MONARCH ENERGY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

INDEX

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Monarch Energy Limited

We have audited the accompanying consolidated financial statements of Monarch Energy Limited, which comprise the consolidated statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Monarch Energy Limited as at September 30, 2012, September 31, 2011 and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Monarch Energy Limited's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

January 28, 2013

MONARCH ENERGY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian dollars)

	September 30, 2012	September 30, 2011 (Note 16)	October 1, 2010 (Note 16)
ASSETS			
Current			
Cash and cash equivalents	$ **27,601**	$ 11,947	$ 428,926
Amounts receivable	**20,240**	15,610	11,310
Due from related party (Note 9)	**28,747**	-	-
Prepaid expenses and deposit	**-**	5,470	10,000
	76,588	33,027	450,236
Property and equipment (Note 4)	**1,012**	1,400	1,997
Exploration and evaluation assets (Note 5)	**-**	367,000	-
Reclamation bonds	**28,402**	27,634	27,634
	$ **106,002**	$ 429,061	$ 479,867
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ **37,405**	$ 376,745	$ 1,592,369
Due to related parties (Notes 9)	**14,675**	44,803	103,008
	52,080	421,548	1,695,377
Future reclamation provision (Note 7)	**-**	61,669	57,932
	52,080	483,217	1,753,309
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock (Note 8)	**19,466,341**	19,466,341	15,943,341
Contributed surplus	**1,636,009**	1,636,009	1,271,009
Deficit	**(21,048,428)**	(21,156,506)	(18,487,792)
	53,922	(54,156)	(1,273,442)
	$ **106,002**	$ 429,061	$ 479,867

NATURE OPERATIONS AND GOING CONCERN, (Note 1)

Approved on behalf of the board:

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

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

MONARCH ENERGY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian dollars)

		2012		2011 (Note16)
Revenue				
Petroleum and natural gas sales	**$**	**190,117**	$	133,650
Direct costs				
Transportation costs		**-**		2,199
Royalties		**34,891**		21,698
Production expenses		**123,351**		114,992
Depletion		**-**		147,909
		158,242		286,798
		31,875		(153,148)
Expenses				
Consulting fees (Note 9)		**86,863**		78,354
Depreciation		**388**		597
Foreign exchange loss		**4**		20,254
Interest (Note 7)		**-**		3,737
Management fees (Note 9)		**42,000**		28,000
Office, general and administrative		**43,152**		48,316
Professional fees		**48,443**		123,506
Share- based compensation (Note 8)		**-**		365,000
Transfer agent and filing fees		**17,938**		39,855
Loss from operations		**(238,788)**		(707,619)
Reversal of future reclamation provision (Note 7)		**61,669**		-
Recovery of expenses		**72,836**		-
Interest income		**768**		92
Write-off of exploration and evaluation assets (Note 5)		**(370,282)**		(3,179,429)
Gain on sale of asset (Note 6)		**550,000**		-
Gain on settlement of debt (Note 9)		**-**		21,897
Gain on sale of subsidiaries (Note 15)		**-**		1,349,493
		314,991		(1,807,947)
Net comprehensive income (loss) for the year	**$**	**108,078**	$	(2,668,714)
Income (loss) per share				
Basic and fully diluted		**0.00**		(0.04)
Weighted average number of common shares outstanding, basic and diluted		**101,851,860**		71,952,743

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

MONARCH ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011
(Expressed 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)
Shares issued for exploration and evaluation asset	48,625,008	3,523,000	-	-	3,523,000
Share based compensation	-	-	365,000	-	365,000
Net loss for the year	-	-	-	(2,668,714)	(2,668,714)
Balance, September 30, 2011	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,156,506)	$ (54,156)
				-	
Net income for the year	-	-	-	108,078	108,078
Balance, September 30, 2012	101,851,860	$ 19,466,341	$ 1,636,009	$ (21,048,428)	$ 53,922

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

MONARCH ENERGY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian dollars)

