.

MONARCH ENERGY LIMITED
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited - in Canadian dollars)

	December 31, 2011	September 30, 2011 (Note 4)	October 1, 2010 (Note 4)
ASSETS			
Current			
Cash and cash equivalents	$ 6,488	$ 11,947	$ 428,926
Amounts receivable	32,360	15,610	11,310
Prepaid expenses and deposit	-	5,470	10,000
	38,848	33,027	450,236
Reclamation bonds	27,634	27,634	27,634
Exploration and evaluation assets, (Note 7)	370,282	367,000	-
Property and equipment, (Note 8)	1,303	1,400	1,997
	$ 438,067	$ 429,061	$ 479,867
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 394,423	$ 376,745	$ 1,592,369
Due to related parties, (Notes 11)	67,673	44,803	103,008
	462,096	421,548	1,695,377
Future reclamation provision, (Note 15)	62,107	61,669	57,932
	524,203	483,217	1,753,309
SHAREHOLDERS' EQUITY			
Capital stock, (Note 9(a))	$ 19,466,341	$ 19,466,341	15,943,341
Contributed surplus, (Note 10)	1,636,009	1,636,009	1,271,009
Deficit	(21,188,486)	(21,156,506)	(18,487,792)
	(86,136)	(54,156)	(1,273,442)
	$ 438,067	$ 429,061	$ 479,867

NATURE OPERATIONS AND GOING CONCERN, (Note 4)

Approved on behalf of the board:

"George Langdon" President and Director
"Michael Turko" Director

The accompanying notes are an integral part of these interim consolidated financial statements.

MONARCH ENERGY LIMITED
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE THREE MONTH PERIODS ENDED DECEMBER 31,
(Unaudited - in Canadian dollars)

	Three Months	
	2011	2010
Revenue		
Petroleum and natural gas sales (net of royalities)	**$ 19,300**	$ 37,529
	19,300	37,529
Direct costs		
Lease operation expenses	**697**	-
	18,603	37,529
Expenses		
Office, general and administrative	**12,208**	29,677
Management fees, (Note 11)	**10,500**	-
Consulting fees, (Note 11)	**18,000**	17,500
Professional fees	**7,613**	25,746
Depreciation	**97**	149
Transfer agent's fee	**1,723**	2,331
Foreign exchange (gain) loss	**2**	(44,876)
Interest	**438**	1,658
Filing and regulatory fees	**-**	2,860
Loss from operations	**(50,583)**	(35,045)
Loss before undernoted items	**(31,980)**	2,484
Gain on settlement of debt	**-**	21,897
Net loss and comprehensive loss for the period	**(31,980)**	24,381
Loss per share		
Basic and fully diluted, (Note 12)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding	**101,851,860**	53,226,852

The accompanying notes are an integral part of these interim consolidated financial statements.

MONARCH ENERGY LIMITED

(An Exploration Stage Enterprise)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2011 and 2010

(Unaudited - in Canadian dollars)

	Share capital								
	Number of shares		Amount		Contributed Surplus		Deficit		Total
Balance, October 1, 2010	53,226,852	$	15,943,341	$	1,271,009	$	(18,487,792)	$	(1,273,442)
Net income for the period	-		-		-		24,381		24,381
Balance, December 31, 2010	53,226,852	$	15,943,341	$	1,271,009	$	(18,463,411)	$	(1,249,061)
Shares issued for property-Odd Twin	39,450,000		3,156,000		-		-		3,156,000
Shares issued for property-Centremaque	9,175,008		367,000		-		-		367,000
Fair value of options	-		-		365,000		-		365,000
Net loss for the period	-		-		-		(2,693,095)		(2,693,095)
Balance, September 30, 2011	101,851,860	$	19,466,341	$	1,636,009	$	(21,156,506)	$	(54,156)
Net loss for the period	-		-		-		(31,980)		(31,980)
Balance, December 31, 2011	101,851,860	$	19,466,341	$	1,636,009	$	(21,188,486)	$	(86,136)

The accompanying notes are an integral part of these interim consolidated financial statements.

