MCW Energy Group Limited

Condensed Consolidated Interim Financial Statements

For the three and nine months ended May 31, 2013 and 2012

Expressed in US dollars

(Unaudited)

MCW Energy Group Limited

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MCW ENERGY GROUP LIMITED

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

		May 31 2013 (unaudited)		August 31 2012 (Note 2)
ASSETS				
Current assets				
Cash	$	951,603	$	2,636,126
Accounts receivable		7,822,606		7,628,472
Loans receivable (Note 4(b))		1,160,392		1,308,392
Prepaid expenses and deposits		159,973		655,226
		10,094,574		12,228,216
Mineral Lease (Note 5)		1,976,569		1,976,569
Property and Equipment (Note 6)		5,387,221		3,501,144
Intangible Assets (Note 7)		2,409,186		2,376,454
		9,772,976		7,854,167
	$	19,867,550	$	20,082,383
LIABILITIES				
Current liabilities				
Accounts payable	$	12,009,782	$	11,384,926
Accrued expenses		1,178,527		1,210,207
Repayable branding advances		63,373		-
Bank line of credit (Note 8)		499,888		499,000
Current portion of long-term debt (Note 8)		1,448,774		754,644
Convertible Debenture (Note 9)		-		3,013,800
		15,200,344		16,862,577
Long-term Debt (Note 8)		1,945,999		2,328,694
		17,146,343		19,191,271
SHAREHOLDERS' EQUITY				
Share Capital (Notes 3 and 10)		6,268,354		1,863,978
Shares to be Issued (Note 9)		3,434,700		1,296,781
Share Option Reserve		7,485,940		3,204,907
Share Warrant Reserve		157,733		-
Convertible Debenture Reserve (Note 9)		431,557		431,557
Deficit		(16,505,012)		(7,506,620)
		1,273,272		(709,397)
Non-Controlling Interest		1,447,935		1,600,509
		2,721,207		891,112
	$	19,867,550	$	20,082,383

Approved by the Board of Directors *"Alexander Blyumkin"* *"David Sutton"*

Alexander Blyumkin, Director 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 nine months ended May 31, 2013 and May 31, 2012
Expressed in US dollars
(unaudited)

	Three months ended		Nine months ended	
	May 31 2013	May 31 2012 (Note 2)	May 31 2013	May 31 2012 (Note 2)
Fuel Operations				
Net Revenue	$ 99,299,827	$83,022,982	$ 278,429,341	$220,485,883
Cost of Goods Sold	97,302,848	$81,077,173	272,209,853	$215,850,529
Gross Profit	1,996,979	1,945,809	6,219,488	4,635,354
Operating Expenses				
Amortization	60,120	52,280	200,501	108,366
Branding and marketing	383,261	107,458	597,730	107,458
Consulting	37,044	11,494	68,035	48,937
General and administrative	135,111	(79,922)	453,310	(71,132)
Insurance	147,538	157,894	511,878	384,138
Professional fees	84,171	169,739	237,126	240,544
Rent	20,718	25,460	71,985	68,539
Salaries and wages	970,815	599,376	2,509,737	1,656,631
Travel and promotion	62,329	17,447	159,620	50,748
Truck operation and maintenance	626,795	413,934	1,565,536	948,781
	2,527,902	1,475,160	6,375,458	3,543,010
Operating (loss) income before the following	(530,923)	470,649	(155,970)	1,092,344
Allowance for doubtful accounts receivable	-	-	(20,529)	-
Interest income	42,084	18,171	117,505	57,982
Interest expense	(39,887)	(19,335)	(145,415)	(60,993)
Other income (expense)	-	185,176	-	(28,088)
(Loss) Income before Income Taxes	(528,726)	654,661	(204,409)	1,061,245
Provision for income taxes	-	-	-	-
(Loss) Income from Fuel Operations	(528,726)	654,661	(204,409)	1,061,245
Oil Sands Operations				
General and administrative	(10,732)	(26,924)	(112,495)	(158,162)
Professional fees	(27,197)	(9,201)	(29,854)	(186,852)
Salaries and wages	(60,000)	-	(169,027)	(14,430)
Loss from Oil Sands Operations	(97,929)	(36,125)	(311,376)	(359,444)
Financing and other				
Interest expense and finance costs	(31)	-	(22,031)	-
General and administrative	(11,568)	(14,491)	(122,216)	(14,675)
Professional fees	(228,072)	(151,543)	(576,642)	(373,342)
Reverse acquisition listing cost	-	-	(2,480,506)	-
Salaries and wages	(66,357)	(40,768)	(165,462)	(40,768)
Share-based compensation (Notes 11 and 12)	(379,963)	(506,617)	(4,197,626)	(1,508,839)
Shares issued for services	-	-	(519,003)	-
Loss on settlement of debt (Note 9)	(177,642)	-	(177,642)	-
Travel	(139,710)	(83,363)	(374,053)	(148,561)
Loss from Financing and Other	(1,003,343)	(796,782)	(8,635,181)	(2,086,185)
Net Loss and Comprehensive Loss	$ (1,629,998)	$ (178,246)	$ (9,150,966)	$ (1,384,384)
Net Loss and Comprehensive Loss attributable to:				
Shareholders of the Company	$ (1,582,016)	$ (160,546)	$ (8,998,392)	$ (1,208,257)
Non-Controlling Interest	(47,982)	(17,700)	(152,574)	(176,127)
	$ (1,629,998)	$ (178,246)	$ (9,150,966)	$ (1,384,384)
Weighted Average Number of Shares Outstanding	35,497,778	31,316,009	34,699,413	31,317,040
Basic and Diluted Loss per Share	$ (0.04)	$ (0.01)	$ (0.26)	$ (0.04)

