Consolidated Financial Statements

December 31, 2012

3MV ENERGY

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is composed of Directors who are neither management nor employees of the Company. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial information to the Board of Directors. The Audit Committee fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

KPMG LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them. The external auditors have full and free access to the Audit Committee and management to discuss their audit findings.

April 26, 2013

(Signed) "Curtis Schoenfeld"
President and Chief Executive Officer

(Signed) "William (Billy) Abbey"
Vice President, Finance and Chief Financial Officer

KPMG LLP
Chartered Accountants
2700 205 – 5th Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Telefax (403) 691-8008
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of 3MV Energy Corp.

We have audited the accompanying consolidated financial statements of 3MV Energy Corp., which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011, and April 30, 2011, the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the year ended December 31, 2012, the eight month period ended December 31, 2011, and the year ended April 30, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of 3MV Energy Corp. as at December 31, 2012, December 31, 2011, and April 30, 2011, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2012, the eight month period ended December 31, 2011, and the year ended April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes that 3MV Energy Corp. incurred a net loss of $4.7 million during the year ended December 31, 2012 and, as of that date, 3MV Energy Corp. had a working capital deficiency of $4.7 million. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about 3MV Energy Corp's ability to continue as a going concern.

KPMG LLP

Chartered Accountants
April 26, 2013
Calgary, Canada

Consolidated Statements of Financial Position

Canadian Dollars	Note	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
ASSETS				
Current assets				
Cash and cash equivalents	7	**781,877**	15,021	60,488
Accounts receivable	8	**265,424**	1,217,666	1,724,639
Inventory		**-**	-	28,339
Prepaid expenses and deposits		**194,887**	37,406	37,755
		1,242,188	1,270,093	1,851,221
Non-current assets				
Property and equipment	9	**16,756,652**	11,742,149	12,107,272
Exploration and evaluation assets	10	**870,394**	314,780	-
		17,627,046	12,056,929	12,107,272
Total Assets		**18,869,234**	13,327,022	13,958,493
LIABILITIES				
Current liabilities				
Bank indebtedness		**-**	104,004	582,641
Accounts payable and accruals	12	**5,441,724**	5,691,567	1,636,949
Operating loans	13	**500,000**	1,530,000	2,720,000
		5,941,724	7,325,571	4,939,590
Non-current liabilities				
Long term liability		**489,278**	-	-
Convertible debenture	14	**938,805**	-	-
Flow through premium liability		**2,997**	112,122	-
Deferred tax liability		**-**	-	1,120,768
Decommissioning liabilities	15	**1,984,488**	1,743,075	1,102,629
		3,415,568	1,855,197	2,223,397
SHAREHOLDERS' EQUITY				
Share capital	17	**27,540,619**	18,551,791	7,824,799
Equity component of convertible	14	**36,108**	-	-
Contributed surplus		**1,111,087**	400,007	-
Warrants	17	**475,094**	168,208	-
Deficit		**(19,650,966)**	(14,973,752)	(1,029,293)
		9,511,942	4,146,254	6,795,506
Total Liabilities and Shareholders' Equity		**18,869,234**	13,327,022	13,958,493
Going Concern	2			
Commitments	22			
Subsequent Events	26			

Approved on behalf of the Board of Directors

(Signed) "James P. Boyle" *(Signed) "Donald Fairholm"*

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

Consolidated Statements of Comprehensive Income (Loss)

Canadian dollars	Note	Twelve months ended December 31, 2012 $	Eight months ended December 31, 2011 $	Twelve months ended April 30, 2011 $
Oil and natural gas revenues		**3,974,250**	3,686,742	4,105,732
Royalties		**(481,962)**	(499,122)	(457,670)
Total revenue		**3,492,288**	3,187,620	3,648,062
Production and operating		**1,733,158**	1,324,716	1,133,262
General and administrative	19	**3,472,362**	2,298,168	1,065,612
Depletion and depreciation	9	**1,760,959**	1,722,388	1,213,366
Impairment loss (reversal)	11	**(1,045,976)**	14,116,814	-
Transaction and share listing	6	**1,745,020**	-	-
Loss on disposal of properties		**80,337**	-	-
Gain on asset swap		**-**	492,087	-
Income (loss) from operations		**(4,253,572)**	(15,782,379)	235,822
Finance costs		**(540,451)**	(170,683)	(64,598)
Income (loss) before income tax		**(4,794,023)**	(15,953,062)	171,224
Current income tax (expense)		**(8,000)**	(19,042)	(2,516)
Deferred income tax (expense) recovery	16	**124,809**	2,027,645	(49,620)
Total income tax (expense) recovery		**116,809**	2,008,603	(52,136)
Total comprehensive income (loss)		**(4,677,214)**	(13,944,459)	119,088
Loss per share				
Basic and diluted	24	**(0.26)**	(29.72)	0.41

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

Consolidated Statements of Changes in Shareholders' Equity

Canadian dollars	Note	Number of shares outstanding #	Share capital $	Warrants $	Equity component of convertible debenture $	Contributed Surplus $	Deficit $	Total Shareholders' equity $
As at May 1, 2010[1]		1,042,000	7,599,789	22,510	-	-	(1,148,381)	6,473,918
Shares issued		164,124	202,500	-	-	-	-	202,500
Total comprehensive income for the period		-	-	-	-	-	119,088	119,088
Expiration of warrants		-	22,510	(22,510)	-	-	-	-
As at April 30, 2011[2]		**1,206,124**	**7,824,799**	**-**	**-**	**-**	**(1,029,293)**	**6,795,506**
Shares exchanged on reverse takeover		(1,206,124)	-	-	-	-	-	-
Existing shares of Seawall		929,430	-	-	-	-	-	-
Shares issued to shareholders of 3M Ventures Inc. upon reverse takeover		3,662,255	4,173,002	-	-	-	-	4,173,002
Shares issued on November 9, 2011		1,962,235	6,904,936					6,904,936
Flow through share premium			(182,738)					(182,738)
Fair value of warrants issued			(168,208)	168,208	-			-
Share based payment						400,007		400,007
Total comprehensive loss for the period		-	-	-	-	-	(13,944,459)	(13,944,459)
As at December 31, 2011[3]		**6,553,920**	**18,551,791**	**168,208**	**-**	**400,007**	**(14,973,752)**	**4,146,254**
Shares exchanged on reverse takeover		(6,553,920)	-	-	-	-	-	-
Existing shares of Noravena Capital	6	6,500,010	-	-	-	-	-	-
Shares issued to shareholders of 3MV Energy Inc. upon reverse takeover		132,848,050	1,619,324	-	-	-	-	1,619,324
Shares issued to Agents of Noravena upon reverse takeover	6	540,540	100,000	-	-	-	-	100,000
Ten for one share consolidation		(125,899,740)	-	-	-	-	-	-
Shares issued on October 19, 2012		20,000,000	4,747,278	200,000	-	-	-	4,947,278
Non-brokered private placements		1,940,000	427,411	19,400	-	-	-	446,811
Flow through share premium		-	(2,997)	-	-	-	-	(2,997)
Shares issued for debt outstanding		5,910,209	1,382,137	51,486	-		-	1,433,623
Shares issued to shareholders of 1696074 Alberta Ltd. December 19, 2012	25	3,600,100	715,675	36,000	-	-	-	751,675
Equity component of convertible debenture issued November 19, 2012		-	-	-	36,108	-	-	36,108
Share based payment	18	-	-	-	-	711,080	-	711,080
Total comprehensive loss for the period		-	-	-	-	-	(4,677,214)	(4,677,214)
As at December 31, 2012[3]		**45,439,169**	**27,540,619**	**475,094**	**36,108**	**1,111,087**	**(19,650,966)**	**9,511,942**

(1) At May 1, 2010 3M Ventures had 511,000 class A common shares and 531,000 class B preferred shares.
(2) At April 30, 2011 3M Ventures had 593,062 class A common shares and 613,062 class B preferred shares.
(3) At December 31, 2011 and 2012, there were no preferred shares outstanding.

