

Condensed Interim Consolidated Financial Statements
March 31, 2013



Consolidated Statements of Financial Position

As at:

Canadian Dollars <i>Unaudited</i>	Notes	March 31, 2013 \$	December 31, 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		114,576	781,877
Accounts receivable		121,244	265,424
Prepaid expenses and deposits		148,364	194,887
		384,184	1,242,188
Non-current assets			
Property and equipment	5	17,098,017	16,756,652
Exploration and evaluation assets	6	2,924,080	870,394
		20,022,097	17,627,046
Total Assets		20,406,281	18,869,234
LIABILITIES			
Current liabilities			
Accounts payable and accruals		4,466,852	5,441,724
Operating loans	7	500,000	500,000
		4,966,852	5,941,724
Non-current liabilities			
Long term liability		220,175	489,278
Convertible debenture	8	2,832,196	938,805
Flow through premium liability		-	2,997
Decommissioning liabilities		1,962,856	1,984,488
		5,015,227	3,415,568
SHAREHOLDERS' EQUITY			
Share capital	9	28,825,233	27,540,619
Equity component of convertible debenture	8	109,069	36,108
Contributed surplus		1,791,547	1,111,087
Warrants	9	529,047	475,094
Deficit		(20,830,694)	(19,650,966)
		10,424,202	9,511,942
Total Liabilities and Shareholders' Equity		20,406,281	18,869,234
Going Concern	2		

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

Consolidated Statements of Comprehensive Loss

Canadian dollars <i>Unaudited</i>	Notes	Three months ended March 31 2013 \$	Three months ended March 31 2012 \$
Oil and natural gas revenues		535,555	1,430,010
Royalties		(52,752)	(160,380)
Total revenue, net of royalties		482,803	1,269,630
Production and operating		300,572	510,279
General and administrative		330,475	444,256
Share based compensation		680,460	181,021
Depletion and depreciation		277,461	561,503
Transaction and share listing expense	4	-	1,744,044
Loss from operations		(1,106,165)	(2,171,473)
Interest and other income		758	-
Finance costs		(103,280)	(39,446)
Loss before income tax		(1,208,688)	(2,210,919)
Income tax (expense) recovery- deferred		28,959	71,809
Total comprehensive loss		(1,179,728)	(2,139,110)
Loss per share			
Basic and diluted	11	(0.02)	(0.18)

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

Consolidated Statements of Changes in Shareholders' Equity

Canadian dollars Unaudited	Note	Number of shares outstanding #	Share capital \$	Warrants \$	Equity component of convertible debenture \$	Contributed Surplus \$	Deficit \$	Total Shareholders' equity \$
As at December 31, 2011		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		6,500,010	-	-	-	-	-	-
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		540,540	100,000	-	-	-	-	100,000
Ten for one share consolidation		(125,899,740)	-	-	-	-	-	-
Share based payments						181,021		181,021
Total comprehensive loss for the period							(2,139,110)	(2,139,110)
As at March 31, 2012		13,988,860	20,715,115	168,208	-	581,028	(17,112,862)	3,907,489
As at December 31, 2012		45,439,169	27,540,619	475,094	36,108	1,111,087	(19,650,966)	9,511,939
Shares issued for debt outstanding		5,195,317	1,242,320	51,953	-	-	-	1,294,273
Non-brokered private placements		203,000	42,294	2,000	-	-	-	44,294
Equity component of convertible debenture issued February 21, 2013		-	-	-	72,961	-	-	72,961
Share based payment		-	-	-	-	680,460	-	680,460
Total comprehensive loss for the period		-	-	-	-	-	(1,179,728)	(1,179,726)
As at March 31, 2013		50,837,486	28,825,233	529,047	109,069	1,791,547	(20,830,694)	10,424,202

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

Consolidated Statements of Cash Flows

Canadian dollars		Three months ended	
Unaudited	Note	March 31, 2013 \$	March 31, 2012 \$
Cash provided by (used for) the following activities			
Operating activities			
Loss for the period		(1,179,728)	(2,139,110)
Add (deduct):			
Depletion and depreciation	5	277,461	561,503
Accretion of decommissioning liabilities		10,158	10,683
Accretion of convertible debenture		10,922	-
Share listing expense		-	1,543,177
Share-based payments	10	680,460	181,021
Deferred tax expense		(28,959)	(71,809)
Change in non-cash working capital	12	241,422	1,341,922
Cash from operating activities		11,736	1,427,387
Investing activities			
Purchase of property and equipment	5	(650,616)	(3,161,026)
Purchase of exploration and evaluation	6	(2,053,686)	-
Proceeds from reverse take over		-	139,721
Change in non-cash working capital	12	(421)	(266,640)
Cash used in investing activities		(2,704,723)	(3,287,945)
Financing activities			
Proceeds from bank operating loans and credit facilities		-	2,870,000
Proceeds from issuance of convertible debenture, net of issue costs	8	1,981,392	-
Issuance of common shares	9	44,294	-
Change in bank indebtedness		-	(104,004)
Cash from financing activities		2,025,686	2,765,996
Increase (decrease) in cash and cash equivalents		(667,301)	905,438
Cash and cash equivalents, beginning of period		781,877	15,021
Cash and cash equivalents, end of period		114,576	920,459