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 nine months ended May 31, 2013 and 2012
Expressed in US dollars
(unaudited)

	Number of Shares Outstanding	Share Capital	Shares to be Issued	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
Shares issued for services	409,643	$ 286,750	-	-	-	-	-	286,750	$ -	286,750
Share based compensation (Note 12)	-	-	-	1,508,839	-	-	-	1,508,839	-	1,508,839
Net (loss)	-	-	-	-	-	-	(1,208,257)	(1,208,257)	(176,127)	(1,384,384)
Balance at May 31, 2012 (Note 2)	125,574,643	$ 888,981	$ -	$2,698,289	$ -	$ 431,557	$ (2,631,570)	$ 1,387,257	$ 1,633,603	$3,020,860
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
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
Settlement of convertible debenture (Note 9)	-	-	3,434,700	-	-	-	-	3,434,700	-	3,434,700
Common shares issued for debt settlement (Note 10)	940,963	781,000	-	-	-	-	-	781,000	-	781,000
Common shares issued for debt guarantees (Note 10)	481,928	400,000	-	-	-	-	-	400,000	-	400,000
Share based compensation (Notes 11 and 12)	-	-	-	4,197,626	-	-	-	4,197,626	-	4,197,626
Fair value allocated to warrants (Note 12)	-	(126,728)	-	-	126,728	-	-	-	-	-
Fair value allocated to broker warrants (Note 12)	-	(31,005)	-	-	31,005	-	-	-	-	-
Net (loss)	-	-	-	-	-	-	(8,998,392)	(8,998,392)	(152,574)	(9,150,966)
Balance at May 31, 2013	35,497,778	$6,268,354	$ 3,434,700	$7,485,940	$157,733	$ 431,557	$(16,505,012)	$ 1,273,272	$ 1,447,935	$2,721,207

The accompanying notes are an integral part of these financial statements

MCW ENERGY GROUP LIMITED

Condensed Consolidated Statements of Cash Flows
For the nine months ended May 31, 2013 and 2012
Expressed in US dollars
(unaudited)

	Nine months ended May 31 2013		Nine months ended May 31 2012	
Cash flow from (used for) operating activities:				
Net (loss)	$	(9,150,966)	$	(1,384,384)
Non-cash expenses related to investing and financing activities				
Amortization		200,501		108,366
Shares issued for services		519,003		-
Loss on extinguishment of debt		177,642		
Shares issued as part of reverse acquisition		2,480,506		-
Share-based compensation		4,197,626		1,508,839
Changes in operating assets and liabilities:				
Accounts receivable		(172,913)		(1,693,603)
Prepaid expenses and deposits		(15,208)		(478,072)
Accounts payable		603,800		3,767,488
Accrued expenses		120,654		(67,703)
Net cash from (used for) operating activities		(1,039,355)		1,760,931
Cash flows used for investing activities:				
Purchase and construction of property and equipment		(1,442,740)		(197,865)
Acquisition of intangible assets		(210,212)		-
Receipt of branding advances		63,373		-
Net cash used for investing activities		(1,589,579)		(197,865)
Cash flows from (used for) financing activities:				
Receipts from (advances to) shareholders		219,547		(477,341)
Share issue costs		(368,459)		-
Payments on long-term debt		(387,677)		(452,620)
Proceeds from issuance of debt		1,481,000		-
Net cash from (used for) financing activities		944,411		(929,961)
Increase (decrease) in cash		(1,684,523)		633,105
Cash, beginning of the period		2,636,126		2,208,337
Cash, end of the period	$	951,603	$	2,841,442
Supplemental disclosure of cash flow information:				
Interest received	$	117,505	$	57,982
Interest paid		145,415		60,993

