APPIA ENERGY CORP.

FINANCIAL STATEMENTS

For the years ended September 30, 2012 and 2011
(Expressed in Cdn $)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by and are the responsibility of the management of Appia Energy Corp. (the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The financial statements have been audited by Wasserman Ramsay, an independent firm of chartered accountants. Their report outlines the scope of their examination and opinion on the financial statements.

(*signed*) "*Tom Drivas*"
Chief Executive Officer

(signed) "Michael D'Amico"
Chief Financial Officer

January 24, 2013

Wasserman
Ramsay

Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
Tel. 905-948-8637 Fax 905.948.8638
email: wram@wassermanramsay.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Appia Energy Corp.**:**

We have audited the accompanying financial statements of Appia Energy Corp., which comprise the statements of financial position as at September 30, 2012 and 2011, and October 1, 2010 and the statements of profit and loss and comprehensive profit and loss, cash flows and changes in equity 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 Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. as at September 30, 2012 and 2011 and October 1, 2010 and the results of its operations and 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 financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Wasserman Ramsay

Chartered Accountants
Licensed Public Accountants

Markham, Ontario
January 24, 2013

Appia Energy Corp.

Statements of Financial Position
(Expressed in Cdn $)

As at	**September 30 2012 $**	September 30 2011 $ **(Note 13)**	October 1 2010 $ **(Note 13)**
Assets			
Current			
Cash and cash equivalents (note 4)	**1,758,567**	1,765,825	629,712
Cash and cash equivalents for future exploration activities (note 4)	**601,458**	1,898,160	-
Accounts receivable	**78,953**	5,248	572
Prepaid expenses	**19,008**	6,208	7,859
Total current assets	**2,457,986**	3,675,441	638,143
Exploration and evaluation assets			
Acquisition costs (note 5)	**725,916**	725,916	597,593
Deferred exploration expenditures (note 5)	**4,517,661**	3,206,659	3,020,755
Total assets	**7,701,563**	7,608,016	4,256,491
Liabilities			
Current			
Accounts payable & accruals	**617,624**	300,051	219,853
Common shares subscribed, not issued	**-**	3,125	-
Total current liabilities	**617,624**	303,176	219,853
Deferred flow-through share premium liability	**82,451**	260,908	-
Deferred income tax	**601,862**	360,837	398,200
Total liabilities	**1,301,937**	924,921	618,053
Contingencies and commitments (note 12)			
Shareholders' equity			
Share capital (note 6(a))	**7,835,123**	7,796,776	4,834,343
Warrants (note 6(c))	**1,302**	117,091	-
Contributed surplus (note 7)	**1,964,222**	1,000,827	-
Deficit	**(3,401,021)**	(2,231,599)	(1,195,905)
Total shareholders' equity	**6,399,626**	6,683,095	3,638,438
Total liabilities and shareholders' equity	**7,701,563**	7,608,016	4,256,491

The accompanying notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD ON JANUARY 24, 2013

"Signed"
Anastasios (Tom) Drivas

"Signed"
Nick Bontis

Appia Energy Corp.
Statements of Changes in Equity
(Expressed in Cdn $)

	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Total $
At October 1, 2010	4,834,343	-	-	(1,195,906)	3,638,437
Net loss and comprehensive loss for the period	-	-	-	(1,035,693)	(1,035,693)
Common shares issued, net	1,477,500				1,477,500
Flow throw shares issued, net	1,792,217	-	-	-	1,792,217
Value associated with warrants issued	(110,562)	110,562	-	-	-
Share-based payments	-	-	1,000,827	-	1,000,827
Share issuance costs	(196,722)	6,529	-	-	(190,193)
At September 30, 2011	7,796,776	117,091	1,000,827	(2,231,599)	6,683,095
Net loss and comprehensive loss for the period	-	-	-	(1,169,422)	(1,169,422)
Common shares issued, net	28,400	-	-	-	28,400
Flow throw shares issued, net	11,249	-	-	-	11,249
Flow through warrants expired	-	(117,091)	117,091	-	-
Value associated with warrants issued	(1,302)	1,302	-	-	-
Share-based payments	-	-	846,304	-	846,304
At September 30, 2012	7,835,123	1,302	1,964,222	(3,401,021)	6,399,626

The accompanying notes are an integral part of these financial statements

Appia Energy Corp.

Statements of Profit and Loss, and Comprehensive Profit and Loss

(Expressed in Cdn $)

	For the years ended September 30	
	2012	2011
	$	$
Expenses		
Professional fees (note 9)	**188,730**	38,590
Management fees and salaries (note 9)	**82,000**	60,000
Office and general (note 9)	**30,109**	17,121
Shareholder communication	**4,878**	6,653
Share-based payments	**846,304**	1,000,827
Loss for the period before the following	**(1,152,021)**	(1,123,191)
Interest income	**42,917**	24,509
Net loss for the period	**(1,109,104)**	(1,098,682)
Deferred income tax recovery / (expense)	**(60,318)**	62,989
Net profit/(loss) and comprehensive profit/(loss)	**(1,169,422)**	(1,035,693)
Weighted average number of shares outstanding	**41,611,921**	40,524,506
Basic and diluted loss per share	**$ (0.03)**	$ (0.03)

The accompanying notes are an integral part of these financial statements

Appia Energy Corp.

Statements of Cash Flows

(Expressed in Cdn $)

	For the years ended September 30	
	2012	2011
	$	$
Operating activities		
Net loss for the period	**(1,169,422)**	(1,035,693)
Items not affecting cash:		
Deferred income tax recovery	**60,318**	(62,989)
Share based payments	**846,304**	1,000,827
	(262,800)	(97,855)
Net change in non-cash working capital		
Accounts receivable	**(73,705)**	(4,676)
Prepaid expenses	**(12,800)**	1,651
Accounts payable and accrued liabilities	**317,571**	83,323
Change from operating activities	**(31,733)**	(17,557)
Investing activities		
Mineral property acquisition costs	**-**	(128,323)
Deferred exploration expenditures	**(1,311,002)**	(185,904)
Change from investing activities	**(1,311,002)**	(314,227)
Financing activities		
Private placement of common shares	**38,775**	3,556,250
Share issue expense	**-**	(190,193)
Change from financing activities	**38,775**	3,366,057
Change in cash and cash equivalents	**(1,303,960)**	3,034,273
Cash and cash equivalents, beginning of period	**3,663,985**	629,712
Cash and cash equivalents, end of period	**2,360,025**	3,663,985
Cash comprises:		
Cash and cash equivalents	**1,758,567**	1,765,825
Cash and cash equivalents for future exploration activities	**601,458**	1,898,160
	2,360,025	3,663,985

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern

Appia Energy Corp. (“Appia” or "the Company") has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has presented the financial statements for the year ended September 30, 2012 and the comparative figures for the year ended September 30, 2011 as well as the October 1, 2010 transition date statement of financial position in IFRS as stated in note 13 below. The accompanying financial statements of the Company have been prepared by, and are the responsibility of, the Company’s management.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2012 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Companyhad working capital of $1,840,362 as at September 30, 2012, and has incurred losses since inception, resulting in an accumulated deficit of $3,401,021as at September 30, 2012. The Company’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is doubt regarding the Company’s ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for thesefinancial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

2. Basis of preparation and statement of compliance

The financial statements of the Company as at and for the year ended September 30, 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s audited annual financial statements for the year ended September 30, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”).