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

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

1. Reporting entity

On January 29, 2012 3MV Energy Inc. (“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. (formerly Noravena), and are a continuation of the consolidated financial statements of 3MV Inc. Additional information on the Arrangement is available in note 4.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements for the three months ended March 31, 2013 are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 – “Interim Financial Reporting” and do not include all of the information required for full annual financial statements.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation’s annual audited financial statements for the year ended December 31, 2012.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 28, 2013.

Going concern

For the three months ended March 31, 2013, the Corporation reported a net loss of \$1.2 million and has a working capital deficiency of \$4.6 million at March 31, 2013. 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 condensed interim 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.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

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

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.

Accounting policies and disclosures

In preparing these condensed interim consolidated financial statements, the accounting policies, methods of computation and significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the periods ended December 31, 2012 and December 31, 2011 except as disclosed below.

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), and disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instruments disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods, but did result in additional disclosures.

The following disclosures are incremental to those included with the annual audited consolidated financial statements. Certain disclosures that are normally required in the notes to the annual audited consolidated financial statements have been condensed or omitted.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

4. 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)
	<u>175,172</u>
Consideration paid:	
Share capital	1,719,324
Share listing expense	(1,544,152)
	<u>175,172</u>

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 Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

5. Property and Equipment

	Petroleum and natural gas assets \$	Corporate assets \$	Total \$
Cost:			
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
Additions	650,616	-	650,616
Change in decommissioning provisions	(31,790)	-	(31,790)
Balance at March 31, 2013	34,142,725	247,622	34,390,347
Accumulated depletion and depreciation and impairment loss:			
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)
Depletion and depreciation for period	(266,011)	(11,450)	(277,461)
Balance at March 31, 2013	(17,192,036)	(100,294)	(17,292,330)
Net book value:			
December 31, 2011	11,586,627	155,522	11,742,149
December 31, 2012	16,597,874	158,778	16,756,652
March 31, 2013	16,950,689	147,328	17,098,017

Future development costs on proved plus probable reserves totaling approximately \$18,714,000 (December 31, 2012 - \$19,075,000) are included in the depletion calculation.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

6. Exploration and evaluation (“E&E”) assets

	\$
Balance at December 31, 2011	314,780
Additions	677,819
Transfers to property and equipment	(122,205)
Balance at December 31, 2012	870,394
Additions	2,053,686
Balance at March 31, 2013	2,924,080

E&E assets consist of the Corporation’s capitalized seismic and land acquisition 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.

7. Operating loans

The Corporation entered into a loan facility in the period ended December 31, 2012 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 a 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).

8. Convertible debentures

On February 21, 2013 the Corporation issued a \$2,000,000 non-brokered private placement financing of convertible debentures to a director and major shareholder of the Corporation. 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.

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.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

8. Convertible debentures (continued)

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 \$2 million principal balance at maturity respectively.

	Proceeds \$	Debt Component \$	Equity Component \$
Balance at 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 at December 31, 2012	984,592	938,805	36,108
Issue of convertible debenture	2,000,000	1,900,148	99,852
Issue costs	(18,608)	(17,679)	(929)
Deferred tax	-	-	(25,962)
Accretion	-	10,922	-
Balance at March 31, 2013	2,965,984	2,832,196	109,069

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

9. 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 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	132,848,050	1,619,324
Shares issued to Agents of Noravena upon reverse takeover	540,540	100,000
Ten for one share consolidation	(125,899,740)	-
Shares issued on October 19, 2012	20,000,000	4,747,278
Non-brokered private placements	1,940,000	427,411
Flow through share premium	-	(2,997)
Shares issued for debt outstanding	5,910,209	1,382,137
Shares issued to shareholders of 1696074 Alberta Ltd. December 19, 2012	3,600,100	715,675
Balance at December 31, 2012	45,439,169	27,540,619
Shares issued for debt outstanding (i)	5,195,317	1,242,320
Non-brokered private placements (ii)	203,000	42,294
Balance at March 31, 2013	50,837,486	28,825,233

- (i) 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 first quarter of 2013, the Corporation converted \$1,298,830 of accounts payable into 5,195,317 common shares and 5,195,317 warrants. The fair value of the warrants issued with the units was determined to be \$51,953. Share issuance costs relating to the private placement totaled \$4,557.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

9. Share capital (continued)

- (ii) During the first quarter of 2013, the Corporation closed a non-brokered private placement of 200,000 units at a price of \$0.25 per Unit for gross proceeds of \$50,000. 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. The fair value of the warrants issued with the units was determined to be \$2,000. Share issuance costs relating to the private placement totaled \$5,706. The Corporation also issued 3,000 shares at a price of \$0.25 as a finder's fee in relation to a private placement in 2012.