MONARCH ENERGY LIMITED
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31,
(Unaudited - in Canadian dollars)

	Three Months	
	2011	2010
Cash flows from operating activities		
Net income (loss) for the period	**$ (31,980)**	$ 24,381
Adjustments not effecting cash:		
Interest	**438**	1,658
Depreciation	**97**	149
Changes in non-cash operation working capital		
Amounts receivable	**(14,231)**	(16,416)
Prepaid expenses	**5,470**	(13,829)
Accounts payable and accrued liabilities	**38,029**	(71,648)
Cash flows used in operating activities	**(2,177)**	(75,705)
Cash flows from investing activities		
Increase in exploration and evaluation assets	**(3,282)**	-
Cash flows used in investing activities	**(3,282)**	-
Cash flows from financing activities		
Increase in amounts due to related parties	**-**	(103,008)
Cash flows used in financing activities	**-**	(103,008)
Net decrease in cash	**(5,459)**	(178,713)
Cash, beginning of period	**11,947**	428,926
Cash, end of period	**$ 6,488**	$ 250,213

The accompanying notes are an integral part of these interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Monarch Energy Limited (the "Company") was incorporated in British Columbia and is engaged in the exploration and development of petroleum, natural gas and mineral properties. The principal business address of the Company is 404-999 Canada Place, Vancouver, British Columbia, V6C 3E4.

The Company is in the process of exploring its mineral property interests, and has yet to determine whether its properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and evaluation of its properties, confirmation of the Company's interest in the underlying permits and licenses, and future profitable production or proceeds from the disposition of the Company's properties.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position and principles of consolidation.

2. BASIS OF PRESENTATION

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). These are the Company's first IFRS interim consolidated financial statements from part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. The IAS 34 interim consolidated financial statements do not include all of the information required for full annual financial statements. These interim financial statements do not conform in all respects with disclosures required for annual financial statements for the year ended September 30, 2011.

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening statement of financial position at October 1, 2010 (note 4) for the purposes of transitioning to IFRS. The accounting policies have been applied consistently to the Company and its subsidiaries.

The policies applied in these interim consolidated financial statements are based on IFRS applicable and outstanding as of March 30, 2012, the date the Board of Directors approved the statements. Any subsequent change to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recorded on change-over to IFRS.

Principles of Consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Monoil Limited and Monoil UK Limited until January 6, 2011, when the Company sold its UK subsidiaries: Monoil Limited and Monoil UK Limited.

Basis of Measurement

The interim consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

The interim consolidated financial statements includes all the accounts of the Company and all of its subsidiaries and investments, including its principal subsidiaries, as well as other non-significant subsidiaries.

Functional and Presentation Currency

The interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Use of Estimates and Judgement

The preparation of these interim consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these interim consolidated financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets (mining interest), useful lives of capital assets, provision for future reclamation costs , share-based compensation, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from management's best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS statements of financial position at October 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

EXPLORATION AND EVALUATION ASSETS

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E asset costs consist of:

- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration and evaluation costs are written off to operations.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") annually to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

Option payments received on a mining interest are recorded as a reduction in the amounts recorded as mining interest costs and any excess is recognized as income.

FUTURE RECLAMATION PROVISION

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of mineral interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

IMPAIRMENT

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

PROPERTY AND EQUIPMENT

Recognition and Measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Property and equipment is depreciated annually on a straight-line basis using rates of 20% and 30% respectively.

SHARE-BASED PAYMENT

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for E&E assets, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for E&E assets is based upon the trading price of those shares on the TSX on the date of the agreement to issue shares as determined by the Board of Directors.

FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is the Canadian dollars. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

FINANCIAL INSTRUMENTS

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Accounts Receivables	Loans and receivables	Amortized cost
Reclamation bonds	Held to maturity	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 inputs.

PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2011, Septmener 31, 2011, and October 1, 2010.