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

MCW Energy Group Limited (the "Company") is an Ontario corporation with a wholly owned subsidiary, MCW Fuels, Inc. which has two business segments located in the USA: 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 "Exchange"). As the shareholders of the Company owned the majority of the shares of AXEA on the completion of the transaction, it was accounted for as a "reverse acquisition" pursuant to which the Company is 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 of its delivery trucks.

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

The Company has incurred net losses for the past three years and has accumulated deficits of $16,505,012 as at May 31, 2013. As at May 31, 2013, there is a working capital deficiency of $5,105,770. 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 were 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 issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFIRC") as at July 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 nine months ended May 31, 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 nine months ended May 31, 2013. 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 May 31, 2012				
Financing and Other - Interest expense and finance costs	82,481	(82,481)	-	0.003
For the nine months ended May 31, 2012				
Financing and Other - Interest expense and finance costs	238,871	(238,871)	-	0.008

During the three months ended May 31, 2013 the company changed the software which it used for accounting for its fuel operations. As a result of the change, it came to the Company's attention that both the previously reported net revenue and cost of goods sold for its fuel operations included the excise taxes and environmental fees charged to the Company by its suppliers and collected by the Company from customers. These amounts, which are identical during each period and amounted to $30,065,522 for the nine months ended May 31, 2013, $36,877,522 for the nine months ended May 31, 2012 and $12,856,396 for the three months ended May 31, 2012, have been excluded from the net sales and cost of goods sold for fuel operations for these periods. These changes have not affected the Company's previously reported gross profit from fuel operations and the results of operations.

3. REVERSE ACQUISITION

On October 15, 2012, the Company completed a reverse acquisition ("RTO"), a capital pool company listed on the NEX trading board of the Exchange, as follows:

(i) The Company closed a private placement for 3,080,000 subscription receipts for gross proceeds of Cdn $1,400,000. Each subscription receipt was convertible into units of consisting of one common share and one half of one common share purchase warrant. Each full warrant exercisable for one common share at a price of Cdn $0.75 for a period of 24 months after the completion of the RTO. 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 share purchase warrants to the broker.

(ii) the outstanding shares of AXEA were consolidated on a six to one basis.

Expressed in US dollars (unaudited)

3. REVERSE ACQUISITION (continued)

(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 MCW NB.

(iv) at the completion of the amalgamation, 66,666 common shares were reserved for the future exercise of options and 2,441,000 for the future exercise of warrants

Following the completion of the RTO, 34,074,887 MCW shares were outstanding and 5,057,666 were reserved for issuance. The common shares of the Company commenced trading on the Exchange as a Tier 2 Issuer under the ticker symbol “MCW” on October 22, 2012.

In accordance with IFRS, the Company is identified as the acquirer at the completion of the RTO 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 RTO is that of AXEA, the legal parent, and the issued share capital is 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.

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 RTO. On December 12, 2012, MCW Enterprises Ltd. continued into Ontario and completed an 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 1.2% (2012 – 2.6%) of the Company's sales during the nine months ended May 31, 2013 were to retail operations owned by Dalex Holding, Inc. and Dalex Investments, Inc., which are beneficially owned by two shareholders and executive officers of the Company. Accounts receivable as at May 31, 2013 from these related parties are $484,109 (2012 - $532,379).

(b) $1,066,246 of the loans are receivable from certain shareholders and directors of the Company (2012 - $1,308,359) and are demand loans with interest at variable rates. The effective interest rate for the nine months ended May 31, 2013 was 4% (2012 – 4%). These shareholders and directors have also guaranteed loans from BBCN Bank to the Company (Note 8).