		2012		2011 (Note16)
Cash flows from operating activities				
Net income (loss) for the year	$	**108,078**	$	(2,668,714)
Adjustments not effecting cash:				
Interest on future reclamation provision		**-**		3,737
Depletion		**-**		147,909
Depreciation		**388**		597
Recovery of expenses		**(72,836)**		-
Share based compensation		**-**		365,000
Gain on forgiveness of debt		**-**		(21,897)
Gain on disposal of subsidiaries		**-**		(1,349,493)
Write-off of exploration and evaluation assets		**370,282**		3,179,429
Gain on sale of assets		**(550,000)**		-
Recovery of future reclamation provision		**(61,669)**		-
Interest income		**(768)**		-
Changes in non-cash operation working capital				
Amounts receivable		**(4,630)**		(4,300)
Prepaid expenses		**5,470**		4,530
Accounts payable and accrued liabilities		**(122,519)**		(36,308)
Due to and from related parties		**22,675**		(10,116)
Cash flows used in operating activities		**(305,529)**		(389,626)
Cash flows from investing activities				
Additions to exploration and evaluation asset		**(97,486)**		(23,429)
Additions to oil & gas properties		**-**		(3,925)
Proceeds from sale of subsidiaries		**-**		1
Disposal of oil & gas properties		**500,219**		-
Amounts loaned to related party		**(128,000)**		-
Repayment of loan from related party		**46,450**		-
Cash flows provided by (used in) investing activities		**321,183**		(27,353)
Net increase (decrease) in cash and cash equivalents		**15,654**		(416,979)
Cash and cash equivalents, beginning of year		**11,947**		428,926
Cash and cash equivalents, end of year	$	**27,601**	$	11,947

Supplementary information:				
Income taxes paid	$	**-**	$	-
Interest paid	$	**-**	$	-

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS, (Note 10)

The accompanying notes are an integral part of these 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 evaluation of mineral properties. The principal business address of the Company is 65 Queen Street West, Toronto, Ontario, M5H 2M5.

The Company is in the process of exploring its exploration and evaluation assets, 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. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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 consolidated statement of financial position.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the Company at October 1, 2010. The Company's transition date is September 30, 2010.

A summary of the Company's significant accounting policies under IFRS is presented in Note 3. These policies have been applied retrospectively and consistently except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2011, prepared in accordance with Canadian GAAP. The impact of the transition from Canadian GAAP to IFRS is explained in Note 16.

The financial statements of the Company for the year ended September 30, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2013

Principles of Consolidation

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

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

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

Use of Estimates and Judgement

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Recoverability of exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future production or proceeds from the disposition thereof.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

Evaluation of going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. Costs to acquire exploration and evaluation assets are capitalized as incurred. Costs related to the exploration and evaluation of mineral rights are capitalized as incurred. The Company considers mineral rights to be tangible assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Computer equipment	45%
Office equipment	20%

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.

Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollar. 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
Amounts receivables	Loans and receivables	Amortized cost
Due from related party	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.

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 consists of highly liquid investments that are readily convertible to known amounts of cash subject to significant risk of changes in value. As at September 30, 2012, September 30, 2011 and October 1, 2010, the Company has no cash equivalents on hand.

Petroleum and Natural Gas Properties

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves.

For divestitures of properties, a gain or loss is recognized in net earnings. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net earnings.

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 reporting date, 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.

Basic and diluted income (loss) per share

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive income (loss) is the same as net income (loss).

(Expressed in Canadian dollars)

Future Accounting Policy Changes

Financial Instruments IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured 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, 2015.

Amendments to IFRS 7, Financial Instruments: Disclosures are effective for annual periods beginning on or after January 1, 2013 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.

Amendments to IAS 32, Financial Instruments: Presentation, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities

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

4. 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, September 30, 2012	$ 5,264	$ 2,679	$ 7,943
Accumulated Depreciation			
Balance, October 1, 2010	$ 4,480	$ 1,466	$ 5,946
Depreciation for the year	353	244	597
Balance, September 31, 2011	$ 4,833	$ 1,710	$ 6,543
Depreciation for the year	194	194	388
Balance, September 30, 2012	$ 5,027	$ 1,904	$ 6,931
Carrying Amounts			
As at October 1, 2010	$ 784	$ 1,213	$ 1,997
As at September 2011	$ 431	$ 969	$ 1,400
Balance, September 30, 2012	$ 237	$ 775	$ 1,012

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Odd Twins	Centremaque	Total
Balance, October 1, 2010	$ -	$ -	$ -
Additions:			
Acquisition costs	3,156,000	367,000	3,523,000
Exploration costs	23,429	-	23,429
Additions for the year	3,179,429	367,000	3,546,429
Write off	(3,179,429)	-	(3,179,429)
Balance, September 30, 2011	$ -	$ 367,000	$ 367,000
Additions:			
Exploration costs	-	3,282	3,282
Additions for the year	-	3,282	3,282
Write off	-	(370,282)	(370,282)
Balance, September 30, 2012	$ -	$ -	$ -

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 was 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. 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 2012.

