MCW Energy Group Limited

Condensed Consolidated Interim Financial Statements

For the three and six months ended February 28, 2013 and February 29, 2012

Expressed in US dollars

(Unaudited)

MCW Energy Group Limited

Table of Contents

MCW ENERGY GROUP LIMITED

Condensed Consolidated Statements of Financial Position
As at February 28, 2013 and August 31, 2012
Expressed in US dollars

	February 28 2013 (unaudited)	August 31 2012 (Note 2)
ASSETS		
Current assets		
Cash	$ 990,968	$ 2,636,126
Accounts receivable	8,705,621	7,628,472
Loans receivable (Note 4(b))	1,220,447	1,308,392
Prepaid expenses and deposits	133,710	655,226
	11,050,746	12,228,216
Mineral Lease (Note 5)	1,976,569	1,976,569
Property and Equipment (Note 6)	5,008,945	3,501,144
Intangible Assets (Note 7)	2,441,102	2,376,454
	9,426,616	7,854,167
	$ 20,477,362	$ 20,082,383
LIABILITIES		
Current liabilities		
Accounts payable	$ 12,394,244	$ 11,384,926
Accrued expenses	681,843	1,210,207
Repayable branding advances (Note 7)	137,701	-
Bank line of credit (Note 8)	-	499,000
Current portion of long-term debt (Note 8)	3,308,173	754,644
	16,521,961	13,848,777
Long-term Debt (Note 8)	230,838	2,328,694
Convertible Bond (Note 9)	3,188,021	3,013,800
	3,418,859	5,342,494
	19,940,820	19,191,271
SHAREHOLDERS' EQUITY		
Share Capital (Notes 3 and 11)	6,268,354	1,863,978
Share Subscriptions	-	1,296,781
Share Option Reserve	7,105,977	3,204,907
Share Warrant Reserve	157,733	-
Convertible Bond Reserve	431,557	431,557
Deficit	(14,922,997)	(7,506,620)
	(959,376)	(709,397)
Non-Controlling Interest	1,495,918	1,600,509
	536,542	891,112
	$ 20,477,362	$ 20,082,383

Approved by the Board of Directors

"Alexander Blyumkin"
Alexander Blyumkin, Director

"David Sutton"
David Sutton, Director

The accompanying notes are an integral part of these financial statements

MCW ENERGY GROUP LIMITED

Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended February 28, 2013 and February 29, 2012
Expressed in US dollars
(unaudited)

	Three months ended		Six months ended	
	February 28 2013	February 29 2012 (Note 2)	February 28 2013	February 29 2012 (Note 2)
Fuel Operations				
Net Revenue	$ 97,010,815	$ 80,463,854	$ 209,195,036	$ 161,233,346
Cost of Goods Sold	95,188,697	79,072,326	204,972,527	158,555,164
Gross Profit	1,822,118	1,391,528	4,222,509	2,678,182
Operating Expenses				
Amortization	104,171	14,961	140,381	51,982
Branding and marketing	214,469	-	214,469	-
Consulting	20,699	17,917	30,991	37,444
General and administrative	125,142	147,378	318,199	274,857
Insurance	161,801	154,517	364,340	226,243
Professional fees	69,705	75,842	152,955	140,805
Rent	21,960	12,730	51,267	43,079
Salaries and wages	684,113	547,019	1,538,922	1,057,255
Travel and promotion	46,575	22,281	97,291	63,301
Truck operation and maintenance	400,888	353,463	938,741	657,200
	1,849,523	1,346,108	3,847,556	2,552,166
Operating income before the following	(27,405)	45,420	374,953	126,016
Allowance for doubtful accounts receivable	(20,529)	(621,583)	(20,529)	(744,344)
Interest expense	(18,667)	(4,429)	(30,107)	(52,300)
Other income (expense)	(11,537)	(124,239)	-	(167,419)
(Loss) Income before Income Taxes	(78,138)	(704,831)	324,317	(838,047)
Income Taxes	-	-	-	-
(Loss) Income from Fuel Operations	(78,138)	(704,831)	324,317	(838,047)
Oil Sands Operations				
General and administrative	(20,152)	(15,954)	(101,763)	(65,060)
Professional fees	14,050	(14,556)	(2,657)	(70,338)
Salaries and wages	(57,027)	(20,000)	(109,027)	(34,430)
(Loss) from Oil Sands Operations	(63,129)	(50,510)	(213,447)	(169,828)
Financing and other				
Interest expense and finance costs	-	-	(22,000)	-
General and administrative	(71,345)	44,725	(110,648)	(880)
Professional fees	(40,992)	(70,000)	(348,570)	(221,799)
Reverse acquisition listing cost	-	-	(2,480,506)	-
Salaries and wages	(59,198)	(19,000)	(99,105)	(19,000)
Share-based compensation (Note 12)	(916,868)	(501,111)	(3,817,663)	(1,002,222)
Shares issued for services	(396,655)	-	(519,003)	-
Travel	(153,842)	(243,605)	(234,343)	(329,887)
(Loss) from Financing	(1,638,900)	(788,991)	(7,631,838)	(1,573,788)
Net (Loss) and Comprehensive (Loss)	$ (1,780,167)	$ (1,544,332)	$ (7,520,968)	$ (2,581,663)
Net (Loss) and Comprehensive (Loss) attributable to:				
Shareholders of the Company	$ (1,749,233)	$ (1,519,581)	$ (7,416,377)	$ (2,498,447)
Non-Controlling Interest	(30,934)	(24,751)	(104,591)	(83,216)
	$ (1,780,167)	$ (1,544,332)	$ (7,520,968)	$ (2,581,663)
Weighted Average Number of Shares Outstanding	35,497,778	31,291,250	34,293,618	31,291,250
Basic and Diluted Loss per Share	$ (0.05)	$ (0.05)	$ (0.22)	$ (0.08)