FLOW-THROUGH SHARES

Canadian income tax legislation permits an enterprise to issue securities as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. Upon the issuance of flow through shares, the Company accounts for a premium, if any, on the statement of financial position representing the premium of the financing price in excess of the market share price on the date of the flow-through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company renounces expenditures to meet flow through requirements, the corresponding liability is reversed to net income. The Company does not recognize deferred income taxes related to the resultant temporary differences.

REVENUE RECOGNITION

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from oil and gas operations is recognized when oil and natural gas are shipped, title passes and collection of the sale is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with an original maturity of three months or less.

PETROLEUM AND NATURAL GAS PROPERTIES

The Company follows the full cost method of accounting for petroleum and natural gas operations in accordance with Canadian guidelines. Under this method, all costs associated with the acquisition of, exploration for and development of petroleum and natural gas reserves are capitalized in cost centers on a country-by-country basis. Such costs include property acquisition costs, geological and geophysical studies, carrying charges on non-producing properties, costs of drilling productive wells, and overhead expenses directly related to these activities.

Depletion is calculated for producing properties by using the unit-of-production method based on estimated proved reserves, before royalties, as determined by management of the Company or independent consultants. Sales or dispositions of petroleum and natural gas properties are credited to the respective cost centers and a gain or loss is recognized when all properties in a cost center have been disposed of, unless such sale or disposition significantly alters the relationship between capitalized costs and proved reserves of petroleum and natural gas attributable to the cost center. Costs of abandoned properties are accounted for as adjustments of capitalized costs and written off to expense.

Undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined.

A ceiling test is applied to each cost center and for the aggregate of all cost centers by comparing the net capitalized costs to the estimated future net revenues from production of estimated proved reserves without discount, plus the costs of unproved properties net of impairment. Any excess capitalized costs are written off to expense. Further, the ceiling test for the aggregate of all cost centers is required to include the effects of future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. The calculation of future net revenues is based upon prices, costs and regulations in effect at each year end.

Unproved properties are assessed for impairment on an annual basis by applying factors that rely on historical experience. In general, the Company may write-off any unproved property under one or more of the following conditions:

a) there are no firm plans for further drilling on the unproved property;

b) negative results were obtained from studies of the unproved property;

c) negative results were obtained from studies conducted in the vicinity of the unproved property; or

d) the remaining term of the unproved property does not allow sufficient time for further studies or drilling.

INCOME TAXES

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measure at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively.

Amendments to IFRS 7, Financial Instruments: Disclosures are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

Amendments to IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, and consequential revisions to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

IFRS 13 Fair Value Measurement (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

The Company is currently evaluating the impact of these new and amended standards on its financial statements.

4. TRANSITION TO IFRS

As stated in Note 2, these are the Company's first consolidated interim financial statements prepared in accordance with IFRS. The impact that the transition from Canadian GAAP to IFRS has had on the Company's financial position, financial performance and cash flow is set out in this note.

The significant accounting policies described in Note 3 have been applied in the preparation of these financial statements for the quarter ended December 31, 2011, as well as in the preparation of the comparative information presented for the year ended September 30, 2011, the quarter ended December 31, 2011 and in the opening IFRS balance sheet at October 1, 2010 (the "transition date"), except where certain IFRS 1 exemptions have been applied as described below.

Exemptions Applied

IFRS 1 First-time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the general requirement to retrospectively apply IFRS that were effective as at September 1, 2010. The Company has applied the following exemptions:

Share-based payments

IFRS 1 permits the application of IFRS 2 Share Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS.

Decommissioning liabilities (asset retirement obligations)

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities requires remeasurement of the asset retirement obligation at each period end to reflect changes due to changes in various assumptions. The Company has elected to utilize this exemption which allows the Company to not retrospectively adjust the environmental rehabilitation provision and related assets; the environmental rehabilitation provision has been accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at the transition date and thereafter.

Compound financial instruments

IAS 32 Financial Instruments: Presentation requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 involves separating two portions of equity. However, in accordance with IFRS 1, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The Company has elected to utilize this exemption, and therefore not separate the two components of prior flow-through share issuances for which the related expenditures had been fully renounced as of the date of transition to IFRS.