(c) Key management personnel and director compensation for the nine months ended May 31, 2013 consisted of salaries and benefits of $737,359 (2012 - $415,160) and share-based compensation of $3,024,255 (2012 - $1,127,499).

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. 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 Mineral Lease is subject to annual maintenance fees of approximately $14,000 and a production royalty payable to the lessor of 8% of the market price of products produced from the Mineral Lease. This royalty may be increased to 12.5% after a minimum of 10 years of production.

The expenditures on the Mineral Lease are:

	May 31 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 Extraction 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	1,901,239	1,909,098
May 31, 2013	$ 323,959	$ 5,373,723	$ 5,697,682
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	23,021	-	23,021
May 31, 2013	$ 310,461	$ -	$ 310,461
Carrying Amounts			
August 31, 2011	$ 56,728	$ 2,152,408	$ 2,209,136
August 31, 2012	$ 28,660	$ 3,472,484	$ 3,501,144
May 31, 2013	$ 13,498	$ 5,373,723	$ 5,387,221

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 a tar sands oil 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 Company intends to amortize the cost of construction over 15 years from commencement of production. The anticipated remaining cost of construction at May 31, 2013 is $2,000,000.

Costs of construction include borrowing costs for the nine months ended May 31, 2013 of $243,258 (2012 - $238,871) on the Company's convertible debt (Note 9). Total borrowing costs included in the cost of construction as at May 31, 2013 is $688,616 (August 31, 2012 - $445,358).

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. As at May 31, 2013, $223,100 has been accrued for project management fees and included in the cost of construction (2012 - $Nil).

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	210,213	-	210,213
May 31, 2013	$ 2,202,514	$ 735,488	$ 2,938,002
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	177,481	-	177,481
May 31, 2013	$ 528,816	$ -	$ 528,816
Carrying Amounts			
August 31, 2011	$ 291,842	$ -	$ 291,842
August 31, 2012	$ 1,640,966	$ 735,488	$ 2,376,454
May 31, 2013	$ 1,673,698	$ 735,488	$ 2,409,186

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 in turn receives exclusive distribution rights to these retailers. The Company has capitalized these amounts and amortizes them over the life of the agreements, which vary from 3 to 10 years. 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, the Company entered into an agreement to acquire 16 Branded Reseller Distribution Agreements from WestCo Petroleum Distributors, Inc. (“WestCo”) for $2,000,000. The acquisitions were planned in stages and as at August 31, 2012 the Company had acquired 10 of the Agreements for consideration of $1,300,000.

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 (Note 6) 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 May 31 2013		Principal due at August 31 2012
BBCN Bank	Business Term Loan	November 2, 2013	4.50%	$	1,243,509	$	1,484,985
BBCN Bank	Business Term Loan	December 5, 2022	5.25%		958,535		-
BBCN Bank	Business Term Loan	June 1, 2022	5.25%		930,127		985,447
BBCN Bank	Business Term Loan	September 30, 2017	7.00%		262,602		310,199
Morison Management S.A.	Promissory Note	May 18, 2014	5.00%		-		300,000
				$	3,394,773	$	3,083,338

Principal classified as repayable within one year	$	1,448,774	$	754,644
Principal classified as repayable later than one year		1,945,999		2,328,694
	$	3,394,773	$	3,083,338

The 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 directors.

The Company also has two commercial lines of credit (“LOCs”) with BBCN bank which allow the Company to borrow up to $500,000 each. These LOCs bear interest at an annual rate of 5.75% and are due on October 11, 2013 and December 1, 2014. As at May 31, 2013, $499,888 was outstanding on the LOC due October 11, 2013 (August 31, 2012 - $499,000).

Expressed in US dollars (unaudited)

8. LONG TERM DEBT (continued)

Subsequent to May 31, 2013, the Company obtained an additional $750,000 loan from BBCN Bank intended to finance the remaining acquisition of Branded Reseller Distribution Agreements from WestCo (Note 7). The loan matures on July 17, 2020, bears a minimum interest rate of 5.25% per annum, and is secured by the assets of the Company and personal guarantees of two of the Company's shareholders and directors.

On July 1, 2013, the Company issued a $2,260,000 unsecured promissory note to Montville Equity Corp. The promissory note has a term of 2 years and bears interest at 5% per annum, due and payable at the end of the term together with the principal.

