

**ROCKBRIDGE RESOURCES INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited

(Expressed in Canadian Dollars)

For the three months ended December 31, 2012

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The following condensed consolidated interim financial statements of Rockbridge Resources Inc. are unaudited. They have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

**ROCKBRIDGE RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

Unaudited - Prepared by Management  
(Expressed in Canadian Dollars)

	December 31 <b>2012</b>	September 30 <b>2012</b> (Audited)
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 213,485	\$ 106,425
Amounts receivable	28,989	9,966
	242,474	116,391
Non Current		
Exploration and Evaluation assets - note 5	259,649	259,649
Property, Plant and Equipment - note 6	319,113	117,545
Available for sale investment - note 7	19,250	58,800
Available for sale assets - note 8	-	1,223,140
Security deposit	516	516
	598,528	1,659,650
	<u>\$841,002</u>	<u>\$1,776,041</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	82,651	380,727
Convertible debentures - note 15	-	-
	82,651	380,727
Non Current		
Convertible debentures & Secured loan - note 15	80,000	240,700
Provisions - note 9	215,247	592,166
	295,247	832,866
	<u>377,899</u>	<u>1,213,593</u>
<b>SHAREHOLDERS' EQUITY</b>		
Deficit	(6,181,232)	(6,088,905)
Share capital – note 10	5,428,571	5,448,539
Reserves	1,215,764	1,202,814
	463,103	562,448
	<u>\$ 841,002</u>	<u>\$ 1,776,041</u>

Commitments – notes 10(c) and 13

Subsequent events – note 18

APPROVED ON BEHALF OF THE BOARD

<i>"Michael J. O'Byrne"</i>	Director	<i>"Steve Mathiesen"</i>	Director
Michael J. O'Byrne		Steve Mathiesen	

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

**ROCKBRIDGE RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

Unaudited - Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended December 31, 2012 and December 31, 2011

	<b>2012</b>	<b>2011</b>
Oil and gas revenues	\$ 26,063	\$ 80,931
Royalties	(4,107)	(12,094)
Operating expense	(16,971)	(29,862)
Depletion expense	(3,000)	(48,675)
	<u>1,985</u>	<u>(9,700)</u>
General and administrative expense		
Accounting and audit fees - note 12	5,320	2,105
Consulting fees	281	
Director's fee - note 12	800	-
Filing & listing fees	3,013	5,061
Interest expense	3,945	8,318
Investor relations	9,765	9,570
Legal fees	13,645	24,244
Management fees - note 12	12,982	14,909
Office and administrative expenses - note 12	1,806	2,178
Travel expenses	706	2,898
Stock-based compensation - note 10	-	(12,112)
	<u>(52,262)</u>	<u>(57,169)</u>
Net loss before other item	<u>(50,277)</u>	<u>(66,869)</u>
Other income (expense)		
Impairment on Oil and Gas properties - note 6	-	(76,366)
Gain (Loss) on sale of available for sale investment	(42,050)	-
	<u>(42,050)</u>	<u>(76,366)</u>
Net Income (loss) for the year	(92,327)	(143,235)
Other Comprehensive loss:		
Change in fair value of available for sale investment - note 7	12,950	(90,100)
Comprehensive loss for the period	<u>(79,377)</u>	<u>(233,335)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>46,973,652</u>	<u>35,830,958</u>

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

**ROCKBRIDGE RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
 Unaudited - Prepared by Management  
 (Expressed in Canadian Dollars)  
 For the three months ended December 31, 2012 and December 31, 2011

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Net Income (loss) for the year	\$ (92,327)	\$ (143,235)
Items not affected by cash:		
Depletion	3,000	48,675
Impairment of oil and gas properties	-	76,366
Stock-based compensation	-	(12,112)
Loss on sale of available for sale investments	42,050	-
Changes in non-cash working capital items:		
Amounts receivable	(19,023)	2,708
Accounts payable and accrued liabilities	(298,075)	34,183
	<u>(364,375)</u>	<u>6,585</u>
<b>Cash Inflow (Outflow) from Investing Activities</b>		
Oil & Gas property expenditures	(2,042)	(17,064)
Exploration & Evaluation asset	-	-
Proceeds from Sale of Cache Exploration shares	10,450	-
Proceeds from Sale of Pembina assets	643,696	-
	<u>652,103</u>	<u>(17,064)</u>
<b>Cash Flows from Financing Activities</b>		
Share issue costs	(19,968)	(8,000)
Redemption of Debentures	(17,500)	-
LTD - Thompson Properties Ltd.	(143,200)	-
	<u>(180,668)</u>	<u>(8,000)</u>
Change in cash and equivalents	107,060	(18,479)
Cash and cash equivalents, beginning of the period	106,425	40,380
Cash and cash equivalents, end of the period	<u>\$ 213,485</u>	<u>\$ 21,901</u>
Cash and cash equivalents represented by:		
Cash (Bank indebtedness)	213,485	21,901
	<u>\$ 213,485</u>	<u>\$ 21,901</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	\$ 3,945	\$ 8,096