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of September 30, 2012.

3. Summary of significant accounting policies

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

Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("$").

Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are as follows:

Critical accounting estimates

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

Financial Instruments

Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category are as follows:

Accounts receivable - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss).
Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, demand deposits and high-interest savings vehicles.

Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss**.**

Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.
Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity.

The fair value for share purchase options granted to those providing services is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation assets interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either an unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance expense (“notional interest”).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

Flow through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

Loss per share

Loss per share is calculated using the weighted average number of commonshares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Impairment

Exploration and evaluation assets are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

Accounting pronouncements issued but not yet adopted

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the financial statements.

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of IFRS 9, Financial Instruments from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early adoption is permitted.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Company intends to adopt the amendments in its financial statements for the year commencing October 1, 2012. The impact of adoption of these amendments had not yet been determined.

4. Cash and cash equivalents

Cash and cash equivalents and cash and cash equivalents held for future exploration activities consists of cash and investments in Canadian Chartered Bank demand money market funds.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units for gross proceeds of $13,500. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and are therefore not available for current working capital purposes.

During the twelvemonths to September 30, 2012, the Company spent a total of $1,311,002 on exploration activities, including committed funds raised in the prior fiscal year, leaving a balance of $601,458 at September 30,2012 to be spent on Canadian Exploration Expenditures (“CEE”).

5. Exploration and evaluation assets

Acquisition costs

	Ontario Elliot Lake	Saskatchewan	Total
	$	$	$
Balance, September 30, 2010	597,593	-	597,593
Total additions for the period	-	128,323	128,323
Balance, September 30, 2011	597,593	128,323	725,916
Total additions for the period	-	-	-
BalanceSeptember 30, 2012	597,593	128,323	725,916

Deferred exploration expenditures

	Total
	$
Balance, September 30, 2010	3,020,755
Additions:	
Assaying	70,004
Contract labour	102,084
Other	13,816
Total additions for the period	185,904
Balance, September 30, 2011	3,206,659
Additions:	
Assaying	84,440
Drilling	1,084,631
Contract labour	102,058
Other	39,873
Total additions for the period	1,311,002
Balance, September 30, 2012	4,517,661

Note: To date all deferred exploration expenditures have been incurred on the Company's Elliot Lake Property.

Ontario, Elliot Lake

(a) On November 1, 2007, the Company acquired a 100% interest in 61 mining claims known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario. As part of the acquisition agreement the Company issued 35 million common shares to Canada Enerco Corp. ("CEC"), a company controlled by the President, CEO and Director of the Company, at a stated value of $218,212. CEC retains the right to a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable provided uranium is greater than US$130 per pound.

The Company also entered into two (2) share option agreements with CEC whereby the Company had the option to buy back 1,000,000 of the common shares of the Company at the price of $1 per share, expiring August 31, 2008 and 9,000,000 common shares at the price of $2 per share, subject to adjustment downward, in tranches of 1,000,000 shares, expiring November 2, 2012. In the fiscal year ended September 30, 2008, the Company exercised the first option for the 1,000,000 common shares by payment to CEC of $1,000,000. These shares were cancelled in fiscal 2009. The second option was conditional upon the Company spending at least $10 million on exploration on the property prior to November 1, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The Company did not spend the required $10 million on exploration and the second option expired on November 1, 2011.

Pursuant to an Assumption of Obligations Agreement dated November 2, 2007 among the Company, CEC, Quincy Gold Corp. and Energy Metals Corp. ("EMC"), the Company assumed certain obligations of CEC to Quincy and EMC giving the Company a 100% interest in the Elliot Lake property free and clear of all liens, charges and encumbrances in consideration for granting to EMC the right to purchase up to 9.9% of the equity of the Company (the "Participation Right") pursuant to an initial financing or an initial public offering or a going public transaction pursuant to a business combination at the same price and terms as other subscribers and a $250,000 credit (the "Credit") towards the Participation Right. Since the date of the agreement mentioned above, EMC has been acquired by Uranium One. In fiscal year 2008, 250,000 common shares of the Company were issued to EMC in consideration for the Credit.

(b) The Company transferred 2 of the claims acquired from CEC as disclosed in (a) above to Denison Mines Inc. in return for rights of access and use of infrastructure as well as a 3% Net Smelter Returns Royalty on any product produced from the claims. No gain or loss has been recognized on this transfer.

(c) On February 27, 2008, the Company entered into an agreement with Dan Patrie Exploration Ltd. ("DPE") to acquire an option to earn a 100% interest in 6 mineral claims comprising 50 claim units in the Buckles and Joubin Townships in Sault Saint Marie Mining Division in the Province of Ontario in consideration for the payment of $20,000 cash and the issuance of 50,000 common shares at a price of $1 per share. DPE retains the right to a 1% Uranium Production Payment Royalty ("Royalty") payable when the uranium is sold from the claims at a price of at least US$130 per pound. The Company has the right and option to purchase one-half (1/2) of the Royalty from DPE for $1,000,000. If DPE wishes to sell the remaining Royalty to a third party, it shall first offer the remaining Royalty to the Company on the same terms on which they have received the offer from a bona fide third party which they are prepared to accept.

(d) During fiscal 2010 the Company staked an additional 35 claims in the Elliot Lake area for additional cost of $35,950. All staked claims above are subject to the CEC royalty as outlined in paragraph (a) above.

Saskatchewan, Athabasca Basin

(e) During fiscal 2011, the Company participated in staking 26,657 hectares of uranium and rare earth prospects in Saskatchewan for total consideration and costs of $128,323. The Company holds interests of 50 to 90% in these 10 exploration and evaluation assets in the Athabasca Basin area of the Province of Saskatchewan.

6. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares:

	Number	***Amount***
	#	$
Balance, September 30, 2010 and 2009	39,016,525	4,834,343
Flow-through common shares issued, net	1,385,833	1,779,232
Common shares issued	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Share issue costs	-	(183,737)
Balance, September 30, 2011	41,584,358	7,796,776
Flow-through common shares issued, net	9,000	11,250
Common shares issued November 15, 2011	20,720	25,900
Common shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,302)
Balance, September 30, 2012	41,616,078	7,835,123

During the 2011 fiscal year the Company entered into private placement agreements to raise funds for exploration and working capital by way of a private placement of gross proceeds of $1,477,500 in the aggregate through the issuance of 1,182,000 working capital units of the Company at $1.25 per unit ("WC unit") and 1,385,833 flow-through units of the Company at $1.50 per flow-through unit ("FT unit") for gross proceeds of $2,078,750. Each WC unit consisted of one common share and one-half common share purchase warrant ("WC Warrant"). These warrants expired on March 17, 2012.

Finder fees were paid on the flow-through private placements by payment of cash commissions of $162,884 and by the issuance of 46,666 broker compensation warrants ("Broker's Unit Warrant"). Each Broker Unit Warrant entitles the holder to acquire a unit of the Company at exercise price of $1.50 per unit for 12 months from the closing date. Each broker unit consists of one common share ("Broker Common Share") and one-half common share purchase warrant ("Broker Warrant"). 46,666 common shares was reserved for the Broker Common Shares issuable on the exercise of the Broker's Unit Warrants and 23,333 Broker Warrants were created and reserved for issuance to be issued as fully paid and non-assessable Broker Warrants on the exercise of the Broker's Unit Warrants. These broker's warrants and underlying broker's warrants expired on March 17, 2012.

Also included under share issue costs are legal fees in the amount of $27,309 and fair value of broker warrants issued in the amount of $6,529. The fair value of the broker's warrants was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, expected volatility of 30% and expected life term of 12 months.

On November 15, 2011, the Company completed a private placement of 20,720 working capital units ("WC unit") at $1.25 per unit for gross proceeds of $25,900. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant ("WC warrant"). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of $1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at $1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units ("FT unit") at $1.50 per unit for gross proceeds of $13,500. Each FT unit consists of one flow-through share ("FT share") of the Company and one-half of a common share purchase warrant ("Warrant"). Each full Warrant entitles the holder thereof to purchase one common share of the Company at a price of $2.00 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full Warrant shall entitle the holder to purchase one common share of the Company at $1.50 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On December 30, 2011, the Company completed a private placement of 2,000 working capital units ("WC unit") at $1.25 per unit for gross proceeds of $2,500. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant ("WC warrant"). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of $1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at $1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

(b) Common share purchase options

The Company has created a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares.

As at September 30, 2012 2,200,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options #	**Weighted-average exercise price** $
Outstanding at September 30, 2010	-	-
Granted	1,400,000	1.25
Outstanding at September 30, 2011	1,400,000	1.25
Granted	800,000	1.25
Outstanding at September 30, 2012	2,200,000	1.25
Options exercisable at September 30, 2012	1,800,000	1.25

On February 17, 2011, the Company issued 1,000,000 stock options exercisable at $1.25 per share until February 17, 2016 to directors of the Company. At September 30, 2012, all of these options are exercisable.

On July 14, 2011, the Company issued 400,000 stock options exercisable at $1.25 per share until July 14, 2016 to a director of the Company. At September 30, 2012, all of these options are exercisable.

On January 23, 2012, the Company issued 400,000 stock options exercisable at $1.25 per share until January 23, 2017 to an officer of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after January 23, 2013.

On February 1, 2012, the Company issued 400,000 stock options exercisable at $1.25 per share until February 1, 2017 to adirector of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after February 1, 2013.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	40.6 months	$1.25	February 17, 2016
400,000	400,000	45.5 months	$1.25	July 14, 2016
400,000	200,000	51.8 months	$1.25	January 23, 2017
400,000	200,000	52.0 months	$1.25	February 1, 2017
2,200,000	1,800,000			

The weighted average fair value of all the options granted during the yearis $0.90(2001 - $1.43) per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate is 1.98%, expected dividend yield of nil, expected volatility of 97%-141% and expected life term is 60 months. Under this method of calculation, the Company has recorded $846,304 as stock based compensation during the year ended September 30, 2012, being the fair value of the options vested during the year ended September 30, 2012. Options that have been issued and remain outstanding vest half immediately on the date of grant and half in twelve months from the date of grant.

(c) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Companyand the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number #	$
Balance September 30, 2010and 2009	-	-
Private placement warrants issued	1,283,916	110,562
Brokers warrants issued	69,999	6,529
Balance September 30, 2011	1,353,915	117,091
Private placement warrants issued	15,860	1,302
Warrants expired	(1,353,915)	(117,091)
Balance September 30, 2012	15,860	1,302

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise priceper share	Expiry date
Warrants	4,500	1.5 months	$1.50	November 15, 2012
Warrants	10,360	1.5 months	$1.25	November 15, 2012
Warrants	1,000	3 months	$1.25	December 30, 2012
Balance, September 30,2012	15,860			

7. Contributed surplus

A summary of changes in contributed surplus is as follows:

	Amount $
Balance, September 30, 2010	-
Stock based compensation	1,000,827
Balance, September 30, 2011	1,000,827
Stock based compensation	846,304
Common shares purchase warrants expired	117,091
Balance, September 30, 2012	1,964,222

The number of common shares outstanding on September 30, 2012 was 41,616,078. Taking into account outstanding share purchase options, and warrants, the fully diluted common shares that could be outstanding on September 30, 2012 was 43,831,938.

8. Deferred income tax

The Company has incurred tax losses of approximately$852,000 (2011- $573,000) which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended September 30, if unused, as follows:

	Amount $
2028	216,800
2029	101,100
2030	135,650
2031	119,400
2032	279,500
	852,450

In addition to the above, the Company has approximately $508,141 in Canadian Development and Exploration expenditures which can be deducted from taxable income without expiry.

The components of deferred income tax assets (liabilities) at the Company's statutory rate of 15.50% (2011 - 16.50%) are as noted below:

	September 30 2012 $	September 30 2011 $
Non-capital losses	**132,132**	90,901
Mineral properties	**(733,993)**	(451,738)
Valuation allowance	**-**	-
Liability recognized in the financial statements	**(601,861)**	(360,837)

9. Related party transactions

During the year ended September 30, 2012, the Company incurred related party expenses of $94,000 (2011 – $72,000). These expenses related to management fees paid to Tom Drivas, Chief Executive Officer, Michael D'Amico, Chief Financial Officer and office administration services paid to a Company where Tom Drivas is a director and officer, of which $298,306 (2011 - $238,306) is due and payable as at September 30, 2012 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

Compensation of key management personnel and directors for years ending September 30, 2012 and 2011 is summarized as follows:

	2012	2011
Compensation fees	$ 82,000	$ 60,000
Share-based payments	846,304	1,000,828

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended September 30, 2012 and 2011.

During the year ended September 30, 2012, the Company incurred expenses of $120,732 (2011- $47,882) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At September 30, 2012 $31,571 (2011 – $ 7,376) was due and payable to this related party.