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

Consolidated Statements of Cash Flows

Canadian dollars	Note	Twelve months ended December 31, 2012 $	Eight months ended December 31, 2011 $	Twelve months ended April 30, 2011 $
Cash provided by (used for) the following activities				
Operating activities				
Income (loss) for the period		**(4,677,214)**	(13,944,459)	119,088
Add (deduct):				
Depletion and depreciation	9	**1,760,959**	1,722,388	1,213,366
Accretion on decommissioning liabilities		**42,165**	28,030	26,647
Accretion on convertible debenture		**3,008**	-	-
Share listing expense	6	**1,544,152**	-	-
Loss on disposal of properties		**80,337**	-	-
Share-based payments	18	**711,080**	400,007	-
Impairment loss (reversal)	11	**(1,045,976)**	14,116,814	-
Gain on asset swap		**-**	(492,087)	-
Deferred tax expense (recovery)		**(124,809)**	(2,027,645)	49,620
Change in non-cash working capital	23	**1,436,931**	1,211,694	(152,606)
Cash from operating activities		**(269,367)**	1,014,742	1,256,115
Investing activities				
Purchase of property and equipment		**(4,685,300)**	(8,928,527)	(6,876,694)
Purchase of exploration and evaluation assets		**(677,819)**	(314,780)	-
Acquisition of Noravena	6	**139,721**		-
Acquisition of Seawall		**-**	934,373	-
Acquisition of 1696704 Alberta Ltd.	25	**4,987**	-	-
Proceeds from disposition of properties		**190,000**	-	-
Change in non-cash working capital	23	**819,956**	3,012,426	403,212
Cash used in investing activities		**(4,208,455)**	(5,296,508)	(6,473,482)
Financing activities				
Proceeds from (repayment of) operating loans		**(1,030,000)**	(2,190,000)	2,720,000
Issuance of common shares		**5,394,089**	6,904,936	582,641
Change in bank indebtedness		**(104,004)**	(478,637)	202,500
Proceeds from issuance of convertible debenture, net of issue costs		**984,592**	-	-
Cash from financing activities		**5,244,677**	4,236,299	3,505,141
Increase (decrease) in cash and cash equivalents		**766,856**	(45,467)	(1,712,226)
Cash and cash equivalents, beginning of period		**15,021**	60,488	1,772,714
Cash and cash equivalents, end of period		**781,877**	15,021	60,488

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

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

1. Reporting entity

3MV Energy Corp. (the "Corporation") is formed through a series of transactions outlined below. The address of the registered office is #250, 305-10 Ave SE Calgary, Alberta T2G 0W2.

Seawall Energy Management Corp., ("Seawall") was incorporated under the Business Corporations Act (Alberta) on March 4, 2010. Seawall was extra–provincially registered in British Columbia on March 29, 2010 under the assumed name "Seawall Oil & Gas Corporation" and extra-provincially registered in Saskatchewan on March 31, 2010. Seawall is based in Calgary and engaged in the exploration, development, production and acquisition of petroleum and natural gas reserves in Western Canada. On September 1, 2011 Seawall changed its legal name to 3MV Energy Inc. ("3MV Inc.").

3 Martini Ventures Inc. ("3M Ventures") was incorporated under the Business Corporations Act (Alberta) on March 31, 2008. 3M Ventures is also extra–provincially registered in the province of Saskatchewan. 3M Ventures owns and operates oil and gas properties in Saskatchewan. 3M Ventures has a wholly owned subsidiary, Buckhorn Resources Ltd.

On June 30, 2011 Seawall and 3M Ventures completed an Arrangement Agreement (the "Arrangement") in which each 3M Ventures share was transferred to Seawall, and each holder thereof were entitled to receive from Seawall the consideration comprised of such number of Seawall shares as determined in accordance with the Exchange Ratio. The Exchange Ratio was 3.63 Seawall Shares for each 3M Ventures Class A Share and 1.815 Seawall Shares for each 3M Ventures Class B Share through which the 3M Ventures shareholders acquired a majority share of Seawall. For accounting purposes, 3M Ventures is considered the acquirer and Seawall the acquiree. In accordance with IFRS 3, the consolidated financial statements comparative periods as at and for the twelve months ended April 30, 2011 are in the name of 3MV Energy Corp., however are a continuation of the consolidated financial statements of 3M Ventures Inc., the accounting acquirer.

On January 29, 2012 3MV Inc. and Noravena Capital Corporation ("Noravena"), a capital pool company completed an Amalgamation Agreement (the "Amalgamation") in which each 3MV Inc. share was acquired by Noravena, and each holder thereof was entitled to receive from Noravena the consideration comprised of such number of Noravena shares as determined in accordance with the exchange ratio as agreed upon by both Noravena and 3MV Inc. ("The Noravena Ratio"). The Noravena Ratio was 20.27 Noravena shares for each 3MV Inc. share through which the 3MV Inc. shareholders acquired a majority share of Noravena. Immediately following the transaction was a ten for one share consolidation resulting in the final share exchange ratio of 2.027. The consolidated financial statements are in the name of 3MV Energy Corp. ("3MV") (formerly Noravena), and are a continuation of the consolidated financial statements of 3MV Inc. Additional information on the Arrangement is available in note 6.

1. Reporting entity (continued)

The financial year end of the Corporation was changed from April 30 to December 31. Accordingly, the comparative figures for the consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and the related notes to the financial statements are for the eight month period ended December 31, 2011 and twelve month period ended April 30, 2011.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2013.

Going concern

For the twelve months ended December 31, 2012, the Corporation reported a net loss of $4.7 million and has a working capital deficiency of $4.7 million at December 31, 2012. Violations of lenders financial covenants during the year resulted in repayment and cancellation of these lending facilities. The Corporation continues its efforts to raise equity and diminish accounts payable. These conditions create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Additional equity and/or debt arrangements are needed to meet the Corporation's business objectives. There are no guarantees that such additional capital funding will be available when needed.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business and does not reflect adjustments that would otherwise be necessary if the going concern assumption was not valid. Management believes that the going concern assumption is appropriate for these financial statements. If this assumption were not appropriate, adjustments to the carrying amounts of assets and liabilities, and expenses and the statement of financial position classifications used may be necessary.

Basis of measurement

These consolidated financial statements are prepared on the historical cost basis.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

2. Basis of preparation (continued)

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgments are significant to the financial statements are disclosed in further in note 4.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's and its subsidiaries' functional currency.

3. Summary of significant accounting policies and disclosures

Accounting policies and disclosures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control is achieved where the entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Substantially all of the Corporation's petroleum and natural gas exploration and production activities are conducted jointly with others and involve jointly controlled assets accordingly, these consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

3. Summary of significant accounting policies and disclosures (continued)

Revenue recognition

Revenues associated with the sale of crude oil and natural gas is recognized based on volumes delivered at contractual delivery points when title passes to the customer. Oil sales are recognized when the oil is delivered to customer. Gas sales are recognized when the gas is delivered to customer gas lines. Sales revenue is recorded at the gross amount before transportation and marketing charges. Revenues from crude oil and natural gas production from properties from which the Corporation has an interest with other producers is recognized on the basis of the Corporation's net working interest.

Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of petroleum products is calculated as the average production costs per barrel, multiplied by the number of barrels in inventory. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Flow through shares

The amount initially recorded in share capital is limited to the value that would have been received for shares issued on a non-flow-through basis, and the difference between the actual proceeds and the amount recorded in share capital is set up as a deferred premium on flow-through shares. When the expenditures are incurred, the related deferred premium on flow-through shares is reversed and the related tax effect is recorded to the deferred income tax liability.

Non-derivative financial Instruments

Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, the Corporation's financial instruments have been classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or that are designated as such by management. Such assets are held for trading if it is acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of comprehensive income. Transaction costs are expensed. Assets in this category include cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

3. Summary of significant accounting policies and disclosures (continued)

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include accounts receivable.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include bank indebtedness, accounts payable and accruals and bank operating loans.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, less of direct issue costs, net of any tax effects.