9. CONVERTIBLE DEBENTURE

On April 4, 2011, the Company issued a $3,000,000 Convertible Debenture to Lenzarinal Investments Ltd. The principal and any accrued interest was convertible to 6,000,000 common shares of the Company (1,500,000 common shares after share consolidation (Note 3(iii))) at any time at the option of the holder. Interest accrued at the rate of 7% per annum and payments of interest and principal were deferred until the maturity of the loan on May 12, 2014.

The Convertible Debenture was accounted for on initial recognition as a non-derivative compound financial instrument, with a financial liability component (the loan) and an equity component (the fixed conversion right) classified as a reserve within equity. A reconciliation of the carrying value of the Convertible Debenture to the fair value at issue is:

		May 8 2013		**August 31 2012**
Fair value of Convertible Debenture at issue	$	3,000,000	$	3,000,000
Residual amount classified as equity		(431,557)		(431,557)
Fair value of liability component at issue		2,568,443		2,568,443
Accrued interest expense		434,700		296,301
Accretion expense		253,916		149,056
Carrying value of financial liability	$	3,257,058	$	3,013,800

On May 8, 2013, the Company entered into agreements with the beneficial holders of the Convertible Debenture to issue an aggregate of 5,724,500 common shares as full and final settlement of $3,434,700 of principal and interest outstanding under the Convertible Debenture. The Company recorded a loss of $177,642 on the extinguishment of the financial liability component of the Convertible Debenture.

The 5,724,500 common shares were issued subsequent to the end of the period on June 27, 2013.

Expressed in US dollars (unaudited)

10. SHARE CAPITAL

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 deemed value of $0.83 per common share to these shareholders and executive officers for their guarantees during the nine months ended May 31, 2013.

(b) The Company issued 940,963 common shares with a deemed value of $0.83 per share as settlement of debt of $781,000 to Morison Management S.A. during the nine months ended May 31, 2013.

11. 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 nine months ended May 31, 2013.

The fair values of share purchase options granted during the nine months ended May 31, 2013 were determined using the Black-Scholes option pricing model and the following weighted average inputs:

	May 31 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 May 31, 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

Subsequent to May 31, 2013, subject to regulatory and shareholder approval, the Company adopted a new fixed number share option plan whereby the Company can grant a maximum of 8,244,455 share purchase options and issued an additional 60,000 share purchase options exercisable at a price of $1.07 per share and 16,000 share purchase options exercisable at a price of $0.87 per share for a period of 5 years.

Expressed in US dollars (unaudited)

12. 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(iii)). The resulting 2,000,000 warrants become exercisable on December 31, 2013 at a price of $0.16 per common share 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 warrant 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 the vesting of these warrants for the nine months ended May 31, 2013 was $1,797,943 (2012 - $1,508,839).

During the nine months ended May 31, 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 May 31, 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

13. 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 due to the demand for motor vehicle fuel, which is generally highest during the summer months.

	Nine months ended May 31, 2013		
	Oil Extraction	**Fuel Distribution**	**Consolidated**
Revenues	$ -	$ 278,429,341	$ 278,429,341
Net income (loss)	(8,946,557)	(204,409)	(9,150,966)
Total assets	7,608,773	12,258,777	19,867,550

	Nine months ended May 31, 2012		
	Oil Extraction	**Fuel Distribution**	**Consolidated**
Revenues	$ -	$ 220,485,883	$ 220,485,883
Net income (loss)	(2,445,629)	1,061,245	(1,384,384)
Total assets	4,804,078	16,520,737	21,324,815

Expressed in US dollars (unaudited)

14. COMMITMENTS

Extraction Technology
500,000 common shares of the Company are reserved for issuance to the inventor of a key component of the Extraction Technology (subsequently appointed Chief Technology Officer of the Company) following the successful testing and operation of the Extraction Facility. A royalty on a scale of 2% to 4% of gross revenue will also be payable from production of each extraction facility beginning with the successful operation of a second facility. As at May 31, 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 of placing two extraction units 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 May 31, 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:

	Sublease Income	**Minimum Rental Commitments**	**Net Rental Cost**
Due within 1 year	$ (136,128)	$ 231,170	$ 95,042
Due between 2 and 5 years	(434,814)	561,894	127,080
Due later than 5 years	-	405,910	405,910
	$ (570,942)	$ 1,198,974	$ 628,032

Truck Leases
The Company has entered into various 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	1,359,322
	$ 1,927,950

Acquisition of GeoPetro Resources Company
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. 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 as of the date of the merger.