The accompanying notes are an integral part of these financial statements

MCW ENERGY GROUP LIMITED

Condensed Consolidated Statements of Changes in Shareholders' Equity
For the six months ended February 28, 2013 and February 29, 2012
Expressed in US dollars
(unaudited)

	Number of Shares Outstanding	Share Capital	Share Subscriptions	Option Reserve	Warrant Reserve	Convertible Bond Reserve	Deficit (Note 2)	Shareholder Equity	Non-Controlling Interest	Total Equity
Balance at August 31, 2011 (Note 2)	125,165,000	$ 602,231	$ -	$1,189,450	$ -	$ 431,557	$ (1,423,313)	$ 799,925	$ 1,809,730	$2,609,655
Share based compensation (Note 12)	-	-	-	1,002,222	-	-	-	1,002,222	-	1,002,222
Net (loss)	-	-	-	-	-	-	(2,498,446)	(2,498,446)	(83,216)	(2,581,662)
Balance at February 29, 2012 (Note 2)	125,165,000	$ 602,231	$ -	$2,191,672	$ -	$ 431,557	$ (3,921,759)	$ (696,299)	$ 1,726,514	$1,030,215
Balance at August 31, 2012 (Note 2)	127,929,643	$1,863,978	$ 1,296,781	$3,204,907	$ -	$ 431,557	$ (7,506,620)	$ (709,397)	$ 1,600,509	$ 891,112
Share consolidation (Note 3)	(95,947,232)	-	-	-	-	-	-	-	-	-
Private placement of shares (Note 3)	770,000	1,401,400	(1,296,781)	-	-	-	-	104,619	-	104,619
Fair value allocated to warrants (Note 13)	-	(126,728)	-	-	126,728	-	-	-	-	-
Fair value allocated to broker warrants (Note 13)	-	(31,005)	-	-	31,005	-	-	-	-	-
Share issue costs	-	(477,936)	-	-	-	-	-	(477,936)	-	(477,936)
Reverse acquisition of Axea Capital Corp. (Note 3)	1,322,476	2,457,645	-	83,408	-	-	-	2,541,053	-	2,541,053
Common shares issued for debt settlement (Note 11)	940,963	781,000	-	-	-	-	-	781,000	-	781,000
Common shares issued for debt guarantees (Note 11)	481,928	400,000	-	-	-	-	-	400,000	-	400,000
Share based compensation (Note 12)	-	-	-	3,817,662	-	-	-	3,817,662	-	3,817,662
Net (loss)	-	-	-	-	-	-	(7,416,377)	(7,416,377)	(104,591)	(7,520,968)
Balance at February 28, 2013	35,497,778	$6,268,354	$ -	$7,105,977	$157,733	$ 431,557	$(14,922,997)	$ (959,376)	$ 1,495,918	$ 536,542