Exploration and evaluation expenditures

General exploration and evaluation ("E&E") expenditures incurred prior to acquiring the legal right to explore are charged to the consolidated statement of comprehensive loss as incurred.

E&E expenditures incurred subsequent to acquisition of the legal right to explore, including license and property acquisition costs, geological and geophysical expenditures, costs of drilling exploratory wells and directly attributable overhead including salaries and employee benefits, are initially capitalized as E&E assets. E&E assets are not depleted and are moved into property and equipment when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management. Upon transfer to property and equipment, E&E assets are assessed for impairment in addition to regular impairment reviews to ensure they are not carried at amounts above their estimated recoverable values.

E&E assets are assessed for impairment at the cash-generating unit level when there are indicators of impairment. The Corporation considers the following to be indicators of impairment:

a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and,
d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. Summary of significant accounting policies and disclosures (continued)

Property and equipment

Property and equipment include petroleum and natural gas assets, computer equipment and leasehold improvements.

Petroleum and natural gas assets

Expenditures on developed petroleum and natural gas assets such as drilling of development wells, tangible costs of facilities and infrastructure construction are capitalized to oil and gas assets when it is probable that a future economic benefit will flow to the Corporation as a result of the expenditure and the cost can be reliably measured. Such costs include property acquisitions, drilling and completion costs, gathering and processing infrastructure, capitalized decommissioning obligations, directly attributable internal costs and major overhaul and turnaround activities that maintain property, plant and equipment. Repairs and maintenance and operation costs that do not extend or enhance the recoverable reserves are charged to profit and loss when incurred.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning liabilities associated with the asset and finance charges on qualifying assets.

Depletion

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Petroleum and natural gas assets are depleted using the unit-of-production method over their reserve life based on proved plus probable reserve volumes at each area level. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis. Natural gas reserves are converted to barrels of oil equivalent based on relative energy content (6:1).

Disposals

Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in the consolidated statement of comprehensive loss in the period of de-recognition.

Computer equipment and leasehold improvements

Computer equipment and leasehold improvements are carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value on a straight-line basis over the estimated useful economic lives of 3 years.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

3. Summary of significant accounting policies and disclosures (continued)

Office furniture and fixtures

Office furniture and fixtures are carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value on a straight-line basis over the estimated useful lives of 5 years.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the financial assets are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive loss. When an accounts receivable is uncollectible, it is written off against the allowance account for accounts receivables.

Non-financial assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. CGU's are the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

3. Summary of significant accounting policies and disclosures (continued)

Impairment

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

Please refer to previous page for impairment treatment of E&E expenditures.

Share-based compensation

The Corporation operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Corporation.

The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is separately determined and recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Corporation incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates. The ultimate expense recognized is adjusted to reflect the actual number of awards that vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Decommissioning liabilities

The Corporation provides for the costs of decommissioning associated with long-lived assets, including the abandonment of crude oil and natural gas wells, removal of equipment from leased acreage and returning such land in a condition as it is contractually obligated. The best estimate of each asset retirement liability is recorded in the period a well or related asset is drilled and evaluated, constructed or acquired. The decommissioning liabilities is measured in the consolidated statement of financial position at the fair value of the expenditures expected to be required to settle the obligation using a risk free rate that reflects current market assessments of the time value of money and the risks specific to the obligation. A corresponding amount is capitalized as part of tangible non-financial assets.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

3. Summary of significant accounting policies and disclosures (continued)

Any further adjustment arising from a reassessment of estimated cost of the asset retirement liabilities also has a corresponding amount capitalized, whilst the charge arising from the accretion of the discount applied to the retirement liabilities is treated as a component of finance costs in the consolidated statement of comprehensive loss.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

Current Income taxes

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and,
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

3. Summary of significant accounting policies and disclosures (continued)

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Finance costs

Finance costs comprise interest expense on borrowings, accretion of provisions and any impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of comprehensive loss using the effective interest method. Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the asset, or where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowings.

Earnings per share (“EPS”)

Basic EPS is calculated by dividing profit or loss attributable to owners of the Corporation (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options, warrants and other potential dilutive shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS. All options and warrants are considered anti-dilutive when the Corporation is in a loss position.

4. Critical judgments and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

4. Critical judgments and accounting estimates (continued)

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Critical Judgments:

Identification of cash generating units

Cash generating units are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Critical Estimates:

Share-based payment transaction

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Decommissioning liabilities

Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free interest rate.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Assessment of commercial reserves

Management is required to assess the level of the Corporation's commercial reserves together with the future expenditures to access those reserves, which are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against producing and developed, and the determination of the deferred tax liability. By their nature, these estimates of discovered and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty. The Corporation employs an independent reserves specialist who periodically assesses the Corporation's level of commercial reserves in compliance with NI51-101 by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Corporation's assets. Significant judgment is involved when determining whether there have been any significant changes in the Corporation's crude oil and natural gas reserves.

4. Critical judgments and accounting estimates (continued)

Recoverable amounts of CGUs.

The recoverable amount of a CGU used in the assessment of impairment is the greater of its value in use ("VIU") and its fair value less costs to sell ("FVLCTS").

VIU is determined by estimating the present value of the future net cash flows from the continued use of the CGU, and is subject to the risks associated with estimating the value of reserves. FVLCTS refers to the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

At December 31, 2012 the recoverable amounts of the Corporation's CGUs were based on their estimated FVLCTS. The key assumptions and estimates of the value of oil and gas reserves and the existing and potential markets for the Corporation's oil and gas assets are valid at the time of reserves estimation and market assessment and are subject to change as new information becomes available. Changes in international and regional factors including supply and demand of commodities, inventory levels, drilling activity, currency exchange rates, weather, geopolitical and general economic environment factors may result in significant changes to the estimated recoverable amounts of CGUs.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

5. Recent accounting pronouncements

Standards that are issued but not yet effective and that the Corporation reasonably expects to be applicable at a future date are listed below:

a) IFRS 9, 'Financial Instruments' as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition.

b) IFRS 10, 'Consolidated Financial Statements' requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013.

c) IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 1, 2013.

d) IFRS 13, 'Fair Value Measurement' IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosure about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement, except in specified circumstances. The standard is effective for annual periods beginning on or after January 1, 2013.

e) 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. This standard is effective for annual period beginning on or after January 1, 2013.

The Corporation is still determining what the impact of the above standards will have on its financial statements.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

6. Reverse takeover

On January 29, 2012, the Corporation closed the amalgamation between 3MV Inc. and Noravena. All of the issued and outstanding shares of 3MV Inc. were acquired on the basis of 20.27 pre-consolidation common shares of Noravena for each one common share of 3MV Inc. Following the transaction was a ten for one share consolidation resulting in the final share exchange ratio of 2.027. Noravena has changed its name to "3MV Energy Corp." and consolidated its common shares on the basis of one post consolidation common share for each ten pre-consolidation common shares. Following the amalgamation, 3MV Energy Corp. resumed trading on the TSX Venture under the trading symbol TMV.

The following summarizes the reverse takeover acquisition of Noravena by 3MV Inc. and the assets acquired and liabilities assumed:

Net assets acquired:	$
Cash	139,721
Accounts receivable	55,685
Accounts payable and accruals	(20,234)
	175,172
Consideration paid:	
Share capital	1,719,324
Share listing expense	(1,544,152)
	175,172

The total share capital amount included as consideration paid following the reverse takeover transaction was determined as a function of the 20.27 share exchange ratio and the total shares issued in 3MV Energy Corp. upon amalgamation. Following the ten for one share consolidation, 13.9 million shares were issued and outstanding in the amalgamated company. Of the 13.9 million shares, Noravena's original shares accounted for 5% of the amalgamated total ("the Amalgamation Ratio"). The Amalgamation Ratio was then applied to the combined fair market value of the net assets of the resulting issuer in order to determine the value of share capital consideration provided.
Included in the share capital amount of $1,719,324 are 54,054 shares valued at $100,000 which were issued to the agents of Noravena upon closing of the transaction.