(c) Warrants

	# of Warrants	\$
Balance at December 31, 2011	196,777	168,208
Warrants issued on October 19, 2012	20,000,000	200,000
Warrants issued with non-brokered private placements	1,940,000	19,400
Warrants issued with shares for debt outstanding	5,148,649	51,486
Warrants issued to shareholders of 1696074 Alberta Ltd. December 19, 2012	3,600,000	36,000
Balance at December 31, 2012	30,885,426	475,094
Warrants issued with non-brokered private placements (Note 9 (b) (ii))	200,000	2,000
Warrants issued with shares for debt outstanding (Note 9 (b) (i))	5,195,317	51,953
Balance at March 31, 2013	36,280,743	529,047

The fair value of the warrants issued during the period ended March 31, 2013 was estimated using a net asset value calculation of the Corporation as of March 31, 2013. The Corporation's calculation yielded the warrants within the units issued to be \$0.01.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

10. Share-based payments

On February 28, 2013, the Corporation granted 4,300,000 options. Of the options issued, 3,750,000 were granted to directors of the Corporation. The options have a term of five years and vest immediately at an exercise price of \$0.25. The remaining 550,000 options granted to management and staff has a five year term and vest over a three year period starting on the first anniversary date of the grant at an exercise price of \$0.25.

The number of options outstanding as at March 31, 2013 totaled 4,818,902 (December 31, 2012 – 557,902).

The fair value of the options was estimated using the Black-Scholes model with the following weighted average inputs:

		March 31, 2013	March 31, 2012
Fair value at grant date	\$	0.17	1.28
Common share price	\$	0.25	1.90
Exercise price	\$	0.25	1.90
Volatility		86%	86%
Option life		5 years	5 years
Dividends		0%	0%
Risk-free interest rate		1.08%	0.89%
Forfeiture rate		6.40%	0%

This estimated forfeiture rate is adjusted to the actual forfeiture rate when each tranche vests. Share based compensation cost of \$680,460 (March 31, 2012 – \$181,021) was expensed during the three months ended March 31, 2013.

Stock Options	Weighted average exercise price \$	Stock Options Outstanding
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
Granted	0.25	4,300,000
Forfeited	2.00	(39,000)
Balance at March 31, 2013	0.33	4,818,902

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

11. Earnings per share

Basic and diluted income (loss) per share

	Loss for the period	Weighted average	Per share amount
	\$	number of shares	\$
Three months ended March 31, 2013			
Basic and diluted	(1,179,728)	48,405,626	(0.02)
Three months ended March 31, 2012			
Basic and diluted	(2,139,110)	11,675,768	(0.18)

The effect of warrants and stock options outstanding on loss per share for the period ended March 31, 2013 is anti-dilutive.

12. Supplemental cash flow information

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

	March 31, 2013	March 31, 2012
Three months ended	\$	\$
Source (use) of cash:		
Trade and other receivables	144,180	762,975
Prepaid expenses and deposits	46,523	(40,990)
Trade and other payables	319,822	619,937
Long term liability	(269,103)	-
Change in non-cash working capital	241,422	1,341,922

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

	March 31, 2013	March 31, 2012
Three months ended	\$	\$
Source (use) of cash:		
Trade and other payables	(421)	(266,640)
Change in non-cash working capital	(421)	(266,640)

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

For the three month periods ended March 31, 2013 and March 31, 2012

13. Related party transactions

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

Name	Country of incorporation	% ownership interest	
		March 31, 2013	December 31, 2012
3MV Energy Operations Inc.	Canada	100%	100%
1696704 Alberta Ltd.	Canada	100%	100%
3 Martini Ventures Inc.	Canada	100%	100%
Buckhorn Resource Ltd.	Canada	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 period ended March 31, 2013, the Corporation incurred \$91,026 in costs relating to legal services paid to a firm which is controlled by a director of the Corporation.

During to the period the Corporation issued a \$2,000,000 non-brokered private placement financing of convertible debentures to a director and major shareholder of the Corporation.