The accompanying notes are an integral part of these financial statements

MCW ENERGY GROUP LIMITED

Condensed Consolidated Statements of Cash Flows
For the three and six months ended February 28, 2013 and February 29, 2012
Expressed in US dollars
(unaudited)

	Six months ended	
	February 28 2013	February 29 2012
Cash flow from operating activities:		
Net (loss)	$ (7,520,968)	$ (2,581,663)
Non-cash expenses related to investing and financing activities		
Amortization	140,381	51,982
Shares issued for services	519,003	-
Shares issued as part of reverse acquisition	2,480,506	-
Share-based compensation	3,817,663	1,002,222
Other	-	112,802
Changes in operating assets and liabilities:		
Accounts receivable	(1,055,928)	(1,375,846)
Prepaid expenses and deposits	11,056	10,509
Accounts payable	988,261	2,120,897
Accrued expenses	(152,930)	134,978
Net cash from operating activities	(772,956)	(524,119)
Cash flows from investing activities:		
Purchase and construction of property and equipment	(1,350,139)	(220,919)
(Acquisition) recovery of intangible assets	(188,470)	21,514
(Payments) Receipts of branding costs	137,701	-
Net cash (used for) from investing activities	(1,400,908)	(199,405)
Cash flows from financing activities:		
(Receipts from) Advances to shareholders	159,492	(140,748)
Share issue costs	(368,459)	-
Payments on debt	(743,327)	(152,565)
Proceeds from issuance of debt	1,481,000	-
Net cash from (used for) financing activities	528,706	(293,313)
Increase (decrease) in cash	(1,645,158)	(1,016,837)
Cash, beginning of the period	2,636,126	2,208,337
Cash, end of the period	$ 990,968	$ 1,191,500
Supplemental disclosure of cash flow information:		
Interest received	$ 75,421	$ 39,810
Interest paid	105,528	41,658

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

MCW Energy Group Limited ("MCWE" or the "Company") is an Ontario corporation which has a wholly owned subsidiary, MCW Fuels, Inc. (formerly McWhirter Distributing, Inc.) which is located in the USA and has two business segments, fuel distribution and tar sands oil extraction. The tar sands oil extraction activities are conducted by MCW Oil Sands Recovery, LLC., a 51% owned subsidiary of MCW Fuels, Inc.

The Company's registered office is at Suite 801, 1 Adelaide Street East, Toronto ON, M5C 2V9, Canada and its principal operating office is located at 344 Mira Loma Avenue, Glendale, California 91204, USA.

In October 2012 the Company was legally acquired by AXEA Capital Corp ("AXEA"), a British Columbia corporation, following which the shares were listed for trading on the TSX Venture Exchange (the "TSX-V"). As the shareholders of the Company owned the majority of the shares of AXEA, renamed "MCW Enterprises Ltd." on the completion of the transaction, it is accounted for as a "reverse acquisition" pursuant to which the Company will be considered to be the continuing corporation for accounting purposes (Note 3).

MCW Fuels, Inc. ("MCWF") is engaged in the marketing and sale of unleaded and diesel land fuel products and related services in Southern California. The Company's business strategy is to provide value-added benefits to its customers, including single-supplier convenience, competitive pricing, the availability of trade credit, price risk management, logistical support, fuel quality control and co-branding, as well as skilled and knowledgeable drivers.

MCW Oil Sands Recovery, LLC ("MCWO") is a tar sands mining and oil processing operation using a closed-loop solvent based extraction system that recovers bitumen from surface mining. The company is based in Uintah, Utah. MCWO holds a working interest in a mineral lease within the Asphalt Ridge area, acquired from its 49% shareholder, Amerisands, LLC. MCWO is in the process of developing an oil extraction and processing facility on the property in Uintah, Utah.

The Company has incurred net losses for the past three years and has accumulated deficits of $14,992,997 as at February 28, 2013. As at February 28, 2013, there is a working capital deficiency of $5,471,215. These condensed consolidated interim financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed consolidated interim financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company is unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements in compliance with IAS 1 *Presentation of Financial Statements.* The accounting policies used in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards ("IFRS") as at April 29, 2013, the date the condensed consolidation interim financial statements were authorized for issue by the Board of Directors. Except as noted below, they follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements for the year ended August 31, 2012 and should be read in conjunction with those audited consolidated financial statements.