As the acquisition was not considered a business combination, the excess of the fair value of the consideration over the net assets of $1,544,152 is included as an expense on the statement of comprehensive loss. In addition, the Corporation incurred $200,868 in cash transaction costs relating to the reverse takeover transaction, for a total transaction and share listing expense of $1,745,020.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

7. Cash and cash equivalents

	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Cash at banks and on hand	208,009	-	56,613
Short-term investments	573,868	15,021	3,875
	781,877	1,530,000	60,488

Short-term investments earn interest at a rate of 60bps on deposits under $5 million and 105bps on amount over $5 million.

8. Accounts receivable

	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Oil and natural gas customers	215,634	1,050,360	1,638,699
Other receivables	49,790	167,306	85,940
	265,424	1,217,666	1,724,639

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. Joint interest receivables are typically collected within one to three-months of the joint interest bill being issued to the partner. As at December 31, 2012, December 31, 2011, and April 30, 2011 no accounts receivable were impaired and an allowance for doubtful accounts has not been established.

The aging analysis of accounts receivable is as follows:

	Total $	Neither past due nor impaired $	31-60 days $	61-90 days $	> 90 days $
December 31, 2012	265,424	258,043	-	-	7,381
December 31, 2011	1,217,666	1,124,811	205	-	92,650
April 30, 2011	1,724,639	843,785	26,229	445,643	408,982

In determining the recoverability of an accounts receivable, the Corporation performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

9. Property and equipment

	Petroleum and natural gas assets $	Corporate assets $	Total $
Cost:			
Balance at May 1, 2010	5,977,647	-	5,977,647
Additions	7,311,190	-	7,311,190
Change in decommissioning provisions	31,801	-	31,801
Balance at April 30, 2011	13,320,638	-	13,320,638
Additions	14,301,579	192,849	14,494,428
Transfers from exploration and evaluation assets	107,828	-	107,828
Assets given up in asset swap	(1,902,861)	-	(1,902,861)
Assets received in asset swap (net of liabilities incurred)	2,521,069	-	2,521,069
Change in decommissioning provisions	253,615	-	253,615
Balance at December 31, 2011	28,601,868	192,849	28,794,717
Additions	4,860,463	98,212	4,958,675
Dispositions	(1,158,695)	(43,439)	(1,202,134)
Transfers from exploration and evaluation assets	122,205	-	122,205
Change in decommissioning provisions	28,729	-	28,729
Acquisition of 1696074 Alberta Ltd. (note 24)	1,069,329	-	1,069,329
Balance at December 31, 2012	33,523,899	247,622	33,771,521
Accumulated depletion and depreciation and impairment loss:			
Balance at May 1, 2010	-	-	-
Depletion and depreciation for the period	(1,213,366)	-	(1,213,366)
Balance at April 30, 2011	(1,213,366)	-	(1,213,366)
Depletion and depreciation for the period	(1,685,061)	(37,327)	(1,722,388)
Impairment of PPE	(14,116,814)	-	(14,116,814)
Balance at December 31, 2011	(17,015,241)	(37,327)	(17,052,568)
Depletion and depreciation for the period	(1,708,368)	(52,591)	(1,760,959)
Impairment of PPE	(1,436,793)	-	(1,436,793)
Reversal of impairment of PPE	2,482,769	-	2,482,769
Dispositions	751,608	1,074	752,682
Balance at December 31, 2012	(16,926,025)	(88,844)	(17,014,869)
Net book value:			
April 30, 2011	12,107,272	-	12,107,272
December 31, 2011	11,586,627	155,522	11,742,149
December 31, 2012	**16,597,874**	**158,778**	**16,756,652**

Future development costs on proved plus probable reserves totaling approximately $19,075,000 (December 31, 2011 - $11,375,000) are included in the depletion calculation.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

10. Exploration and evaluation assets

Cost	$
Balance at April 30, 2011 and May 1 2010	-
Additions	422,608
Transfers to property and equipment	(107,828)
December 31, 2011	314,780
Additions	677,819
Transfers to property and equipment	(122,205)
Balance at December 31, 2012	870,394

E&E assets consist of the Corporation's capitalized seismic exploratory drilling and completion costs which are pending the determination of commercial viability. The Corporation assesses the recoverability of these assets both before and at the time of transfer to property and equipment within the Corporation's CGUs.

11. Impairment loss and impairment reversal

The Corporation assesses the recoverability of the carrying values of its oil and gas properties on a CGU basis. In accordance with IFRS, the recoverable amounts of the Corporation's CGUs were estimated as the fair value less costs to sell based on the net present value of cash flows estimated from oil and natural gas proved plus probable reserves completed by external reserve evaluators.

At December 31, 2012, management assessed the Corporation's two CGUs (Dodsland-Other and Fiske) for indicators of impairment and/or impairment reversal. The Corporation identified declines to forecasted commodity prices and downward changes to prove and probable reserve estimates as determined by the Corporation's external reserve evaluators for the Fiske CGU. Accordingly, the Corporation tested the Fiske CGU for impairment. Similarly the Corporation acknowledged the declined forecasted commodity prices for Dodsland-Other CGU however an indication of impairment reversal also existed as a result of an increase in proved plus probable reserve estimates of assets previously impaired in 2011, as determined by the Corporation's external reserve evaluators due to changes in drilling and completion techniques. The increase in value led the Corporation to consider the reversal as detailed below.

The Corporation determined that the aggregate carrying value of the Fiske CGU was $1.4 million higher than the recoverable amount and therefore impairments were recorded. As stated above the decrease in recoverable amount was mainly related to the decrease in forecasted commodity prices and changes in proved and probable reserve estimates.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

11. Impairment loss (continued)

In the case of the Corporation's Dodsland-Other CGU, it was determined that the recoverable amount exceeded the carrying value. Management used a blended discount rate of 10% to 15% depending on the reserve value classification to discount future cash flows. In accordance with IFRS, impairment losses are to be reversed when there has been a subsequent increase in the estimated recoverable amount and more specifically evidence exists that indicates the economic performance of the assets will be better than expected at the time of the last determined reserves estimate. In the case of an impairment loss reversal, the carrying amount of the asset or CGU is limited to the original carrying amount less depreciation, depletion and amortization as if no impairment had been recognized for the asset or CGU for prior periods.

In 2012, a partial reversal of impairment was recognized relating to a previous impairment for the Corporation's Dodsland-Other CGU. As a result, the Corporation recorded a reversal of impairment of $2.5 million at December 31, 2012. The total combined amount of the impairment recognized and reversed on Corporation total basis during the year ended December 31, 2012, had a net $1.1 million impairment reversal.

At December 31, 2012, if the discount rate had been five percent higher or five percent lower, the impairment losses recognized would have been revised as follows:

	Reversal of impairment to Dodsland-Other CGU $	Reversal of impairment with 10-15% discount rate $	Difference $
Reversal of impairment using a discount rate of 5-10 percent	8,820,230	2,482,769	6,337,461
Reversal of impairment using a discount rate of 15-20 percent	2,528,882	2,482,769	(46,113)

	Impairment to Fiske CGU $	Impairment with 10% discount rate $	Difference $
Impairment using a 5 percent discount rate	-	1,436,793	1,436,793
Impairment using a 15 percent discount rate	3,013,712	1,436,793	1,576,919

Note no impairment was incurred on the Fiske CGU during the period ending December 31, 2011, therefore none can reversed at the 5 percent discount rate.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

11. Impairment loss (continued)

In 2011, there was an indicator of impairment for the Corporation's Dodsland CGUs due to changes to proved and probable reserve estimates and related cash flows as determined by the Corporation's external reserve evaluators. Accordingly, the Corporation tested this CGU for impairment and determined that the aggregate carrying value was $13.79 million higher than the recoverable amount and impairments were recorded. In addition, the Corporation incurred an impairment loss of $0.33 million on one of its properties recently drilled and completed. The total amount of the impairment recognized during the eight month period ended December 31, 2011 was $14.12 million.