6. PETROLEUM AND NATURAL GAS PROPERTIES

	Virginia Hills
Balance, October 1, 2010	$ -
Acquisition Costs	-
Additions:	
Geological, geophysical and land	268,985
Retirement provision	37,352
Depletion	(306,337)
Total Additions	-
Balance, September 30, 2011 and 2012	$ -

(Expressed in Canadian dollars)

During the year ended September 30, 2012, the Company sold, to an arms length purchaser, the Virginia Hills property asset in Alberta for the sum of $550,000. This asset was depleted to $nil in a previous year. As a result the entire proceeds of $550,000 has been recorded as a gain on sale of the asset. Of this amount, $500,219 has recorded in cash, the remaining $49,781 was offset against a payable due from the Company.

7. 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.

	September 30, **2012**	September 30, 2011	October 1, 2010
Future reclamation provision, beginning of year	$ 61,669	$ 57,932	$ 51,300
Interest expense	-	3,737	6,632
Reversal of asset retirement obligation (i)	(61,669)	-	-
Future reclamation provision, end of year	$ -	$ 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 $Nil (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%.

(i) Reversal of obligation upon sale of Virgina Hills property as described in Note 6.

8. CAPITAL STOCK

(a) Common shares

Authorized

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

No shares were issued during the year ended September 30, 2012.

During the year ended September 30, 2011:

- The Company issued 39,450,000 common shares for the acquisition of an interest in the Odd Twins Property (Note 5).
- The Company issued 9,175,008 common shares for the acquisition of an interest in the Centremaque Property (Note 5).

(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 exercise.

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 year ended September 30, 2012 (2011 - $365,000).

(Expressed in Canadian dollars)

The fair value of options granted during 2012 and 2011 was estimated at the date of grant using a Black Sholes Option Pricing Model with the following assumptions:

	2012	2011
Risk-free interest rate	N/A	1.57%
Expected life of options	N/A	5
Annualized volatility	N/A	218%
Dividend rate	N/A	Nil
Forfeiture rate	N/A	0%

The following table summarizes information concerning the Company's stock options outstanding as at September 30, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - October 1, 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 2012	**5,300,000**	**$ 0.10**

No stock options were granted during the year ended September 30, 2012.

The following common share purchase options are outstanding at September 30, 2012:

Date of Grant	Number of options outstanding and excercisable	Exercise Price	Weighted Average remaining life (years)	Expiry Date
February 1, 2011	5,300,000	$ 0.10	3.34	February 1, 2016
	5,300,000			

(c) **Warrants**

The Company had no outstanding share purchase warrants as at September 30, 2012 and 2011.

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	September 30, 2012	September 30, 2011
Share-based compensation	$ -	$ 365,000
Short-term benefits*	124,000	84,440
	$ 124,000	$ 449,440

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and management fees.

Other related parties:

Other related parties includes companies with key management personnel in common. Transactions with other related parties includes:

- During the year ended September 30, 2011, purchased the Old Twins Property from the president, and a director of the Company, as described in Note 5.

- During the year ended September 30, 2011, the Company recorded a gain on settlement of debt regarding unpaid directors' fees of $21,897 with a former director.

There were no transactions with other related parties during the year ended September 30, 2012.

As at September 30, 2012, amounts due to related parties consist of $14,675 (September 31, 2011 - $44,803, October 1, 2010 - $103,008) to companies controlled by officers and directors of the Company.

During the year ended September 30, 2012, an amount of $128,000 was loaned to the CEO and director of the Company. Repayments of $46,450 were made during the year, and $52,803 was offset by expense reimbursements resulting in an amount receivable at year end of $28,747 (September 31, 2011 - $Nil, October 1, 2010 - $Nil).