Expressed in US dollars (unaudited)

2. BASIS OF PREPARATION (continued)

During the period ended February 28, 2013, the Company determined that borrowing costs on the convertible bond (Note 9) qualify for recognition as costs of constructing the Company's Extraction Facility (Note 6) in accordance with IAS 23 *Borrowing Costs*. These borrowing costs have been included in the cost of the Extraction Facility for the three and six months ended February 28, 2012. In accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*, the Company has restated the comparative amounts presented in these condensed consolidated interim financial statements, including the opening balances as at September 1, 2011.

This retrospective restatement has resulted in the following differences from previously reported amounts:

Financial Statement Line Item	Previously Reported Amount	Effect of Capitalizing Borrowing Costs	Restated Amount	Decrease in loss per share
As at August 31, 2012				
Property and Equipment	$ 3,055,786	$ 445,358	$ 3,501,144	$ -
Deficit	7,951,978	(445,358)	7,506,620	-
As at September 1, 2011				
Property and Equipment	2,087,521	121,615	2,209,136	-
Deficit	1,544,928	(121,615)	1,423,313	-
For the three months ended February 29, 2012				
Financing and Other - Interest expense and finance costs	79,300	(79,300)	-	0.003
For the six months ended February 29, 2012				
Financing and Other - Interest expense and finance costs	156,390	(156,390)	-	0.005

3. REVERSE ACQUISITION

The Company entered into an amalgamation agreement with AXEA dated October 5, 2012 pursuant to which the shareholders of the Company acquired control of AXEA, a company listed for trading on the NEX, a separate board of the TSX-V, through a "reverse acquisition". The Company and AXEA completed the amalgamation on October 15, 2012 pursuant to which:

(i) the Company closed a private placement for 3,080,000 (770,000 post exchange for shares of AXEA) subscription receipts for gross proceeds of Cdn $1,400,000. Each subscription receipt was convertible into units of the Company consisting of one common share and one half of one common share purchase warrant. Each full warrant will be exercisable for one common share at a price of Cdn $0.75 ($3.00 post exchange for warrants of AXEA) for a period of 24 months after the completion of the amalgamation. The net proceeds from the private placement were Cdn $1,180,000 including cash payments of Cdn $220,000 for share issue costs and the issuance of 224,000 (56,000 post exchange for warrants of AXEA) share purchase warrants to the broker.

(ii) the outstanding shares of AXEA were consolidated on a 6:1 basis.

(iii) four outstanding common shares of the Company were exchanged for one common share of AXEA, resulting in the issue of 32,752,411 common shares, or approximately 96% of the subsequently issued shares, to the shareholders of the Company.

(iv) at the completion of the amalgamation, 66,667 common shares were reserved for the future exercise of options and 2,441,000 for the future exercise of warrants

Expressed in US dollars (unaudited)

3. REVERSE ACQUISITION (continued)

In accordance with IFRS, the Company is identified as the acquirer at the completion of the amalgamation since the existing shareholders of the Company control AXEA, the legal parent company. In accordance with the requirements of reverse acquisition accounting, the authorized share capital presented in the consolidated financial statements prepared after the completion of the amalgamation, is that of AXEA, the legal parent, and the issued share capital will be that of the Company, the legal subsidiary. The comparative figures in those financial statements will be those of the Company as it is considered to be the continuing company.

In conjunction with the amalgamation, the Company's shares commenced trading on the Venture Exchange of the Toronto Stock Exchange (the "TSX-V") on October 12, 2012.

The estimated consideration paid of $2,541,052 and the estimated fair values of the net assets of AXEA acquired by the Company on the reverse acquisition were:

Cash	$4,858
Other assets	101,310
Accounts payable	(45,622)
Transaction costs expensed	2,480,506
	$2,541,052

The name of AXEA was changed to "MCW Enterprises Ltd." on the completion of the amalgamation. On December 12, 2012, a meeting of the shareholders of MCW Enterprises Ltd. was held to approve the continuance of that company from British Columbia to Ontario and to adopt new by-laws upon continuance. Once continued into Ontario, MCW Enterprises Ltd. completed another amalgamation with the Company, its now wholly-owned legal subsidiary company, with the amalgamated corporation being named "MCW Energy Group Limited".

4. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise separately disclosed in these financial statements are:

(a) Approximately 0.9% and 1.4% (2012 – 2.7% and 2.6%) of the Company's sales during the three and six months ended February 28, 2013 were to retail operations owned by Dalex Holding, Inc., Dalex Investments, Inc., and McWhirter Distributing Co., Inc., which are beneficially owned by certain shareholders and executive officers of the Company. Accounts receivable as at February 28, 2013 from these related parties are $477,214 (August 31, 2012 - $532,379)

(b) Of the loans receivable, $1,152,386 are from certain shareholders and executive officers of the Company and are demand loans with interest at variable rates. The effective interest rate for the three and six months ended February 28, 2013 was 4% (2012 – 4%). These shareholders and executive officers have also guaranteed loans from BBCN Bank to the Company (Note 8 and 11(a)).

(c) Key management personnel and director compensation for the three and six months ended February 28, 2013 consisted of salaries and benefits of $177,373 and $339,746 (2012 - $142,667 and $274,160) and share-based compensation of $792,967 and $2,964,971 (2012 - $371,702 and $747,536).

(d) An executive officer of the Company is also a member of and holds a 50% ownership interest in Amerisands LLC. The Company made payments of $9,904 and $889,326 to Amerisands, LLC during the three and six months ended February 28, 2013 (2012 - $nil for both periods) for the management and construction of its oil extraction facility (Note 6).

Expressed in US dollars (unaudited)

5. MINERAL LEASE

On December 29, 2010, MCWF entered into an operating agreement to be the managing member of MCWO (Note 1). Under the terms of the agreement, the Company contributed cash of $2,000,000 to MCWO and Amerisands, LLC contributed an irrevocable assignment of a mineral lease, dated August 11, 2008 and covering 1138 acres in Uintah County, Utah (the "Mineral Lease"), for the extraction of bituminous or asphaltic sands (tar sands). The Mineral Lease term is for 10 years with rights for extensions based on reasonable production.

The investment in and expenditures on the Mineral Lease represents a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon obtaining permits, satisfying governmental requirements and possible aboriginal claims, attainment of successful production from the lease or from the proceeds of disposal. The expenditures on the Mineral Lease are:

	February 28 2013	August 31 2012
Acquisition cost	$ 1,921,569	$ 1,921,569
Maintenance costs	55,000	55,000
	$ 1,976,569	$ 1,976,569

6. PROPERTY AND EQUIPMENT

	Leaseholds and Equipment	Oil Extracion Facility under Construction (Note 2)	Total
Cost			
August 31, 2011	$ 330,285	$ 2,152,408	$ 2,482,693
Additions	22,101	1,320,076	1,342,177
Dispositions	(36,286)	-	(36,286)
August 31, 2012	316,100	3,472,484	3,788,584
Additions	7,859	1,516,502	1,524,361
February 28, 2013	$ 323,959	$ 4,988,986	$ 5,312,945
Accumulated Amortization			
August 31, 2011	$ 273,557	$ -	$ 273,557
Additions	31,907	-	31,907
Dispositions	(18,024)	-	(18,024)
August 31, 2012	287,440	-	287,440
Additions	16,560	-	16,560
February 28, 2013	$ 304,000	$ -	$ 304,000
Carrying Amounts			
August 31, 2011	$ 56,728	$ 2,152,408	$ 2,209,136
August 31, 2012	$ 28,660	$ 3,472,484	$ 3,501,144
February 28, 2013	$ 19,959	$ 4,988,986	$ 5,008,945

Expressed in US dollars (unaudited)

6. PROPERTY AND EQUIPMENT (continued)

Leaseholds and Equipment

Leaseholds and equipment consist of improvements to the Company's rented principal operating office, computer equipment, software, and office furniture and equipment.