IFRS 1 also requires that an entity's estimates under IFRS at the date of transition be consistent with estimates made under its Canadian GAAP for the same date, unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates at September 1, 2010 are consistent with the estimates made under Canadian GAAP for that same date.

Presentation differences

The following presentation difference between Canadian GAAP and IFRS has no impact on reported loss and comprehensive income (loss) or equity:

- Under IFRS, accretion of the discount is included in finance expenses whereas under Canadian GAAP it is included in general expenses.

Some line items are described differently under IFRS as compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

- Deferred tax assets ("Future income tax assets")
- Share compensation reserve ("Contributed surplus")

Reconciliations from Canadian GAAP to IFRS

The transition from Canadian GAAP to IFRS, the Company did not have a material impact on the consolidated statements of financial position, consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows as at December 31, 2011, September 30, 2011 and October 1, 2010.

5. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Interest Rate Risk

The Company has cash balances, and is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Commodity Price Risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control.

The future operations of the Company are highly correlated to the market prices of these metals, as is the ability of the Company to continue to explore and develop its mineral properties.

A prolong period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

c) Foreign currency risk

As at December 310 2011, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. During the year ended September 30, 2011, the Company sold its subsidiaries in the United Kingdom. As a result, the Company does not believe it has significant foreign currency risk.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These fund are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded by cash and cash equivalents.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at December 31, 2011 the Company held cash of $6,488 (September 31, 2011 - $11,947, October 1, 2010- $428,926) to settle current liabilities of $462,096. The Company expects to fund these liabilities through the issuance of capital stock over the coming year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank. Also, as the majority of its receivables are with the Canadian government in the form of sales tax receivable, credit risk is considered minimal.

Fair Value

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost. Reclamations bonds are classified as held to maturity which are measured at amortized cost.

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate carrying value due to their short-term nature.

6. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at December 31, 2011 the Company's capital stock was $19,466,341 (September 30, 2011 - $19,466,341, October 1, 2010 - $15,943,341).

There were no changes in the Company's approach to capital management during the period ended December 31, 2011 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

7. EXPLORATION AND EVALUATION ASSETS

2011	Balalnce September 30, 2011	Acquisition	Exploration	Recoveries	Balalnce Decmeber 31, 2011	Balance, October 1, 2010
Centremaque	$ 367,000	$ -	$ 3,282	$ -	$ 370,282	$ -

Odd Twins Property

During the year ended September 30, 2011, the Company entered into a Letter of Intent with Tectonics Inc. ("Tectonics"), of Calgary, Alberta, for the acquisition of an interest in mineral properties located on and offshore Long Point, on the Port au Port Peninsula, Newfoundland and Labrador. The acquisition is a related party transaction, as the principal of Tectonics is George S. Langdon, who is the President and a director of the Company. The Company obtained a 60% working interest by issuing 39,450,000 of its common shares, and has agreed to enter into a joint venture with the holder of the remaining 40% interest for the exploration, development and exploitation of the licensed area. The Company has decided to let these claims lapse as it was their decision not to further pursue the property, and as a result, all costs associated with this property were written off to operations in fiscal 2011.

Centremaque Property

During 2011, the Company entered into an option agreement with Golden Valley Mines Ltd. (TSX/V: GZZ) of Val-d'Or, Quebec to earn up to a 70% interest in the Centremaque Prospect, situated in Bourlamaque Township, Quebec. Terms of the acquisition include a work commitment of $2,250,000 over three years ($250,000 by July 26, 2012; $500,000 by July 26, 2013 and $1,500,000 by July 26, 2014). In addition, the Company has to complete a Definitive Feasibility Study ("DFS") for the Property at its sole cost, within 10 years of signing, to earn a 70% interest, leaving Golden Valley Mines Ltd. with a free carried interest of 30%. The Company issued 9,175,008 of its common shares, and must make a cash payment of $35,000 in connection with this option agreement to be paid on or before February 29, 2012.