As disclosed in Note 5(a) of the financial statements, the Company's major exploration property was acquired from a related party.

10. Financial instruments and risk management

Categories of financial assets and liabilities

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss ("FVTPL"), held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale are classified into the following categories:

	September 30 2012 $	September 30 2011 $
FVTPL[(1)]	**2,360,025**	3,663,985
Loans and receivables [(2)]	**78,953**	5,248
Other financial liabilities [(3)]	**617,624**	300,051

(1) Includes cash, committed cash and short-term investments.
(2) Includes accounts receivable related to HST tax refunds.
(3) Includes accounts payable and bank overdraft.

Financial Instruments

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

(i) Cash and cash equivalents and cash and cash equivalents held for future exploration are designated as FVTPL financial assets and are recorded at market value. The interest on deposits is insignificant.
(ii) H.S.T. receivable is designated as loans and receivables and is recorded at cost.
(iii) Accounts payable is designated as other financial liabilities and is recorded at cost.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Price risk

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity

Anticipated changes in the value of uranium and rare earth elements would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

(ii) Cash flow fair value interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the financial statements are adjusted for any impairment and represent the Company’s maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company’s commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

11. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The capital of the Company consists of capital stock, warrants and contributed surplus.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and intends to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011 and 2012. The Company is not subject to externally imposed capital requirements.

12. Contingencies and commitments

As at September 30, 2012 the Company has no contingent obligations.

13. Impact of adoption of IFRS

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated October 1, 2010, the Company's "Transition Date":

- Share-based payment transactions
  To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

- Restoration, rehabilitation and environmental obligations
  The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1.

- IFRIC 4 Determining Whether an Arrangement Contains a Lease
  The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no significant leases.

IFRS 1 does not permit changes to previously made estimates. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

The following statement is a reconciliation of the opening statement of financial position as at July 1, 2010 from Canadian GAAP to IFRS:

	October 1, 2010		
	Canadian GAAP $	**Effect of transition to IFRS $**	**IFRS $**
Assets			
Current			
Cash and cash equivalents	629,712	-	**629,712**
Accounts receivable	572	-	**572**
Prepaid expenses	7,859	-	**7,859**
	638,143	-	**638,143**
Exploration and evaluation assets			
Acquisition costs	597,593	-	**597,593**
Deferred exploration expenditures	3,020,755	-	**3,020,755**
Total assets	4,256,491	-	**4,256,491**
Liabilities			
Current			
Accounts payable and accrued liabilities	219,853	-	**219,853**
Deferred income tax	398,200	-	**398,200**
Total liabilities	618,053	-	**618,053**
Shareholders' equity			
Share capital	4,916,593	(d) (82,250)	**4,834,343**
Deficit	(1,278,155)	(d) 82,250	**(1,195,905)**
Total shareholders' equity	3,638,438	-	**3,638,438**
Total liabilities and shareholders' equity	4,256,491	-	**4,256,491**

The following statement is a reconciliation of the statement of financial position as at September 30, 2011 from Canadian GAAP to IFRS:

	September 30, 2011		
	Canadian GAAP $	**Effect of transition to IFRS $**	**IFRS $**
Assets			
Current			
Cash and cash equivalents	3,663,985	-	**3,663,985**
Accounts receivable	5,248	-	**5,248**
Prepaid expenses	6,208	-	**6,208**
	3,675,441	-	**3,675,441**
Exploration and evaluation assets			
Acquisition costs	725,916	-	**725,916**
Deferred exploration expenditures	3,206,659	-	**3,206,659**
Total assets	7,608,016	-	**7,608,016**
Liabilities			
Current			
Accounts payable and accrued liabilities	300,051	-	**300,051**
Common shares subscribed, not issued	3,125	-	**3,125**
	303,176	-	**303,176**
Deferred flow-through share premium liability	-	(d)260,908	**260,908**
Deferred income tax	372,661	(d) (11,824)	**360,837**
Total liabilities	675,837	249,084	**924,921**
Shareholders' equity			
Share capital	8,152,574	(d) (355,798)	**7,796,776**
Warrants	117,091	-	**117,091**
Contributed surplus	1,000,827	-	**1,000,827**
Deficit	(2,338,313)	(d)106,714	**(2,231,599)**
Total shareholders’ equity	6,932,179	(249,084)	**6,683,095**
Total liabilities and shareholders’ equity	7,608,016	-	**7,608,016**

The Canadian GAAP statement of loss and comprehensive loss for the year ended September 30, 2011 has been reconciled to IFRS as follows:

	Year ended September 30, 2011		
	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Expenses			
Professional fees	38,590	-	**38,590**
Management fees and salaries	60,000	-	**60,000**
Office and general	23,774	-	**23,774**
Share-based payments	1,000,827	-	**1,000,827**
Loss for the year before the following	(1,123,191)	-	**(1,123,191)**
Interest income	24,509	-	**24,509**
Net loss for the period	(1,098,682)	-	**(1,098,682)**
Deferred income tax (recovery)	38,525	(d) 24,464	**62,989**
Net profit/(loss) and comprehensive profit/(loss)	(1,060,157)	24,464	**(1,035,693)**

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on September 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the year ended September 30, 2012 and the period ended September 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

d) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and deferred income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable deferred tax assets were available.

14. Subsequent events

By December 30, 2012, all outstanding warrants expired unexercised.

On December 24, 2012, the Company paid $35,000 for exploration work and earnedan additional 10% interest on one property in Saskatchewan to increase its holding to 60% in this property.

On December 21, 2012 the Company staked a uranium and rare earth property encompassing 5,306 hectares in Saskatchewan for total consideration and costs of $3,183. The Company holds 100% interest in this property in the Athabasca Basin area of Saskatchewan.

Effective December 14, 2012, the Company received a receipt from the Ontario Securities Commission for the Company`s Long Form Non-Offering Prospectus. As a result, Appia is now a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario.

APPIA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended September 30, 2012 and 2011

APPIA ENERGY CORP.

Management's Discussion and Analysis – September 30, 2012
As of January 24, 2013

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Appia Energy Corp. ("Appia" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended September 30, 2012. The MD&A was prepared as of January 24, 2013 and should be read in conjunction with the audited financial statements of the Company for the years ended September 30, 2012 and 2011, including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 to the Financial Statements.

Executive Summary

Appia Energy Corp. is a Canadian mineral exploration company in the business of the acquisition, exploration and development of mineral properties with a primary focus on uranium and rare earth elements. Currently, the Company owns a 100% interest in 31,000 acres (12,545 hectares) located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships near the town of Elliot Lake (the "Property"). The Company also holds between a 50% and a 90% interest in 10 mineral properties totalling 26,657ha in the Athabasca Basin of Saskatchewan which are prospective for uranium and rare earths.