Oil Extraction Facility under Construction

In June 2011, the Company commenced the development of an oil sands extraction facility (the "Extraction Facility") on its site in Uintah, Utah (Asphalt Ridge) and entered into construction and equipment fabrication contracts for this purpose. The Extraction Facility is expected to be completed in June or July 2013 and the Company intends to amortize the cost of construction over 15 years from commencement of production. The anticipated total cost of the facility is $6,000,000, of which $5,008,945 had been incurred as of February 28, 2013.

Costs of construction include borrowing costs on the Company's convertible debt (Note 9) of $174,221 for the six months ended February 28, 2013 (six months ended February 29, 2012 - $156,390).

Amerisands, LLC (Note 4(d)) manages the construction and is entitled to receive a project management fee of 5% of the total cost of construction on completion.

7. INTANGIBLE ASSETS

	Branded Reseller Distribution Agreements	Oil Extraction Technology	Total
Cost			
August 31, 2011	$ 662,869	$ -	$ 662,869
Additions	1,503,645	735,488	2,239,133
Dispositions	(174,213)	-	(174,213)
August 31, 2012	1,992,301	735,488	2,727,789
Additions	188,470	-	188,470
February 28, 2013	$ 2,180,771	$ 735,488	$ 2,916,259
Accumulated Amortization			
August 31, 2011	$ 371,027	$ -	$ 371,027
Additions	80,589	-	80,589
Dispositions	(100,281)	-	(100,281)
August 31, 2012	351,335	-	351,335
Additions	123,822	-	123,822
February 28, 2013	$ 475,157	$ -	$ 475,157
Carrying Amounts			
August 31, 2011	$ 291,842	$ -	$ 291,842
August 31, 2012	$ 1,640,966	$ 735,488	$ 2,376,454
February 28, 2013	$ 1,705,614	$ 735,488	$ 2,441,102

Expressed in US dollars (unaudited)

7. INTANGIBLE ASSETS (continued)

Branded Reseller Distribution Agreements
The Company has Branded Reseller Distribution Agreements with various retailers whereby the Company provides funds to these retailers to operate under certain brand names and receives exclusive distribution rights to these retailers. The Company has capitalized these amounts and amortizes them over the life of the agreements. In the event that the agreements are terminated within four years of the date of the latest advance, the retailers may be required to reimburse the Company for the unamortized costs of branding those retailers.

On June 14, 2012 and August 28, 2012 the Company acquired ten Branded Reseller Distribution Agreements from WestCo Petroleum Distributors, Inc. for $1,300,000. A final $700,000 payment is due, in cash or shares at the option of the Company, once the transfer of the remaining six reseller distribution agreements is completed by Westco.

From time to time the Company receives reimbursement from suppliers for retailer branding costs in advance. At February 28, 2013, the Company has received $137,701 (August 31, 2012 - $Nil) of such reimbursements for which retailer branding costs have not yet been incurred.

Oil Extraction Technology
During the year ended August 31, 2012, the Company acquired closed-loop solvent based oil extraction technology (the “Extraction Technology”) which facilitates the extraction of oil from a wide range of bituminous sands and other hydrocarbon sediments. The Company intends to employ this technology in its Extraction Facility which is currently under construction (Notes 6 and 10) and intends to amortize the costs of the Extraction Technology over fifteen years from the commencement of production, the expected life of the Extraction Facility.

8. LONG TERM DEBT

Lender	Type of debt	Maturity Date	Interest Rate		Principal due at February 28 2013		Principal due at August 31 2012
BBCN Bank	Business Term Loan	November 2, 2013	4.50%	$	1,325,586	$	1,484,985
BBCN Bank	Business Term Loan	December 5, 2022	5.25%		979,624		-
BBCN Bank	Business Term Loan	June 1, 2022	5.25%		953,128		985,447
BBCN Bank	Business Term Loan	September 30, 2017	7.00%		280,673		310,199
Morison Management S.A.	Promissory Note	May 18, 2014	5.00%-		-		300,000
				$	3,539,011	$	3,083,338
Principal due within one year				$	3,308,173	$	754,644
Principal due later than one year					230,838		2,328,694
				$	3,539,011	$	3,083,338

The Company’s Business Term Loans from BBCN Bank are secured by the assets of the Company and are guaranteed by two of the Company’s shareholders and executive officers. The Company has determined that it is not in compliance with all of the loan covenants for the loans maturing on November 2, 2013, December 5, 2022 and June 1, 2022, which may give BBCN Bank the right to demand repayment prior to

Expressed in US dollars (unaudited)

8. LONG TERM DEBT (continued)

the contractual maturity date. Accordingly, the Company has classified these loans balances as current liabilities.