Supplementary Information with Respect to Non-cash Transactions – Note 19

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

**ROCKBRIDGE RESOURCES INC.**  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
Unaudited - Prepared by Management  
(Expressed in Canadian Dollars)

	Share capital		Reserves			Total Shareholders' Equity
	Number of Shares	Capital Stock	Contributed Surplus	Available for Sale Marketable Securities	Retained Earnings (Deficit)	
<b>Balance, September 30, 2011</b>	<b>36,754,999</b>	<b>\$ 4,757,078</b>	<b>\$ 1,374,249</b>	<b>\$ (95,400)</b>	<b>\$ (5,976,444)</b>	<b>\$ 59,483</b>
Flow through shares issued for cash	10,720,000	536,000	-	-	-	536,000
Non flow through shares issued for cash	2,236,000	111,800	-	-	-	111,800
Shares issued for Debt	1,862,657	93,133	-	-	-	93,133
Cash share issue cost	-	(35,480)	-	-	-	(35,480)
Non cash share issue cost (agents' warrants)	-	(13,992)	13,992	-	-	-
Stock based compensation	-	-	773	-	-	773
Net loss for the year	-	-	-	-	(112,461)	(112,461)
Unrealized loss on available for sale assets	-	-	-	(90,800)	-	(90,800)
<b>Balance, September 30, 2012</b>	<b>51,573,656</b>	<b>\$ 5,448,539</b>	<b>\$ 1,389,014</b>	<b>\$ (186,200)</b>	<b>\$ (6,088,905)</b>	<b>\$ 562,448</b>
Flow through shares issued for cash	-	-	-	-	-	-
Non flow through shares issued for cash	-	-	-	-	-	-
Shares issued for Debt	-	-	-	-	-	-
Cash share issue cost	-	(19,968)	-	-	-	(19,968)
Non cash share issue cost (agents' warrants)	-	-	-	-	-	-
Stock based compensation	-	-	-	-	-	-
Net loss for the year	-	-	-	-	(92,327)	(92,327)
Unrealized gain (loss) on available for sale assets	-	-	-	12,950	-	12,950
<b>Balance, December 31, 2012</b>	<b>51,573,656</b>	<b>\$ 5,428,571</b>	<b>\$ 1,389,014</b>	<b>\$ (173,250)</b>	<b>\$ (6,181,232)</b>	<b>\$ 463,103</b>

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

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### **Note 1 Nature of Continuance of Operations**

The Company was incorporated as RockBridge Energy Inc. on November 20, 2007 under the Business Corporations Act of British Columbia. The Company is a development stage company and has acquired working interest in a number of oil and gas properties. The Company listed its shares on the TSX Venture Exchange (the "Exchange") on September 10, 2008. On April 6, 2010 the company changed its name to RockBridge Resources Inc. (the "Company").

The head office, principal address, registered address and records office of the Company are located at 856 Homer Street, Suite 207, Vancouver, British Columbia, V6B 2W5.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2012, the Company had positive working capital of \$159,822, has not yet achieved profitable operations and has an accumulated deficit of \$6,181,232 since its inception. The Company also expects to incur further losses in the development of its business; all of these factors cast substantial doubt as to the Company's ability to continue as a going concern.

The Company will require additional financing in order to conduct its planned work programs on petroleum and natural gas properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

#### **Note 2 Basis of Preparation**

##### **Statement of Compliance**

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements for the three months ended December 31, 2012 have been prepared in accordance with International Accounting Standard 34 ("IAS34") Interim Financial Reporting.

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2013.

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### **Note 2 Basis of Presentation – (cont'd)**

##### **Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on the historical costs basis, except for certain interim financial instruments that have been initially measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

The recoverability of receivables, the estimated useful lives of equipment and the related depreciation, the carrying value and recoverability of exploration and evaluation assets, estimated accrued liabilities, and inputs used in accounting for share-based compensation.