Appia's independent consultants, Watts, Griffis and McOuat Ltd. ("WGM"), completed a NI 43-101 technical report on the Teasdale Zone (the "Technical Report") entitled, "A Technical Review of the Appia Energy Corp. Rare Earth and Uranium Property, Elliot Lake District, North-Central Ontario, Canada." dated July 18, 2011, with certificates dated November 7, 2012, written by Al Workman, P. Geo and Kurt Breede, P. Eng (collectively the "Authors") of WGM. The Technical Report has been prepared in accordance with the requirements of National Instrument 43-101- "Standards of Disclosure for Mineral Projects ("NI 43-101") and was filed at www.sedar.com on December 12, 2012. The Technical Report outlines mineral resources for two principal zones on the Elliot Lake Property – the Teasdale Zone and the Banana Lake Zone. For further particulars please refer to the heading "Exploration and Evaluation Assets – Ontario" below.

Effective December 14, 2012, the Company received a receipt from the Ontario Securities Commission for the Company's Long Form Non-Offering Prospectus ("Prospectus") dated December 12, 2012. As a result of this process, Appia is now a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario. Full particulars relating to the Company are set out in the Prospectus which is available for review at www.sedar.com.

The Company substantially performed the Phase 1 Program on the Teasdale Zone as set out in the Technical Report and completed 17 drill holes in late August, 2012. The objective of the drill program was to increase both the uranium and rare earth resources at the Teasdale Zone and advance the zone towards the completion of a revised NI 43-101 resource estimate. The results of this drill program are set out in the Prospectus at pages 8A to 8F. The Technical Report had budgeted for a 4,000 metre drill program at $1.7 million but as a result of lower drilling costs and the use of a barge rather than a helicopter to mobilize the drill, the Company completed 8,177 metres of drilling for approximately $1.3 million. It therefore had a surplus of $400,000 after completing the Phase I Program at the Teasdale Zone, which funds were otherwise allocated to Canadian exploration expenditures (“CEE”) for 2012. In order to incur the necessary CEE expenditures by December 31, 2012, the Company completed a 1,650 metre hole at Banana Lake (being the first hole from the Phase I drill program at Banana Lake) at a cost of $224,000. The drill program focused on an area northwest of the Banana Lake Zone. The Company has also commenced metallurgical test work and retained WGM to prepare a Preliminary Economic Assessment (“PEA”) on the Teasdale Zone. The PEA is nearing completion to satisfy the Company’s objective of updating the mineral resource estimate. Management believes that completion of the PEA at this time will provide the Company with substantial information to determine the next phase of exploration for the Property. The Company does not anticipate proceeding with further exploration on the Banana Lake Zone or the Teasdale Zone in accordance with the budgets set out in the Technical Report without completing a further equity financing.

The Company intends to monitor the market conditions and plans to complete a financing when the market conditions improve. In addition, it continues to be receptive to a joint venture opportunity or a strategic partner.

Exploration and evaluation assets

Ontario:

Appia holds over 31,000 acres (12,545 hectares) encompassing five mineralized zones in the Elliot Lake area of northern Ontario. The zones are called Teasdale, Banana Lake, Canuc, Bouck Lake and Buckles Lake. The Elliot Lake area has produced over 300 M lbs of U_3O_8 and is the only mining camp in Canada with significant historical commercial rare earth production.

The following disclosure concerning the Property is taken from the Technical Report.

WGM prepared Mineral Resource estimates for mineralized zones belonging to the Teasdale and Banana Lake Zones that have sufficient data to show continuity of geology and grades set out in the tables below. Please see the table entitled “NI 43-101 Compliant Uranium Mineral Resources on the Appia Property” below (the “Prior Resource Estimate”). The current Teasdale Zone Mineral Resource estimate was prepared from a polygonal model using a geological cut-off and a minimum bed thickness of 2.44 metres (8 ft.) which takes into consideration the continuity of grade within the various mineralized beds and historical mining practices. No grade cut-off or high capping was used for this estimate as the grades were themselves quite robust and the utilization of a cut-off grade would require complex economic modelling of individual metals that is not required at this time. The estimate was based on total rare earth element content (“TREE”) as the main subject of interest, however the average grade of the most abundant individual rare earth elements (“REE”) was estimated. The mineralized zone was geologically constrained by the well defined markers provided by the upper surface of the highest mineralized bed and the lower surface of the basal bed. The estimated uranium (U) REE resource is a smaller volume (tonnage) of mineralized rocks that is contained within the Prior Resource Estimate which was a U-only resource estimate.

Current Rare Earth Metals and Uranium Mineral Resource Estimate on Teasdale Zone

(La-Lanthanum; Ce-Cerium; Pr-Praseodymium; Nd-Neodymium; Sm-Samarium; Eu-Europium; Gd-Gadolinium; Tb-Terbium; Dy-Dysprosium; Ho-Holmium; Er-Erbium; Tm-Thulium; Yb-Ytterbium; Lu-Lutetium; Hf-Hafnium; Y-Yttrium)

Summary of Teasdale Zone Rare Earth Metal and Uranium Resource Estimate

Category	Tonnes ('000)	Tons ('000)	TREE (%)	U_3O_8 (lb/ton)	Average Thickness (m)	Contained TREE ('000 lbs)	Contained U_3O_8 ('000 lbs)
Indicated	3,366	3,710	0.146	0.506	9.76	10,852	1,878
Inferred	21,217	23,388	0.181	0.615	7.22	85,895	14,379

Notes:
1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m^3 (or 3.14 tons/m^3) was used.
6. Indicated amounts may not precisely sum due to rounding.

The average grades for the most abundant REEs comprising the TREE are shown in the table below.

Individual REE Resource Grade Composition Summary

Category	Light REE (lbs/ton)						**Heavy REE (lbs/ton)**									
	La	Ce	Pr	Nd	Sm	Eu	**Gd**	**Tb**	**Dy**	**Ho**	**Er**	**Tm**	**Yb**	**Lu**	**Hf**	**Y**
Ind.	**0.75**	**1.33**	**0.13**	**0.43**	**0.07**	**0.002**	0.04	0.01	0.03	0.004	0.010	0.002	0.01	0.002	0.01	0.11
Inf.	**0.93**	**1.64**	**0.16**	**0.53**	**0.09**	**0.004**	0.06	0.01	0.03	0.016	0.012	0.002	0.01	0.002	0.01	0.13

Notes:
1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m3 (or 3.14 tons/m3) was used.
6. Indicated amounts may not precisely sum due to rounding.