8. PROPERTY AND EQUIPMENT

	Computer equipment	Office equipment	Total
Cost			
Balance, October 1 , 2010	$ 5,264	$ 2,679	$ 7,943
Balance, September 31, 2011	$ 5,264	$ 2,679	$ 7,943
Balance, December 31, 2011	$ 5,264	$ 2,679	$ 7,943
Accumulated Amortization			
Balance, October 1, 2010	$ 4,480	$ 1,466	$ 5,946
Depreciation for the period	353	244	597
Balance, September 31, 2011	$ 4,833	$ 1,710	$ 6,543
Depreciation for the period	48	49	97
Balance, December 31, 2011	$ 4,881	$ 1,759	$ 6,640
Carrying Amounts			
As at October 1, 2010	$ 784	$ 1,213	$ 1,997
As at September 2011	$ 431	$ 969	$ 1,400
As at December 31, 2011	$ 383	$ 920	$ 1,303

9. CAPITAL STOCK

(a) Common shares

Authorized

The authorized capital stock of the Company consists of an unlimited number of common shares.

(b) Stock option plan and share-based compensation

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Options issued to consultants vest at 25% every three months. Options to directors and employees fully vest immediately upon granting but the common shares on exercise are subject to a four month hold period from the date of grant.

The Company measures share-based compensation costs using the fair value-based method for employee and non-employee stock options. Compensation costs have been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. Compensation expense of $Nil was recorded in the statement of operations during the three month period ended December 30, 2011 (2010 - $Nil). The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended December 31, 2011.

The following table summarizes information concerning the Company's stock options outstanding as at December 31, 2011:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - September 30, 2010	1,614,286	$ 0.47
Granted	5,300,000	0.10
Expired or cancelled	(1,614,286)	0.47
Outstanding and exercisable - September 30, 2011 and December 31, 2011	5,300,000	0.10

The following common share purchase options are outstanding at December 31, 2011:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	February 1, 2011	5,000,000	$ 0.10	February 1, 2016
Service Providers	February 1, 2011	300,000	$ 0.10	February 1, 2016
		5,300,000		

10. CONTRIBUTED SURPLUS

	December 31, 2011	September 30, 2011	October 1, 2010
Balance, beginning of period	$ 1,636,009	$ 1,271,009	$ 1,271,009
Fair value of options issued during the period	-	365,000	-
Balance, end of period	$ 1,636,009	$ 1,636,009	$ 1,271,009

11. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the consolidated financial statements during the three months ended December 31, 2011 and 2010 as follows:

	December 31, 2011	December 31, 2010
Management fees and directors fees expense:		
Management fees were charged by officers for corporate administrative and financial management services	$ 10,500	$ -
Consulting fees were charged by directors for corporate governance services	$ 18,000	$ 17,500

As at December 31, 2011, amounts due to related parties consist of $67,673 (September 31, 2011 - $44,803, October 1, 2010 - $103,008) to related parties.

Management believes these transactions are in the normal course of business.

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the three months ended December 31, 2011 and 2010, this would be anti-dilutive.

13. RECLASSIFICATION

The comparative financial statements have been reclassified to conform to the presentation of the current period financial statements.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being petroleum, natural gas and mineral exploration and development, and in the following geographic areas:

	December 31, 2011	December 31, 2010
Revenue	$ 19,000	$ 37,529
Net (loss) income for the period	(31,980)	24,381

	December 31, 2011	September 31, 2011
Capital assets	$ 399,219	$ 396,034

15. FUTURE RECLAMATION PROVISION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

	December 31, 2011	September 30, 2011	October 1, 2010
Future reclamation provision, beginning of period	$ 61,669	$ 57,932	$ 51,300
Interest expense	438	3,737	6,632
Future reclamation provision, end of period	$ 62,107	$ 61,669	$ 57,932

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $66,924 (September 30, 2011 - $61,669). The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 2%. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2012 and 2015.