#### **Note 3 Significant Accounting Policies**

The accounting policies set out below are adopted for the three months ended December 31, 2012 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may differ from these estimates.

The condensed consolidated interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:



## ROCKBRIDGE RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### Note 3 Significant Accounting Policies – (cont'd)

a) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, RockBridge Energy Alberta Inc. (“RBE Alberta”). All intercompany transactions and balances have been eliminated on consolidation.

b) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid Canadian dollar investments in term deposits with major financial institutions that have maturities or redemption provisions of three months or less from the date of acquisition.

c) Financial Instruments

The Company classifies its financial instruments into one of the following categories: held-to-maturity investments, loans and receivables, available-for-sale, fair value through profit and loss or other financial liabilities. The Company has designated its cash and cash equivalents and short-term investments as fair value through profit and loss, marketable securities as available-for-sale, amounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend upon initial classification as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transactions costs that are directly attributable to the acquisition or issue of financial instruments and that are classified as other than held-for-trading, are expensed as incurred and included in the initial carrying value of such instruments.

d) Property, plant and equipment and Exploration and evaluation expenditures

*Property, plant and equipment*

Property, plant and equipment (“PP&E”) includes costs directly attributable to oil and gas exploration and development that are not exploration and evaluation expenditures (“E&E”) and costs for other tangible goods including office equipment and other. PP&E is recorded at cost less accumulated depletion, depreciation, and impairment losses net of recoveries. Gains and losses on disposal of an item of property, plant and equipment, including oil and gas properties are recognized in net income (loss). The carrying amount of a replaced asset is derecognized when replaced.

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### **Note 3      Significant Accounting Policies – (cont'd)**

##### *Exploration and evaluation expenditures*

Pre-licence costs are recognized in the statement of operations as incurred. Exploration and evaluation costs, including the costs of acquiring licences and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units (“CGU”). The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration licence or field is carried out, at least quarterly, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas interests.

##### *Development and production costs*

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU’s for impairment testing. When significant parts of an item of the property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items.

##### *Subsequent Costs*

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### *Depletion and depreciation*

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs

## ROCKBRIDGE RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### Note 3 Significant Accounting Policies – (cont'd)

necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proven and probable reserves are 90 percent and 10 percent, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proven and probable if producibility is supported by either actual production or conclusive formation test. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proven and probable classification when successful testing by a pilot project, the operation of an installed program in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### e) Impairment of Long-lived Assets

##### *Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### **Note 3      Significant Accounting Policies – (cont'd)**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

#### *Non-financial Assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### **Note 3      Significant Accounting Policies – (cont'd)**

In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

#### f) Decommissioning Liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning liabilities are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

#### g) Revenue Recognition

Revenue from the sale of petroleum and natural gas is recorded on a gross basis when title passes to an external party and is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including production, transportation and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

#### h) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of the losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized. Due to the Company's accumulated net income losses, the Company has provided a tax valuation for its current income tax benefit of its net income losses that may be utilized in the future years.

## ROCKBRIDGE RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

#### Note 3 Significant Accounting Policies – (cont'd)

##### i) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

For the three months ended December 31, 2012, potentially dilutive common shares (relating to share purchase options, warrants outstanding, convertible debentures and conditional share issuances pursuant to the acquisition and mineral property agreements and warrants) were not included in the computation of loss per share because their effect was anti-dilutive.

##### j) Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

##### k) Flow-through Shares

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

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued.

**ROCKBRIDGE RESOURCES INC.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in Canadian Dollars

For the three months ended December 31, 2012 and December 31, 2011

**Note 3      Significant Accounting Policies – (cont'd)**

l) Share-based Compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

The proceeds received by the Company on the exercise of options and warrants are credited to share capital.

m) Comprehensive Income (Loss)

Comprehensive income is the overall change in the net assets of the Company for the period, other than changes attributed to transactions with shareholders. It is made up of net income and other comprehensive income. Other comprehensive income includes gains or losses which, in accordance to IFRS, are recognized in comprehensive income, but excluded from net income.

n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

o) Accounting standards issued but not yet applied

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

a) IFRS 9, “Financial Instruments”:

As of January 1, 2013, the Company will be required to adopt IFRS 9, “Financial Instruments”, which is the result of the first phase of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's consolidated financial statements.