At December 31, 2011, if the discount rate had been five percent higher or five percent lower, the impairment losses recognized would have been revised as follows:

	Impairment to Dodsland CGU $	Impairment with 10% discount rate $	Difference $
Impairment using a 5 percent discount rate	12,353,033	13,783,184	(1,430,151)
Impairment using a 15 percent discount rate	15,055,033	13,783,184	1,271,849

The following table shows the future commodity prices used by the Corporation's independent qualified reserves evaluators at December 31, 2012 and December 31, 2011 for certain commodities:

December 31, 2012			December 31, 2011		
Year	Edmonton Par Price 40° API ($Cdn/bbl)	Natural Gas1 AECO Gas Prices ($Cdn/MMBtu)	Year	Edmonton Par Price 40° API ($Cdn/bbl)	Natural Gas1 AECO Gas Prices ($Cdn/MMBtu)
2013	84.55	3.31	2012	96.87	3.16
2014	89.84	3.72	2013	93.75	3.78
2015	88.21	3.91	2014	90.89	4.13
2016	95.43	4.70	2015	96.23	5.53
2017	96.87	5.32	2016	98.16	5.65
2018	98.32	5.40	2017	100.12	5.77
2019	99.79	5.49	2018	102.12	5.89
2020	101.29	5.58	2019	104.17	6.01
2021	102.81	5.67	2020	106.25	6.14
2022	104.35	5.76	2021	108.38	6.27

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

12. Accounts payable and accruals

	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Current:			
Trade payables	5,281,342	4,918,697	1,321,093
Joint interest payables	16,670	171,336	285,356
Accrued expenses	158,519	601,534	30,500
	5,456,531	5,691,567	1,636,949

Trade payables and joint interest payables are non-interest bearing and are normally settled on 30 to 90 day terms.

13. Operating loans

		Year of maturity	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Operating loan facility	(a)	-	-	1,530,000	2,720,000
Credit facility	(b)	2013	-	-	-
Credit facility	(c)	2013	500,000	-	-
			500,000	1,530,000	2,720,000

(a) Operating loan facility

The Corporation had an operating loan facility bearing interest at prime plus 1.5%. The loan was a demand loan, secured by a general security agreement providing a security interest over all present and after acquired personal property and a floating charge on all lands. The Corporation repaid its indebtedness under this facility in full on October 23, 2012. As of December 31, 2012 this facility no longer exists.

(b) Credit facility

During the twelve month period ended December 31, 2012, the Corporation obtained a credit facility in the amount of $2,000,000, with interest payable at 15.00% per annum. The credit facility was subordinated to the operating loan facility and also secured by a general security agreement providing a security interest over all present and after acquired personal property and a floating charge on all lands. The Corporation repaid its indebtedness under this facility in full on November 14, 2012. As of December 31, 2012 this facility no longer exists.

(c) Credit facility

On December 21, 2012, the Corporation entered into a loan facility whereby it may borrow up to $1,000,000 at an annual interest rate of 16% for a term of 1 year expiring on December 21, 2013. The Corporation has made an initial drawdown on the facility of $500,000, secured by all the real and personal property of the Corporation. The Corporation is bound by financial covenants that will take effect on June 30, 2013. Financial covenants include a Debt to EBITDA Ratio (not to exceed 3.5:1), an Asset coverage ratio (total present value of assets to be a minimum of 1.65 times total debt) and an Interest coverage ratio (minimum EBITDA of 2.5 times Interest payable).

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

14. Convertible debenture

On November 14, 2012, the Corporation issued a $1,000,000 non-brokered private placement financing of convertible debentures to a director and major shareholder of the Corporation. The term will be for two years, and annual interest of 12% with the Corporation having the privilege to re-pay all or any part of the principal amount without penalty upon giving thirty days' notice of repayment. The debentures have a face value of $1,000 and are convertible at any time until maturity into common shares of the Corporation at a conversion price of $0.29 per share, subject to adjustment in certain events.

The convertible debentures were determined to be compound instruments. As the debentures are convertible into common shares of the Corporation, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. Using the residual method, the carrying amount of the conversion feature is the difference between the principal amount and the carrying value of the financial liability. The debentures, net of the equity component and issue costs are accreted using the effective interest rate method over the two year term of debentures, such that the carrying amount of the financial liability will equal the $1 million principal balance at maturity respectively.

	Proceeds $	Debt Component $	Equity Component $
Balance, April 30, 2011 and December 31, 2011	-	-	-
Issue of convertible debenture	1,000,000	950,441	49,559
Issue costs	(15,408)	(14,644)	(764)
Deferred tax		-	(12,687)
Accretion		3,008	-
Balance December 31, 2012	984,592	938,805	36,108

15. Decommissioning liabilities

	$
Balance at May 1, 2010	609,685
Accretion	26,647
Change in estimate	31,801
Liabilities incurred	434,496
Balance at April 30, 2011	1,102,629
Accretion	28,030
Change in estimate	253,615
Liabilities disposed in asset swap	(175,570)
Liabilities acquired in asset swap	301,691
Liabilities incurred	232,680
Balance at December 31, 2011	1,743,075
Accretion	42,165
Change in estimate	28,729
1696794 Alberta Ltd. acquisition	76,259
Liabilities incurred	208,281
Liabilities disposed	(114,021)
Balance at December 31, 2012	1,984,488

The Corporation’s decommissioning liabilities results from ownership interests in petroleum and natural gas assets, including well sites and gathering systems. The total future decommissioning obligation was estimated based on the Corporation’s net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Corporation used a weighted average risk free rate of 2.16% as of December 31, 2012 (December 31, 2011– 2.24% and April 30, 2011- 3.48%) and an inflation rate of 2% (December 31, 2011 and April 30, 2011 – 2%) were used to calculate the net present value of the future cash flows expected to be made in satisfaction of the decommissioning obligation. The majority of the costs are estimated to be incurred between the years 2018 and 2038. The total undiscounted decommissioning liability as at December 31, 2012 amounts to $2,851,725 (December 31, 2011 - $2,616,937 and April 30, 2011 - $1,897,858).

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

16. Income Taxes

(a) Provision for income taxes reflects an effective tax rate which is different from the Federal and Provincial Statutory tax rates. The differences are as follows:

	December 31, 2012 $	December 31, 2011 $
Income/(Loss) before income tax	(4,794,023)	(15,953,062)
Combined Federal and Provincial income tax rate	27.00%	28.50%
Expected income tax reduction	(1,294,386)	(4,546,623)
Increase (decrease) in income taxes resulting from:		
Share based compensation and non-deductible expenses	608,913	114,002
Flow through shares	386,264	244,848
Change in rate	(12,268)	223,880
Change in unrecognized tax benefits	194,783	1,975,385
Convertible Debentures	-	-
Other	(114)	(20,095)
Income tax expense (reduction)	(116,809)	(2,008,603)

The statutory tax rate was 27% in 2012 (2011 - 28.5%). The decrease from 2011 to 2012 was due to a reduction in the 2012 Canadian corporate tax rates as part of a series of corporate rate reductions previously enacted by the Canadian federal government.