Banana Lake Zone Resource Estimate

WGM has prepared a NI 43-101 compliant Mineral Resource estimate for the Banana Lake deposit. The Mineral Resource estimate is based on a total of seven (7) diamond drill holes, the results of which are summarized in the table below and described in greater detail in this section. The estimate was prepared from a block model using a 0.6 lb U_3O_8/ton cut-off grade based on a uranium price of US$65/lb and a C$:US$ exchange rate of 1:0.9, and a minimum vertical thickness of 5 m to accommodate larger mining equipment. The challenge for Appia is to demonstrate that sufficient tonnage exists to justify mine development. It is clear that a Preliminary Assessment is needed to estimate the resource (tonnes and grade) threshold that the deposit should clear to be economically viable, as well as exploring mining and processing options. One consideration in determining such inputs as a cut-off grade would be whether or not the ore from this deposit could be processed in a central milling facility that would accommodate neighbouring mining operations in the Elliot Lake camp. This would significantly reduce capital and operating costs and allow for a lower cut-off.

Banana Lake Zone Mineral Resource Estimate
(using 0.6 lb U_3O_8/t cut-off)

Category	Tons ('000)	S.G. (tons/m^3)	lb U_3O_8/t	Total lbs U_3O_8 ('000)
Inferred Resources	30,315	3.14	0.912	27,638

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m3 (or 3.14 tons/m3) was used.
6. All tonnage and total lbs U_3O_8 amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

Teasdale Zone Uranium Resource Estimate

The current WGM Rare Earth Metals and Uranium Mineral Resource estimate above on the Teasdale Zone takes in both uranium and rare earth element mineralization and is based on the six holes completed by Appia. This represents a subset of the total 22 holes drilled on the deposit and used in the WGM audit referred to below. Because only these six Appia holes were assayed for rare earths, the current Rare Earth Metals and Uranium Mineral Resource estimate has been restricted to the area of influence of this data and the historical drill holes have been necessarily excluded. The estimated U-REE resource is a smaller volume (tonnage) of mineralized rocks that is contained within the Prior Resource Estimate below which was a U-only resource estimate. In the Teasdale Zone, Appia's drilling during the winter 2007-08 exploration program confirmed historical intersections which were concentrated in an area west of Teasdale Lake, with holes ranging from less than 300 m to nearly 600 m in length. Former Rio Algom Chief Geologist Doug Sprague's historical resource estimate based on this drilling was audited by WGM and confirmed as a valid expression of the amount of uranium in the

Teasdale Zone. Appia's drilling enlarged the area previously known to contain uranium resources and provided the basis for a NI 43-101 compliant Mineral Resources estimate. Using a cut-off grade of 0.60 lbs U_3O_8/ton, WGM's prior estimate showed that the Teasdale deposit (being that part of the Teasdale Zone which contains economically interesting uranium-rare earth metal mineralization and herein referred to as the "Teasdale Deposit") contained an Indicated Mineral Resource of 17.4 million tons (15.8 Mt) with an average grade of 1.10 lbs U_3O_8/ton (0.55 kg U_3O_8/t) and an Inferred Mineral Resource of 48 million tons (43.5 Mt) at the same grade. The Banana Lake Inferred Resources were estimated by Kurt Breede, who is also the co-author of the Technical Report. The two older estimates are summarized in the table below.

NI 43-101 Compliant Uranium Mineral Resources on the Appia Property
(using 0.6 lb U_3O_8/t cut-off)

Zone	Classification	Tons	S.G. (tons/m^3)	Average Grade (lb U_3O_8/ton)	Contained Uranium (lb U_3O_8)
Banana Lake	Inferred Resources	30,315,000	3.14	0.912	27,638,000
Teasdale	Indicated Resources	17,400,000	3.14	1.10	19,000,000 *
	Inferred Resources	48,000,000	3.14	1.10	52,700,000 *

* All tonnage and total lbs U_3O_8 amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m3 (or 3.14 tons/m3) was used.
6. Indicated amounts may not precisely sum due to rounding.

WGM believes that the close association between the uranium and rare earth metals supports suppositions regarding the areas of the Teasdale Zone defined by historical drilling but untested by Appia. If the U-REE resource is extrapolated in a linear sense to cover the entirety of the Teasdale Zone as previously estimated by WGM, then the total REE resources would be expected to increase substantially given that the total contained uranium outlined to date is approximately 19 Mlbs (Indicated) and 53 Mlbs (Inferred). If the REE:U ratio is sustained throughout the deposit, then the Teasdale Zone as outlined by historical and current drilling should contain between 400 to 450 Mlbs of total REEs[1] at an average grade of approximately 3 to 4 lbs/ton, most of which will be La ($93/kg), Ce ($96/kg) and Nd ($150/kg) with significant amounts of Y ($105.50/kg), Gd ($100.50/kg) and Pr ($138.50/kg). In WGM's opinion, this represents the conceptual exploration target for the Teasdale Zone that is now being explored by Appia. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. The prices for REEs at July

[1] Equivalent to the total contained uranium oxide in the 2008 WGM uranium-only resources estimate for the entire Teasdale Zone divided by the uranium oxide contained in the current resource estimate based solely on the recent Appia drilling and then multiplied by the current TREE content.

18, 2011 as set out in the Technical Report enable the REEs to add considerable value (>$100/ton) to Teasdale mineralization over and above the value of the uranium. As the Teasdale Deposit is not currently well constrained by drill hole data, and is open laterally in all directions, the expected TREE content should be greater yet, although additional drilling as recommended in the Technical Report will be required to prove or disprove this concept.

The aforementioned U-REE resources offer a different and arguably more representative approach to the resources of the Teasdale Deposit, however REE data is not available for part of this zone as explained above.

Saskatchewan Properties:

Appia holds a 90% interest in a 14,718 hectare uranium prospect located next to the Cluff Lake, Saskatchewan uranium mine and a 50% interest in three rare earth properties located in the Saskatchewan Basin.

In addition, it has staked an additional property covering 5,306 hectares to enhance its holdings in this highly prospective area. The Company intends to complete some exploration work on these properties when market conditions improve and after the completion of a financing.

Selected Annual Information

	2012 $	2011 $	2010 $
Net income/(loss)	(1,169,422)	(1,035,693)	(116,724)
Net loss per share – basic and diluted	(0.03)	(0.03)	(0.00)
Total assets	7,701,563	7,608,016	4,256,491

Results of Operations

Total operating expenses for the year ended September 30, 2012 were $1,152,021 compared to $1,123,191 in 2011. The major contributions to the year over year change are the increases in professional fees and management fees and salaries with the addition of a Chief Financial Officer.

Interest income was $42,917 for the year ended September 30, 2012, compared to $24,509 for 2011. The increase is due to holding the cash balances for a longer period than the prior year.

The Company's net loss and comprehensive loss for the year ended September 30, 2012 was $1,169,422 or $0.03 ($1,035,693 or $0.03 loss per share for the year ended September 30, 2011).