**ROCKBRIDGE RESOURCES INC.**

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**Note 3      Significant Accounting Policies – (cont'd)**

b) Recent Pronouncements:

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated financial statements.

IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.

IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

**Note 4      Critical Accounting Estimates and Judgements**

Rockbridge Resources Inc. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.



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**Note 4      Critical Accounting Estimates and Judgements – (cont'd)**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

**i) Decommissioning Liabilities**

Decommissioning liabilities have been created based on Rockbridge Resources Inc.'s internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual decommissioning costs will ultimately depend on future market prices for the decommissioning costs which will reflect the market condition at the time of the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning liabilities may be higher or lower than currently provided for.

A credit-adjusted risk-free rate of 10% was used to calculate the fair value of the decommissioning liabilities.

**ii) Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

**Note 5      Exploration and Evaluation Assets**

	<u>Exploration &amp; Evaluation Assets</u>
<b>Balance at September 30, 2012</b>	<b>\$      259,649</b>
Additions	-
<b>Balance at December 31, 2012</b>	<b><u>\$      259,649</u></b>

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**Note 5      Exploration and Evaluation Assets – (cont'd)**

Exploration and evaluation assets consist of the Company's two exploration projects, located in the Violet Grove and Knopcik area of Alberta, Canada and which are pending the determination of proved or probable reserves. Costs primarily consist of undeveloped land and drilling costs incurred until the drilling of the well is complete and the results have been evaluated. There were no impairment indicators present at December 31, 2012, September 30, 2012 on the Company's exploration and evaluation assets.

**Note 6      Property, Plant and Equipment**

	<b>Petroleum and Natural Gas Properties</b>
<b>COST</b>	
<b>Balance at September 30, 2012</b>	<b>\$ 183,871</b>
Additions	2,042
Transfer from asset held for sale (note 8)	202,525
<b>Balance at December 31, 2012</b>	<b>\$ 388,438</b>
<b>DEPLETION AND IMPAIRMENT LOSSES</b>	
<b>Balance at September 30, 2012</b>	<b>\$ 66,326</b>
Depletion for the year	3,000
Impairment Losses	-
<b>Balance at December 31, 2012</b>	<b>\$ 69,326</b>
<b>Net book value, September 30, 2012</b>	<b>\$ 117,545</b>
<b>Net book value, December 31, 2012</b>	<b>\$ 319,113</b>

At December 31, 2012 the Company's producing properties consist of the Woodrush project, located in the Peace River Arch of north-eastern British Columbia, Bigoray gas wells located west of Edmonton, Alberta and their interest in the Bantry oil and gas property located southwest of Edmonton, Alberta.

The December 31, 2012 impairment balance was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell based on discounted cash flows of proved plus probable reserves using forecast prices and costs and a discount rate of 10 percent.

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**Note 6 Property, Plant and Equipment – (cont'd)**

The following table outlines the benchmark prices used in the impairment test at December 31, 2012:

Year	Crude Oil \$/BBL	Natural Gas \$/ MCF
2013	95.00	3.40
2014	97.50	3.90
2015	100.00	4.40
2016	102.00	4.90
2017	104.00	5.40

Benchmark prices escalated at 1.5% per year thereafter.

**Note 7 Available for Sale Investment**

	<b>Cache Mineral Exploration Inc.</b>	
	<b>(“Cache”) – Common Shares</b>	
	<u>Units</u>	<u>\$</u>
<b>COST</b>		
<b>Balance at September 30, 2012</b>	<b>980,000</b>	<b>\$ 245,000</b>
Acquisitions	-	-
Dispositions	(210,000)	(52,500)
<b>Balance at December 31, 2012</b>	<b>770,000</b>	<b>\$ 192,500</b>
 <b>CHANGE IN FAIR VALUE</b>		
<b>Balance at September 30, 2012</b>		<b>\$ (186,200)</b>
Other Comprehensive gain		12,950
<b>Balance at September 30, 2012</b>		<b>\$ (173,250)</b>
 <b>Net book value, September 30, 2012</b>		<b>\$ 58,800</b>
<b>Net book value, December 31, 2012</b>		<b>\$ 19,250</b>

During the September 30, 2011 year, the Company acquired all the common shares of a private company, RockBridge Minerals Inc. (“Minerals”), which owned various mineral claims in Canada. In June 2011, the Company then sold all the shares of Minerals to Cache for 1,100,000 common shares of Cache and 1,100,000 share purchase warrants. The warrants are exercisable until June 30, 2013 into common shares of Cache at \$0.40 per share and still remain outstanding.