(b) Unrecognized deferred tax assets:
The temporary differences associated with the Company's unrecognized deferred tax assets are as follows:

	December 31, 2012 $	December 31, 2011 $
Property, Plant and Equipment	-	3,122,645
Non-Capital Losses	8,064,722	2,266,256
Decommissioning Liabilities	188,881	1,743,075
Share Issue Costs	555,070	568,889
Unrecognized deferred tax assets	8,808,674	7,700,865

The Company has not recognized these deferred tax assets because it is uncertain that future taxable profits will be available against which the Company can utilize these benefits.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

Recognized deferred tax assets:

The components of the Company's recognized deferred tax assets and liabilities are as follows:

	December 31, 2012 $	December 31, 2011 $
Property, Plant and Equipment	(470,642)	-
Non-Capital Losses	-	-
Decommissioning Liabilities	483,932	-
Share Issue Costs	-	-
Convertible Debentures	(13,290)	-
Unrecognized deferred tax assets	-	-

Movement in deferred tax assets and liabilities:

	May 1, 2011 $	Recognized in profit or loss $	Flow through share premium $	Acquired in business combination $	December 31, 2011 $
Property, plant and equipment	(1,600,323)	2,518,218	(70,616)	(847,279)	-
Non-capital losses	177,272	(177,272)	-	-	-
Decommissioning liabilities	297,710	(308,728)	-	11,018	-
Share issue costs	4,573	(4,573)	-	-	-
Deferred tax asset/(liability)	(1,120,768)	2,027,645	(70,616)	(836,261)	-

	January 1, 2012 $	Recognized in profit or loss $	FTS premium $	Other $	December 31, 2012 $
Property, plant and equipment	-	(358,520)	(112,122)	-	(470,642)
Non-capital losses		-	-	-	-
Decommissioning liabilities		483,932			483,932
Share issue costs	-	-	-	-	-
Convertible debentures	-	(603)	-	(12,687)	(13,290)
Deferred tax asset/(liability)	-	124,809	(112,122)	(12,867)	-

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

17. Share capital

(a) Authorized

Common shares

Class A, unlimited, voting, no par value, subject to priority rights of any other class of shares.

(b) Issued

	Number of Shares	$
Balance at May 1, 2010	**1,042,000**	**7,599,789**
Warrants exercised and cancelled (a)	164,124	225,010
Balance at April 31, 2011	**1,206,124**	**7,824,799**
Shares exchanged on reverse takeover (3M Ventures)	(1,206,124)	-
Existing shares of Seawall	929,430	-
Class A Shares issued for 3M Ventures Shares (b)	3,662,255	4,173,002
Class A Shares issued November 9, 2011 (c)	1,962,235	7,541,119
Flow through share premium (c)	-	(182,738)
Share issuance costs (c)	-	(636,183)
Fair value of warrants on private placement (c)	-	(168,208)
Balance at December 31, 2011	**6,553,920**	**18,551,791**
Shares exchanged on reverse takeover	(6,553,920)	-
Existing shares of Noravena Capital	6,500,010	-
Shares issued to shareholders of 3MV Energy Inc. upon reverse takeover (d)	132,848,050	1,619,324
Shares issued to Agents of Noravena upon reverse takeover (d)	540,540	100,000
Ten for one share consolidation (d)	(125,899,740)	-
Shares issued on October 19, 2012 (e)	20,000,000	4,747,278
Non-brokered private placements (f)	1,940,000	427,411
Flow through share premium	-	(2,997)
Shares issued for debt outstanding (g)	5,910,209	1,382,137
Shares issued to shareholders of 1696074 Alberta Ltd. December 19, 2012 (h)	3,600,100	715,675
Balance at December 31, 2012	**45,439,169**	**27,540,619**

(a) During the period ended April 30, 2011, nine units of 3 Martini warrants (consisting of 13,500 Class A and 13,500 Class B share purchase warrants) were exercised at $10 per Class A share and $5 per class B shares for total proceeds of $202,500. In addition, on March 10, 2011 3 Martini offered all remaining warrant unit holders the opportunity to exercise their warrant units on a cashless basis whereby each warrant unit holder would be granted 878.882 Class A and 878.882 Class B 3 Martini shares for each warrant unit held, at zero cost to the warrant unit holder. 37 individual warrant unit holders chose to exercise their warrants, with 68,562 Class A and 68,562 Class B shares being issued. The remaining warrants expired on March 31, 2011. The number of shares issued has been retroactively adjusted to reflect the legal capital of Seawall. The fair value of $22,510 originally attributed to the warrants has been credited to share capital.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

17. Share capital (continued)

(b) As consideration of the Arrangement Agreement between Seawall and 3M Ventures dated June 30, 2011, the shareholders of 3M Ventures received 3.63 common shares of Seawall for each 3M Ventures class A share held and 1.815 common shares of Seawall for each 3M Ventures class B share held, resulting in the issuance of 3,662,255 common shares of Seawall at a value of $4,173,002.

(c) On November 9, 2011, the Corporation closed the private placement of 1,231,285 Class A common shares issued at a price of $3.75 per share. In addition 730,950 Class A shares were issued on a "flow-through" basis with respect to Canadian exploration expenses at a price of $4.00 per share, for gross proceeds of approximately $2.9 million. $182,738 or $0.25 per share was determined to be the implied premium on the flow-through shares. Of the $2.9 million raised in flow-through, $2.9 million has been expended to December 31, 2012. In conjunction with the private placement the Corporation issued 97,078 broker warrants that were determined to have a fair value of $168,208. Share issuance costs relating to the private placement totaled $636,183.

(d) On January 29, 2012 the Corporation completed the amalgamation arrangement with Noravena Capital Corporation. As a result of the transaction, all outstanding 3MV Energy Inc. shares were exchanged for Noravena Capital Corporation shares in accordance with the share exchange ratio of 20.27 times 3MV's outstanding share amount as at January 29, 2012. In addition, 540,540 shares with a value of $100,000 were issued to Noravena's broker agents as a result of the transaction. Following the completion of the qualifying transaction, a ten for one share consolidation occurred reducing the outstanding shares by 125,899,740.

(e) On October 19, 2012 the Corporation closed a non-brokered private placement of 20,000,000 units at a price of $0.25 per Unit for gross proceeds of $5,000,000. Each unit was comprised of one common share and one common share purchase warrant ("warrant"). Each warrant entitles the holder to purchase one additional common share of the Corporation at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. Share issuance costs relating to the private placement totaled $52,723.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

17. Share capital (continued)

(f) In the fourth quarter of 2012, 3MV closed a series of non-brokered private placements issuances of 1,940,000 Units for gross proceeds of $485,000. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. The issued purchase warrants were determined to have a fair value of $19,400. Share issuance cost relating to the private placement totaled $38,189.

Included in the private placements were 300,000 units comprised of one common share issued on a "flow through" basis with respect to Canadian exploration expenses and one common share purchase warrant. These units were issued at a price of $0.25 per unit, for gross proceeds of $75,000. The implied premium on the flow-through shares was determined to be $2,997 or $0.01 per share. The Corporation renounced the tax credits to the flow through unit subscribers for the 2012 tax year. The qualifying expenditures associated to the tax credit renouncement were expended subsequent to year end. As a result of the transaction, an increase in the Corporation's deferred income tax liability and deferred tax expense will be recorded in the year ended December 31, 2012.

(g) On October 18, 2012, the Corporation announced its intention to settle trade debt by issuing common shares and units of the Corporation at a conversion price of $0.25 per unit. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Corporation at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. During the period, the Corporation converted $1,477,550 of accounts payable into 5,910,209 common shares and 5,148,649 warrants. The fair value of the warrants issued with the units was determined to be $51,486. Share issuance costs relating to the private placement totaled $43,927.