Fourth Quarter

The Company's net loss and comprehensive loss for the three months ended September 30, 2012 was $108,100 compared to a net loss of $278,305 in the prior year. The positive change in the fourth quarter of 2012 was due to the decrease in share-based payments to $100,976 in 2012 (2011 - $327,193).

Selected Quarterly Information (all quarters reported under IFRS)

2011/2012	Sept 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
	$	$	$	$
Net (loss) and comprehensive (loss)	(108,100)	(276,213)	(605,361)	(179,747)
Net loss per share – basic and diluted	(0.00)	(0.01)	(0.01)	(0.00)
Total assets	7,701,563	7,529,730	7,545,874	7,627,1526

2010/2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010
	$	$	$	$
Net profit/(loss) and comprehensive profit/(loss)	(278,305)	(119,415)	(609,793)	(28,180)
Net loss per share – basic and diluted	(0.01)	(0.00)	(0.01)	(0.00)
Total assets	7,608,016	7,622,843	7,668,851	4,559,197

Capital Resources and Liquidity

At September 30, 2012, the Company had working capital of $ 1,840,362 compared to $3,372,265 as at September 30, 2011. As the Company has no operating revenue, it continues to be funded with equity based private placements. At September 30, 2012, the Company had obligations to spend through 2012 $601,458 in eligible flow-through expenditures. The Company's exploration of its properties, which includes drilling and other evaluation programs, is dependent on raising sufficient capital resources. The Company's fixed monthly costs are approximately $15,000; it has enough financial resources to continue operation through to the end of the current fiscal year. The funds generated from flow-through financings enable the Company to pursue its planned exploration activities. Additional funding will be required to maintain ongoing operations and to fully pursue the exploration and development of its properties. The Company's ability to meet its obligations and continue as a going concern continues to be dependent on the ability to identify and complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

Common Share Data

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares:

	Number	***Amount***
	#	$
Balance, September 30, 2010 and 2009	39,016,525	4,834,343
Flow-through common shares issued, net	1,385,833	1,779,232
Common shares issued	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Share issue costs	-	(183,737)
Balance, September 30, 2011	41,584,358	7,796,776
Flow-through common shares issued, net	9,000	11,250
Common shares issued November 15, 2011	20,720	25,900
Common shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,302)
Balance, September 30, 2012	41,616,078	7,835,123

During the 2011 fiscal year the Company entered into private placement agreements to raise funds for exploration and working capital by way of a private placement of 1,182,000 working capital units of the Company at $1.25 per unit (“WC unit”) for gross proceeds of $1,477,500 and 1,385,833 flow-through units of the Company at $1.50 per flow-through unit (“FT unit”) for gross proceeds of $2,078,750. Each WC unit consisted of one common share and one-half common share purchase warrant (“WC Warrant”). These warrants expired on March 17, 2012.

Finder fees were paid on the flow-through private placements by payment of cash commissions of $162,884 and by the issuance of 46,666 broker compensation warrants (“Broker’s Unit Warrant”). Each Broker Unit Warrant entitles the holder to acquire a unit of the Company at exercise price of $1.50 per unit for 12 months from the closing date. Each broker unit consists of one common share (“Broker Common Share”) and one-half common share purchase warrant (“Broker Warrant”). 46,666 common shares was reserved for the Broker Common Shares issuable on the exercise of the Broker’s Unit Warrants and 23,333 Broker Warrants were created and reserved for issuance to be issued as fully paid and non-assessable Broker Warrants on the exercise of the Broker’s Unit Warrants. These broker’s warrants and underlying broker’s warrants expired on March 17, 2012.

Also included under share issue costs are legal fees in the amount of $27,309 and fair value of broker warrants issued in the amount of $6,529. The fair value of the broker’s warrants was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, expected volatility of 30% and expected life term of 12 months.

On November 15, 2011, the Company completed a private placement of 20,720 working capital units (“WC unit”) at $1.25 per unit for gross proceeds of $25,900. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant (“WC warrant”). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of $1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at $1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units (“FT unit”) at $1.50 per unit for gross proceeds of $13,500. Each FT unit consists of one flow-through share (“FT share”) of the Company and one-half of a common share purchase warrant (“Warrant”). Each full Warrant entitles the holder thereof to purchase one common share of the Company at a price of $2.00 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full Warrant shall entitle the holder to purchase one common share of the Company at $1.50 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On December 30, 2011, the Company completed a private placement of 2,000 working capital units (“WC unit”) at $1.25 per unit for gross proceeds of $2,500. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant (“WC warrant”). Each full WC warrant entitles the holder thereof to purchase one common share of the Company at a price of $1.75 per common share for twelve months following the Closing Date; and if the Company is not a reporting issuer in the Province of Ontario within six months following the Closing Date, each full WC warrant shall entitle the holder to purchase one common share of the Company at $1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

Common share purchase stock options

The Company has created a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at September 30, 2012 2,200,000 common shares were reserved for the exercise of stock options granted under the Company’s stock option plan (the “Plan”).

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options	**Weighted-average exercise price**
	#	$
Outstanding at September 30, 2010	-	-
Granted during the year	1,400,000	1.25
Outstanding at September 30, 2011	1,400,000	1.25
Granted during the year	800,000	1.25
Outstanding at September 30, 2012	2,200,000	1.25
Options exercisable at September 30, 2012	1,800,000	1.25

At January 24, 2013 the Company has stock options outstanding as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	40.6 months	$1.25	February 17, 2016
400,000	400,000	45.5 months	$1.25	July 14, 2016
400,000	200,000	51.8 months	$1.25	January 23, 2017
400,000	200,000	52.0 months	$1.25	February 1, 2017
2,200,000	1,800,000			

Outstanding common share purchase warrants

The following table provides the details of changes and the number of outstanding common share purchase warrants:

	Number	
	#	$
Balance September 30, 2010 and 2009	-	-
Private placement warrants issued	1,283,916	110,562
Brokers warrants issued	69,999	6,529
Balance September 30, 2011	1,353,915	117,091
Private placement warrants issued	15,860	1,302
Warrants expired	(1,353,915)	(117,091)
Balance September 30, 2012	15,860	1,302

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	4,500	1.5 months	$1.50	November 15, 2012
Warrants	10,360	1.5 months	$1.25	November 15, 2012
Warrants	1,000	3 months	$1.25	December 30, 2012
Balance, September 30, 2012	15,860			

As at September 30, 2012, the Company had 41,616,078 common shares, 2,200,000 stock options and 15,860 share purchase warrants outstanding. The fully diluted number of common shares that could be outstanding as at September 30, 2012 is 43,831,938.

As at January 24, 2013, the Company had 41,616,078 common shares and 2,200,000 stock options outstanding. The fully diluted number of common shares that could be outstanding as at January 24, 2013 is 43,816,078.