The Company also has two commercial lines of credit with BBCN bank of $500,000 each, on which a combined $Nil has been drawn at February 28, 2013 (August 31, 2012 - $499,000). These lines of credit bear interest at an annual rate of 5.75%.

During the six months ended February 28, 2013, the Company repaid the loan from Morison Management S.A. through the issue of shares (Note 11(b)).

9. CONVERTIBLE BOND

On April 4, 2011, the Company borrowed $3,000,000 from Lenzarinal Investments Ltd. The loan is convertible to 1,500,000 common shares at the option of the holder. Interest accrues at the rate of 7% Payments of interest and principal are deferred until the maturity of the loan on May 12, 2014. In accordance with IFRS 32.28, the convertible debenture has been accounted for as a compound financial instrument, with a long-term liability component (the loan) and an equity component (the conversion right) classified as a reserve within equity. A reconciliation of the carrying value of the convertible bond to the fair value at issue is:

		February 28 2013		**August 31 2012**
Fair value of convertible debenture at issue	$	3,000,000	$	3,000,000
Amount classified as equity		(431,557)		(431,557)
Accrued interest expense		400,438		296,301
Accretion expense		219,140		149,056
Carrying amount of liability	$	3,188,021	$	3,013,800

10. COMMITMENTS

Oil Extraction Technology

A key component of the Extraction Technology was transferred to the Company by its inventor (subsequently appointed the Chief Technology Officer of the Company) in exchange for employment with the Company, 500,000 common shares of the Company which are reserved for issuance following the successful testing and operation of the first facility, and a royalty on a scale of 2% to 4% of gross revenue from each extraction facility beginning with the successful operation of a second facility. As at February 28, 2013, the Company has not completed the first Extraction Facility (Note 6)

Supply Agreement

In June 2012, the Company entered into a five year oil sands material supply agreement under which Temple Mountain Energy Inc. will supply the Company with 8,333 tons of oil sands material per month at a cost of $19.50 per ton (crushed and delivered). The agreement also grants the Company the option on placing two extraction unit locations on the Temple Mountain lease and the option of purchasing the Temple Mountain lease, which includes a valid large mine permit from the state of Utah. As at February 28, 2013, the Company has made the initial deposit of $100,000 required under the agreement.

Rental Commitments

The Company's minimum future annual rental commitments for leased gasoline stations, which are all sublet, and its principal operating office are:

Expressed in US dollars (unaudited)

10. COMMITMENTS (continued)

	Sublease Income	Minimum Rental Commitments	Net Rental Cost (Income)
Due within 1 year	$ (135,552)	$ 230,003	$ 94,451
Due between 2 and 5 years	(468,990)	597,671	128,681
Due later than 5 years	-	428,168	428,168
	$ (604,542)	$ 1,255,842	$ 651,300

Truck Leases

The Company has operating leases with 60 month terms for trucks and trailers used for fuel delivery. Minimum future annual payments under these leases are:

Due within 1 year	$ 568,627
Due between 1 and 5 years	1,501,479
	$ 2,070,106

11. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	35,497,778 shares

(a) Two shareholders and executive officers of the Company provided their personal guarantees for $2,000,000 in loans and credit facilities entered into by the Company during the previous fiscal year. The Company issued 481,928 common shares with a fair value of $0.83 per common share to these shareholders and executive officers for their guarantees during the six months ended February 28, 2013.

(b) The Company issued 940,963 common shares with a fair value of $0.83 per share as settlement of debt of $781,000 to Morison Management S.A.

12. COMMON SHARE PURCHASE OPTIONS

The Company has adopted a common share purchase option plan pursuant to the guidelines of the TSX Venture Exchange whereby the maximum number of common shares reserved for share purchase options is 10% of the outstanding common shares.

(a) On October 5, 2012, the Company assumed 66,666 common share purchase options in conjunction with the amalgamation with AXEA (Note 3). These options are exercisable at a price of $0.60 per common share and expire on July 28, 2013.