(h) On December 19, 2012, the Corporation acquired all issued and outstanding securities of 1696704 Alberta Ltd ("FarmCo"), by issuing 3MV units at $0.25 with each unit comprised of a common share and a warrant exercisable at $0.50 for 18 months. In total the Corporation issued 3,600,100 common shares and 3,600,000 warrants to FarmCo. security-holders.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

17. Share capital (continued)

(c) Warrants

	# of Warrants	$
As at April 30, 2011	-	-
Warrants Issued	97,078	168,208
As at December 31, 2011	97,078	168,208
Warrants Converted at a ratio 2.027	-	-
As at December 31, 2011	196,777	168,208
Warrants issued on October 19, 2012 (a)	20,000,000	200,000
Warrants issued with non-brokered private placements (b)	1,940,000	19,400
Warrants issued with shares for debt outstanding (c)	5,148,649	51,486
Warrants issued to shareholders of 1696074 Alberta Ltd. December 19, 2012 (d)	3,600,000	36,000
As at December 31, 2012	30,885,426	475,094

a) On October 19, 2012 the Corporation closed a non-brokered private placement of 20,000,000 units at a price of $0.25 per unit. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Corporation at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. The fair value of the warrants relating to the issuance was estimate to be $200,000.

b) During the three months ended December 31, 2012, the Corporation issued 1,940,000 units comprised of one common share and one common share purchase warrant with non-brokered private placements. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.50 per common share for a period of 18 months following the date of issuance. The fair value of the warrants relating to the issuance was estimate to be $19,400.

c) During the three months ended December 31, 2012, the Corporation converted $1,477,550 of accounts payable into 5,910,209 common shares and 5,148,649 warrants. The issuance was related to its Share for Debt initiative described previously. The fair value of the warrants issued with the units was determined to be $51,486.

d) On December 19, 2012 the Corporation acquired all issued and outstanding securities of 1696704 Alberta Ltd ("FarmCo"), by issuing 3MV units at $0.25 with each unit comprised of a common share and a warrant exercisable at $0.50 for 18 months. In total the Corporation issued 3,600,100 common shares and 3,600,000 warrants to FarmCo. security-holders.

17. Share capital (continued)

The fair value of these warrants was estimated using a net asset value calculation of the Corporation as of December 31, 2012. The Corporation's calculation yielded the warrants within the units issued to be $0.01.

18. Share-based payments

The Corporation has an employee stock option plan under which employees, directors and consultants are eligible to purchase common shares of the Corporation. Options were granted using an exercise price equal to the $3.75 share price from the November 9, 2011 private placement issuance. The options have a term of five years and vest over a two year period starting on the first anniversary date of the grant with one third of the total amount vesting immediately upon granting. Following the qualifying transaction with Noravena Capital Corporation, the options were exchanged at the final post share consolidation exchange ratio of 2.027. In addition to the options issued by 3MV, 65,000 options were previously issued and outstanding to directors of Noravena Capital Corporation at the time of the amalgamation. These options vested immediately at time of the issuance and expire April 30, 2015. The exercise price is $2.00 per share.

On February 17, 2012, the Corporation granted 411,000 options. The options have a term of five years and vest over a three year period starting on the first anniversary date of the grant at an exercise price of $1.90. On July 23, 2012, the Corporation cancelled all outstanding stock options (165,865 options) issued to directors from both issuances. As a result, the Corporation incurred $106,830 of share base compensation expense relating directly to the cancelled options. Additionally, 676,547 options were forfeited during the 12 months ended December 31, 2012.

The number of options outstanding as at December 31, 2012 totaled 557,902 (December 31, 2011 – 456,000 and April 30, 2011 – nil). The estimated forfeiture rate is adjusted to the actual forfeiture rate when each tranche vests. Share based compensation cost of $711,080 (December 31, 2011 – $400,007 and April 30, 2010 – nil) was expensed to share base compensation during the twelve months ended December 31, 2012.

	December 31, 2012	December 31, 2011
Fair value at grant date	$ 1.28	2.52
Common share price	$ 1.90	3.75
Exercise price	$ 1.90	3.75
Volatility	86%	86%
Option life	5 years	5 years
Dividends	0%	0%
Risk-free interest rate	1.22%	0.89%
Forfeiture rate	50%	0%

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

18. Share based payments (continued)

Options Outstanding

Stock Options	Weighted average exercise price $	Stock Options
Balance April 30, 2011	-	-
Granted	1.85	924,314
Balance December 31, 2011	1.85	924,314
Granted	1.90	476,000
Cancelled	1.89	(178,865)
Forfeited	1.87	(663,457)
Balance December 31, 2012	**1.87**	**557,902**

19. General and administrative expenses

The following is a breakdown of the Corporation's general and administrative expense for the period ended:

	Note	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Employee, payroll and consulting expenses		**1,237,836**	700,019	551,975
Professional fees	a)	**901,248**	850,218	171,498
Share based payments	b)	**711,080**	317,857	-
Employee severance	c)	**194,375**	-	-
Rent, parking		**96,604**	111,379	90,915
Miscellaneous overhead		**331,218**	318,253	251,223
Total		**3,472,362**	2,297,725	1,065,612

a) The Corporation's professional fees are largely made up of legal and audit fees incurred during the period. The large increase in period ended December 31, 2012 and 2011 are the result of the plan of arrangement with Seawall, the reverse takeover of Noravena Capital Corporation transforming the Corporation to a publicly listed entity, the transition to International Financial Reporting Standards, and the corporate restructuring that occurred during the third and fourth quarters of 2012.

b) Share based payments include all costs expensed to the consolidated statement of loss for the period relating to the Corporation's stock option plan. See note 18 for further information.

c) The Corporation incurred employee severance costs totaling $194,375 during the year ended December 31, 2012 ($nil – December 31, 2011; April 30, 2011) relating to head office staff reductions that occurred in at the end August 2012. Of the total $194,375, $145,767 was settled through the issuance of units in the Corporation subsequent to the end of the year. See note 25 for further information.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

20. Capital management

The Corporation's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended December 31, 2012. As of December 31, 2012 the Corporation was not subject to externally imposed capital.

The Corporation manages the following as capital:

	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Share capital	**27,540,619**	18,551,791	7,824,799
Warrants	**475,094**	168,208	-
Deficit	**(19,650,966)**	(14,973,752)	(1,029,293)
Total capitalization	**8,464,747**	3,746,247	6,795,506

21. Financial instruments and risk management

Fair value of financial instruments

The carrying amounts of financial instruments reported on the consolidated statement of financial position approximates their fair values as at December 31, 2012, December 31, 2011, and April 30, 2011 due to the short-term nature of the instruments. The Corporation does not have any financial assets that are subject to the fair value hierarchy.

Financial risks

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (foreign exchange, interest rates and commodity prices). The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Credit risk is primarily related to the Corporation's receivables from oil and natural gas marketers and joint venture partners and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. To mitigate credit risk associated with the sale of its production to petroleum and natural gas marketers, the Corporation maintains a policy of transacting with large credit-worthy purchasers.

21. Financial instruments and risk management (continued)

The Corporation historically has not experienced any collection issues with its oil and natural gas marketers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. The Corporation attempts to mitigate the risk from joint interest receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Corporation does not typically obtain collateral from joint interest partners; however, in certain circumstances, it may cash-call a partner in advance of the work and as well the Corporation has the ability in most cases to withhold production from joint interest partners in the event of non-payment.

The maximum exposure to credit risk as at:

	December 31, 2012 $	December 31, 2011 $	April 30, 2011 $
Cash and cash equivalents	**781,877**	15,021	60,488
Accounts receivables	**265,424**	1,217,666	1,724,639
	1,047,301	1,232,687	1,785,127

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

As at December 31, 2012, the Corporation had a working capital deficiency of $4.7 million. During the twelve month period ended December 31, 2012, the Corporation had its operating and credit demand facilities called and repaid with funds from private placements and debentures issuance. At this time, the Corporation is not subject to financial covenants nor does the Corporation have operational commitments to meet. From time to time, the Corporation will require additional financing in order to carry out its exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties.

Given the modest production results, corresponding revenues and the market conditions effect on junior oil and gas producers in the period, the Corporation proposed a Share for Debt arrangement with vendors to settle outstanding liabilities with equity shares in the Corporation. 3MV successfully settled $1,477,570 of accounts payables for shares and warrants as of December 31, 2012 which decreased current liabilities. The Corporation will continue to market equity arrangements, manage its cash flows and vendor relations to ensure current liabilities are addressed.

The Corporation would ideally fund its capital expenditure program from internally generated cash flow, debt, farm outs and additional equity or other funding if available on favorable terms. The Corporation has from time to time disposed of assets that are deemed non-core if accretive. Please refer to note 2 for details on the Corporations going concern assumption.