Related Party Transactions

During the year ended September 30, 2012, the Company incurred related party expenses of $94,000 (2011 – $72,000). These expenses related to management fees paid to Tom Drivas, Chief Executive Officer, Michael D'Amico, Chief Financial Officer and office administration services paid to a Company where Tom Drivas is a director and officer, of which $298,306 (2011 - $238,306) is due and payable as at September 30, 2012 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

Compensation of key management personnel and directors for years ending September 30, 2012 and 2011 is summarized as follows:

	2012	2011
Compensation fees	$ 82,000	$ 60,000
Share-based payments	846,304	1,000,828

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended September 30, 2012 and 2011.

During the year ended September 30, 2012, the Company incurred expenses of $120,732 (2011- $47,882) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At September 30, 2012 $31,571 (2011 – $ 7,376) was due and payable to this related party.

As disclosed in Note 5(a) of the financial statements, the Company's major exploration property was acquired from a related party.

Subsequent events

By December 30, 2012, all outstanding warrants expired unexercised.

On December 24, 2012, the Company paid $35,000 for exploration work and earned an additional 10% interest on one property in Saskatchewan to increase its holding to 60% in this property.

On December 21, 2012 the Company staked a uranium and rare earth property encompassing 5,306 hectares in Saskatchewan for total consideration and costs of $3,183. The Company holds 100% interest in this property in the Athabasca Basin area of Saskatchewan.

Effective December 14, 2012, the Company received a receipt from the Ontario Securities Commission for the Company`s Long Form Non-Offering Prospectus. As a result, Appia is now a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario.

Carrying value of mining and exploration properties

The Company regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for uranium and rare earth elements, production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that as at September 30, 2012, there is no impairment of carrying value on its Ontario and Saskatchewan properties.

International Financial Reporting Standards

The financial statements of the Company and related Management discussion and Analysis for the current period have been prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual financial statements for the year ended September 30, 2012.

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated October 1, 2010, the Company's "Transition Date":

- Share-based payment transactions
  To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

- Restoration, rehabilitation and environmental obligations
  The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1.

- IFRIC 4 Determining Whether an Arrangement Contains a Lease
  The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no significant leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on September 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the year ended September 30, 2012 and the twelve months ended September 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences.

b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

The conversion to IFRS had no effect on the statement of cash flows for any of the periods on which we are reporting.

Flow-Through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-though feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and deferred income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable deferred tax assets were available.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet dates, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company’s financial instruments recognized in the balance sheet consist of cash, and cash equivalents, HST/GST receivable and current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

Risk Factors

There are a number of risks that could affect Appia`s business prospects. They include the speculative nature and the ability to finance the exploration and development of the Company’s mineral properties, operating hazards, environmental and other government regulations, competition in the marketplace, markets for the Company’s securities and the demand for gold and base metals. In the future, the Company’s viability will depend on the successful definition of recoverable and economic resources and the establishment of positive comprehensive feasibility studies leading to production decisions. After completion of positive feasibility studies, the Company’s success is dependent on maintaining the title and beneficial interest in the properties, obtaining the necessary governmental approvals and the successful financing, construction and operation of a facility to profitably extract the contained metals.

Exploration Risk

Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company’s future exploration and development activities will result in the definition of a commercial ore body. The viability of an ore body depends on a number of factors which include, but are not limited to, location, size, grade, geometry of ore body, availability of experienced labourers, proximity to existing infrastructure, metal prices and government regulations, including environmental restrictions.

Financial Capability and Additional Financing

The Company has working capital of approximately $1.1 million at January 24, 2013, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past, in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to continue as a going concern.

Fluctuating Prices

The prices of uranium and rare earth elements have fluctuated widely in recent years and are affected by factors beyond the control of the Company. International economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company’s exploration projects that are impossible to predict with certainty.

Environment

Both the exploration and production phases of the Company’s operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company’s operations.

Cash Flow

The Company’s properties are all in an early stage of exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration with the possible loss of such properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The

Company will require new capital to continue to operate its business and to continue exploration on its various properties, and there is no assurance that capital will be available when needed, if at all.

Title Matters

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims, and title may be affected by undetected defects. There is no guarantee that title to the Company's properties or its rights to earn an interest in its properties will not be challenged or impugned. Also, in many countries, including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

Uncertainty in the Estimation of Mineral Resources

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral resources could be mined or processed profitably. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

The Company and WGM have carefully prepared and verified the mineral resource figures and believe the methods of estimating mineral resources have been verified by mining experience. All mineral resource estimates have been prepared in accordance with National Instrument 43-101 ("NI 43-101") and the Canadian Institute of Mining and Metallurgy ("CIM") Classification System. However, such figures are estimates, and no assurance can be given that the indicated level of mineral will be produced. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Fluctuations in the prices of rare earth elements and uranium may render mineral resources containing lower grades of mineralization uneconomic. Market price fluctuations of rare earth elements and uranium may render the present mineral resources unprofitable for periods of time.

Fluctuation in rare earth elements and uranium prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources, or of the Company's ability to extract these mineral resources, could have a material adverse effect on the Company's operations and financial condition.

Land access

As of April 1, 2013, under the recently modified Mining Act, the Company is required to obtain permits to conduct exploration and evaluation activities on its Ontario properties. In management's view there is uncertainty concerning the First Nation's ability to comply with the legislation on a timely basis, and there is a risk of permitting delays. The impact of any delays on the Company's operations is unknown.

Outlook

Appia intends to advance the development of its extensive Elliot Lake rare earth and uranium resource by:

- Reviewing the results of the current drilling and exploration program at the Teasdale Zone with the objective of increasing the rare earth resource and to work toward the completion of an updated NI 43-101 resource calculation
- Completing a Preliminary Economic Assessment of the various mining and milling options for the Teasdale Zone

Appia intends to monitor market conditions and complete a financing to be used to advance the exploration activities on its Elliot Lake and Saskatchewan properties, including:

- Drilling at Banana Lake Zone with the objective of converting the substantial historical resources to NI 43-101 compliant standards and increasing the existing NI 43-101 resources
- Drill a large, untested, potentially higher grade area northwest of Banana Lake Zone.
- Drill other zones to explore in order to expand the potential mineralization.
- Reviewing all options for the development and advancement of the Teasdale Zone.
- Initiating exploration of the Saskatchewan properties.
- Considering joint venture opportunities and possible strategic partners

Special Note Regarding Forward-Looking Statements

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized above under the heading “Risk Factors”. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Additional Information

(1) Additional information may be found on the Company’s website at www.appiaenergy.ca.

(2) The technical information included in this MD&A has been reviewed and approved by Al Workman, P.Geo. Senior Geologist, Watts, Griffis and McOuat Ltd., a Qualified Person in accordance with the Canadian regulatory requirements as set out in NI 43-101.