Amounts due to and from related parties are due on demand within specific terms of repayment.

(Expressed in Canadian dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions affecting cash flows from operating or investing activities for the year ended September 30, 2012.

The significant non-cash transaction affecting cash flows from operating and investing activities for the year ended September 30, 2011 are as follows:

a) Issued 39,450,000 common shares to acquire Odd Twin mineral property with value of $3,156,000.

b) Issued 9,175,008 common shares to acquire Centremaque mineral property with value of $367,000.

c) Included in accounts payable and accrued liabilities is $143,985 capitalized to exploration and evaluation assets.

d) The Company recorded a recovery of debt in the amount of $72,836 to from vendors.

11. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	September 30, 2012	September 30, 2011
Net Income (loss) before income taxes	**$ 108,078**	$ (2,668,714)
Combined Canadian federal and provincial statutory rate	**25.4%**	27%
Expected income tax recovery at statutory tax rates	**$ 27,000**	$ (721,000)
Change in statutory, foreign tax and foreign exchange rates	**-**	142,000
Permanent Difference	**-**	(1,194,000)
Adjustment to prior years provision versus statutory tax returns, expiry of non-capital loss, and other	**36,000**	1,675,000
Change in unrecognized deductible temporary differences	**(63,000)**	98,000
Total deferred tax recovery	**-**	-

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	2012	Expiry dates	2011	Expiry dates	2010	Expiry dates
Exploration & evaluation assets	**$ 4,694,000**	No expiry	$ 4,327,000	No expiry	$ 999,000	No expiry
Property & equipment	**137,000**	No expiry	137,000	No expiry	136,000	No expiry
Share issue costs	**4,000**	2033-2036	7,000	2032-2035	367,000	2031-2033
Retirement obligation	**-**	No expiry	62,000	No expiry	-	No expiry
Allowable capital losses	**5,224,000**	No expiry	5,224,000	No expiry	30,000	No expiry
Non-capital losses available for future periods	**4,129,000**	2016-3032	3,992,000	2016-2031	3,386,000	2016-2030

12. FINANCIAL RISK FACTORS

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.

The Company's financial instruments consist of cash and cash equivalents, amounts receivables, due from related party, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of the Company's receivables, due from related party, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company's other financial instrument, being reclamation bonds, are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 September 30, 2012 , 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 September 30, 2012, 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.

As at September 30, 2012 the Company held cash of $27,601 to settle current liabilities of $52,080. 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.

13. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at September 30, 2012 the Company's capital stock was $19,466,341.

There were no changes in the Company's approach to capital management during the year ended September 30, 2012 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.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, resource exploration in Canada. All revenue earned during the years ended September 30, 2012 and 2011 were from properties held in Canada. All capital assets held as at September 30, 2012, 2011, and October 1, 2010 are in Canada.

(Expressed in Canadian dollars)

15. SALE OF SUBSIDIARIES

On January 6, 2011, the Company entered into an agreement with a third party to sell its' UK subsidiaries Monoil Limited and wholly owned subsidiary Monoil UK Limited. For the consideration of USD$1, a third party company will assume all interests or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security, interest, title, retention or any other security or arrangement.

Proceeds on sale	$	1
Less: Net liabilities at date of sale		(1,284,426)
Accounts payable		(1,284,425)
Add: Foreign exchange on sale		(65,068)
Gain on sale	$	1,349,493

16. FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS effective October 1, 2011, with a transition date of October 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended September 30, 2012, the comparative information for the year ended September 30, 2011, and the preparation of an opening IFRS statement of financial position on the transition date, October 1, 2010.

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 October 1, 2010. The Company has applied the following exemptions:

a) 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.

b) Decommissioning liabilities (future reclamation provisions)

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.

c) 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.

d) Business Combinations

IFRS-1 permits the application of IFRS 3, Business Combinations on a prospective basis from the date of transition to IFRS. The Company has applied this exemption, and will apply IFRS-3 for business combinations after October 1, 2010.

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 October 1, 2010 are consistent with the estimates made under Canadian GAAP for that same date.

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 operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the year ended September 30, 2011. These was also no material impact on the consolidated statements of financial position as of September 30, 2011 and October 1, 2010.