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

21. Financial instruments and risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Corporation's net earnings or the value of financial instruments.

Foreign exchange risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Corporation's oil and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollar. As at December 31, 2012, December 31, 2011, and April 30, 2011 the Corporation had no monetary assets or liabilities denominated in foreign currency.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flow will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by the local, national and international economy and other events that dictate the levels of supply and demand. The Corporation has not attempted to mitigate commodity price risk through the use of financial derivative contracts. The Corporation will continue to focus on internal cost cutting measures to ensure operating margins are at a profitable level to offset the effect of Commodity price fluctuations on cash flows.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Corporation is not currently exposed to significant interest rate risk as it current operating loan is subject to a fixed interest rate. However The Corporation will continue to monitor market interest rates on potential future banking arrangements.

22. Commitments

The Corporation has operating lease commitments for office premises that expire in 2014. The future minimum lease payments are as follows:

	$
2013	66,392
2014	38,728

Notes to the Consolidated Financial Statements

For the twelve month period ended December 31, 2012, eight month period ended December 31, 2011 and twelve month period ended April 30, 2011

23. Supplemental cash flow information

Changes in non-cash working capital from operating activities is comprised of:

	Twelve months ended December 31, 2012 $	Eight months ended December 31, 2011 $	Twelve months ended April 30, 2011 $
Source (use) of cash:			
Trade and other receivables	1,055,381	646,397	250,120
Inventory	-	28,339	(14,886)
Prepaid expenses and deposits	(157,481)	349	(26,544)
Long term trade payables	489,278	-	-
Trade and other payables	49,753	536,609	(361,296)
Change in non-cash working capital	1,436,931	1,211,694	(152,606)

Changes in non-cash working capital from investing activities is comprised of:

Nine months ended	Twelve months ended December 31, 2012 $	Eight months ended December 31, 2011 $	Twelve months ended April 30, 2011 $
Source (use) of cash:			
Trade and other payables	819,956	3,012,426	403,212
Change in non-cash working capital	819,956	3,012,426	403,212

24. Earnings per share

Basic and diluted income (loss) per share

	Income (Loss) for the period $	Weighted average number of shares #	Per share amount $
Twelve months ended December 31, 2012			
Basic and diluted	(4,677,214)	18,040,381	(0.26)
Eight months ended December 31, 2011			
Basic and diluted	(13,944,459)	469,176	(29.72)
Twelve months ended April 30, 2011			
Basic and diluted	119,088	289,106	0.41

The effect of warrants and stock options outstanding on loss per share for the periods ended December 31, 2012, December 31, 2011 and April 30, 2011 is anti-dilutive.

In accordance with IFRS, the Corporation revised the amount of weighted average shares outstanding during the eight months ended December 31, 2011 and the twelve months ended April 30, 2011. As there was a ten to one share consolidation in the current period, the comparative periods have been adjusted accordingly.

25. Related party transactions

The consolidated financial statements include the financial statements of 3MV Energy Corp. and its subsidiaries listed in the following table:

		% ownership interest		
Name	Country of incorporation	December 31, 2012	December 31, 2011	April 30, 2011
3MV Energy Operations Inc.	Canada	100%	-	-
1696704 Alberta Ltd.	Canada	100%	-	-
3 Martini Ventures Inc.	Canada	100%	-	-
Buckhorn Resource Ltd.	Canada	100%	100%	100%

Balances and transactions between 3MV Energy Corp. and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note.

During the year ended December 31, 2012, the Corporation incurred $426,791 in general and administrative expenses relating to legal fees ($nil for periods ended December 31, 2011 and April 30, 2011) paid to a firm which is controlled by a director of the Corporation. Of this amount, $161,390 was settled via the issuance of shares in the Corporation for debt. See note 17. The Corporation also incurred $31,772 in geological expenses relating to work done on wells drilled in 2012 ($nil for periods ended December 31, 2011 and April 30, 2011) paid to a firm which is controlled by a director of the Corporation. The full amount was capitalized in the period.

The Corporation closed a private placement for gross proceeds of $5,000,000 during the fourth quarter of 2012. A director of the Corporation was the sole subscriber to the private placement and following the closing of the offering directly or indirectly, beneficially owned or controlled 59.61% of the Corporation on a non-diluted basis and 74.57% on a fully diluted basis.

During the period ended December 31, 2012, the Corporation closed a $1,000,000 non-brokered private placement financing of convertible debentures to a director and major shareholder of the Corporation. The term of the debenture is two years and incurs annual interest of 12% with the Corporation having the privilege to re-pay all or any part of the principal amount without penalty upon giving thirty days' notice of repayment. Following the closing of the offering, the Directory, directly or indirectly, beneficially owned or controlled 20,259,996 common shares (54.49%) of the Corporation on a non-diluted basis and 43,708,272 common shares of the Company (69.80%) on a fully diluted basis.

On August 24, 2012, 1696704 Alberta Ltd ("FarmCo") was created with the single purpose to raise $2 million in order to finance two lease preserving wells on the Fiske property. 3MV entered into a farm-out agreement with FarmCo to drill two wells on 3MV's property, with FarmCo funding 100% of costs to completion to earn a 75% interest subject to existing royalties. On December 19, 2012 the Corporation acquired all issued and outstanding securities of FarmCo, by issuing 3MV units at $0.25 with each unit comprised of a common share and a warrant exercisable at $0.50 for 18 months. In total the Corporation issued 3,600,100 common shares and 3,600,000 warrants

25. Related party transactions (continued)

to FarmCo. security-holders. As a result of the acquisition 3MV owns 100% interest in the two wells drilled.

The following summarizes the acquisition of FarmCo. by 3MV Inc. and the assets acquired and liabilities assumed:

Net assets acquired:	$
Cash	4,987
Accounts receivable	47,454
Petroleum and natural gas assets	1,069,329
Decommissioning liabilities	(76,259)
Accounts payable and accruals	(113,086)
	932,425
Consideration paid:	
Share capital	896,425
Warrants	36,000
	932,425

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period were as follows:

	Twelve months ended December 31, 2012 $	Eight months ended December 31, 2011 $	Twelve months ended April 30, 2011 $
Salaries	**758,435**	298,789	319,695
Share based payments	**513,665**	213,600	-
Total	**1,272,100**	512,389	319,695
Capitalized portion	**(29,557)**	(292,796)	(319,695)
Total	**1,242,543**	219,593	-

Personnel costs incurred by the Corporation for the period ended December 31, 2012 totaled $866,396 (8 months ended December 31, 2011 - $261,378; 12 months ended April 30, 2011, $nil) are included in the general and administrative expenses.

26. Subsequent events

Financings

On February 21, 2013, the Corporation closed a $2,000,000 non-brokered private placement financing of convertible debentures to a director and control person of 3MV. The convertible loan offering consists of a convertible secured, interest-bearing debenture loan of $2,000,000. The term of the debenture is two years and incurs annual interest of 12%, payable monthly, with the Corporation having the privilege to re-pay all or any part of the principal amount without penalty upon giving thirty days' notice of repayment. The loan is convertible at any time until maturity into common shares of the Corporation at a conversion price of $0.27 per share.

Operations

The Corporation settled an additional $1,298,829 of accounts payable by issuing 5,195,317 common shares and 5,185,317 warrants subsequent to year end. The settlement results in a grand total of $2,776,399 of accounts payable settled though the share for debt initiative, with an aggregate of 11,105,526 common shares and 10,343,966 warrants.

On February 21, 2013 the Corporation completed an acquisition agreement with a private company to acquire certain assets in its core Fiske area. The purchase includes the private company's gross overriding royalty ("GORR"), land that was subject to its main farm-in agreement and additional sections, for the purchase price of $2,000,000 in cash. The majority of the transaction was funded from the gross proceeds of the convertible loan offering.

A total of 4,300,000 stock options to purchase common shares of the Corporation were granted to officers, directors and employees on February 28, 2013.