(b) On November 11, 2012, the Company issued 3,340,000 common share purchase options with a grant date fair value of $2,399,684 to certain directors, officers and consultants of the Company. These options vested on the grant date and are exercisable at a price of $1.10 per common share until November 11, 2017. The Company has recognized $2,399,684 in share-based compensation for these options during the six months ended February 28, 2013.

The fair values of share purchase options granted during the six months ended February 28, 2013 were determined using the Black-Scholes option pricing model and the following weighted average inputs:

Expressed in US dollars (unaudited)

12. COMMON SHARE PURCHASE OPTIONS (continued)

	February 28 2013
Share price	$1.10
Exercise price	$1.10
Expected share price volatility	82%
Risk-free interest rate	1.30%
Expected term	5 years

As at February 28, 2013, the following share purchase options were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Options Exercisable
July 28, 2013	$0.60	66,666	66,666
November 17, 2017	$1.10	3,340,000	3,340,000
		3,406,666	3,406,666

13. COMMON SHARE PURCHASE WARRANTS

On January 27, 2011, the Company granted 8,000,000 share purchase warrants exercisable at a price of $0.04 per share, to certain officers and consultants of the Company. These warrants were consolidated on a 4:1 basis following the amalgamation with AXEA (Note 3). The resulting 2,000,000 warrants become exercisable at a price of $0.16 per common share on December 31, 2013 and expire on December 31, 2018.

On February 20, 2013, the Company modified 500,000 of these warrants to vest immediately and expire on October 28, 2013. The Company has treated this warrants modification as an acceleration of the original vesting terms.

The fair value of these warrants was measured on the grant date as $5,886,676 using the Black-Scholes option pricing model. Share-based compensation expense related to these warrants of $916,868 and $1,420,732 (2012 - $495,604 and $996,715) was recorded for the three and six months ended February 28, 2013.

During the six months ended February 28, 2013, the Company issued common share purchase warrants in conjunction with the Amalgamation (Note 3) which entitle the holders to purchase 385,000 common shares for $3.00 per share prior to October 19, 2014 and 56,000 common shares for $2.00 per share prior to October 19, 2014. These warrants are outstanding as at February 28, 2013.

The grant-date fair value of these warrants was determined to be $126,728 and $31,005, respectively, using the Black-Scholes option pricing model and the following weighted average inputs:

Share price	$1.86
Exercise price	$2.94
Expected share price volatility	59%
Risk-free interest rate	1.08%
Expected term	2 years

Expressed in US dollars (unaudited)

14. SEGMENT INFORMATION

The Company operates in two reportable segments within the USA, fuel distribution and oil extraction and processing, which are the Company's strategic business units. The results of the Company's fuel distribution segment exhibit seasonal variation common to the industry and its operating location, being generally lower in the first and second fiscal quarters and higher in the third and fourth fiscal quarters. This variation is solely due to the demand for motor vehicle fuel, which is generally highest during the summer months.

	Six months ended February 28, 2013		
	Oil Extraction	**Fuel Distribution**	**Consolidated**
Revenues	$ -	$ 209,195,036	$ 209,195,036
Net income (loss)	(7,845,285)	324,317	(7,520,968)
Total assets	7,167,555	13,309,807	20,477,362

	Six months ended February 29, 2012		
	Oil Extraction	**Fuel Distribution**	**Consolidated**
Revenues	$ -	$ 161,233,346	$ 161,233,346
Net income (loss)	(1,743,616)	(838,047)	(2,581,663)
Total assets	4,207,742	13,109,427	17,317,169

15. EVENTS AFTER THE REPORTING PERIOD

On March 1, 2013 the Company and GeoPetro Resources Company ("GeoPetro") entered into a definitive merger agreement. The Company has agreed, subject to the terms and conditions of the agreement, to acquire GeoPetro, which will become a wholly owned subsidiary of the Company.

Completion of the transaction is contingent upon, among other conditions, shareholder and regulatory approvals, and it is expected to close in the Summer of 2013. The parties intend to request a hearing before the California Commissioner of Corporations and obtaining the approval of the Commissioner of the terms and conditions of the merger. Obtaining such an approval from the Commissioner would qualify the Company's proposed share issuances for an exemption from the registration thereof under the U.S. Securities Act of 1933, as amended, and such approval is a of the merger.