**ROCKBRIDGE RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**Note 7      Available for Sale Investment – (cont'd)**

As at December 31, 2012, the available for sale investment consisted solely of 770,000 shares of Cache, a public company, the common shares of which trade on the TSX Venture Exchange. In addition to the above noted unrealized losses on this investment, the Company also sold 210,000 (2011 – Nil) shares of Cache in the current quarter which resulted in a realized loss of \$42,500 (2011 - \$Nil).

**Note 8      Asset Held for Sale****COST**

<b>Balance at September 30, 2012</b>	<b>\$ 1,223,140</b>
Transfer to Property, Plant & Equipment - Bigoray	(202,524)
Disposal	<u>(1,020,616)</u>
<b>Balance at December 31, 2012</b>	<b><u><u>\$ -</u></u></b>

As at September 30, 2012, the asset held for sale should have consisted solely of the Pembina Oil & Gas properties, which included the land, leases, wells and petroleum and natural gas rights. Unfortunately, the Bigoray Gas wells were mistakenly included. These have now been transferred back to the Property, Plant & Equipment category. Effective October 1, 2012 the Company sold the Pembina oil and gas property asset to Spartan Oil Corp. for \$643,696. This sale closed on October 30, 2012.

**Note 9      Provisions**

	<b><u>Decommissioning</u></b>
	<b><u>Liabilities</u></b>
<b>Balance at September 30, 2012</b>	<b>\$ 592,166</b>
Accretion	-
Disposal of Asset held for sale	(376,919)
Change in liabilities estimate	-
<b>Balance at December 31, 2012</b>	<b><u><u>\$ 215,247</u></u></b>

The Company has estimated the decommissioning liabilities based on its net ownership interest in the applicable oil and gas properties. This includes all estimated costs to dismantle, remove, reclaim and abandon the wells and facilities and the estimated time period during which these costs will be incurred in the future. A credit-adjusted risk-free rate of 10% was used to calculate the fair value of the asset retirement obligation. At December 31, 2012, the Company's decommissioning liabilities totalled \$215,247 (2011: \$537,248).

**ROCKBRIDGE RESOURCES INC.**

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**Note 10 Share Capital**

a) Authorized:

Unlimited common shares without par value

b) Issued:

Refer to “Consolidated Statement of Changes in Equity.”

On December 30, 2010 the Company completed a private placement of 5,206,000 Units at \$0.12 per Unit, with each Unit comprised of one regular Common Share and one-half of one Common Share Purchase Warrant, and 1,859,499 Flow-Through Units at \$0.15 per Unit, with each Unit comprised of one Flow-Through Common Share and one-half of one Common Share Purchase Warrant. Each whole Warrant was exercisable to purchase one regular Common Share at \$0.25 on or before November 30, 2011. The Company incurred cash share issuance costs of \$88,391 payable to investment dealers and has granted 509,400 broker warrants exercisable to acquire one Common Share at a price of \$0.13 until May 31, 2011. Broker warrants were fair valued using the Black Scholes model at \$17,672. All of these warrants expired during the year without being exercised.

On April 20, 2011 the Company completed a private placement of 3,030,500 Units at \$0.14 per Unit for proceeds of \$424,270, before an agent’s cash commission of \$33,941 and the issuance of 242,440 agent’s warrants. Each whole Warrant is exercisable to purchase one regular Common Share at \$0.25, up to one year from the closing of the offering. The broker warrants were fair valued using the Black Scholes model at \$12,388.

On December 30, 2011 the Company completed a flow-through offering of 5,420,000 units at \$0.05 per Unit for proceeds of \$271,000. Each unit comprised of one flow-through common share and one-half of one share purchase warrant, with each whole warrant exercisable to purchase one non-flow-through common share for \$0.15 for two years. In connection with this financing the Company paid agent’s fees of \$8,000 and issued 160,000 agent’s warrants, with each warrant exercisable for two years to acquire one common share for \$0.15.

During the year the Company issued 1,862,657 common shares to settle \$93,133 in outstanding debt.

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**Note 10 Share Capital – (cont'd)**

On June 13, 2012 the company announced it is proceeding with a non-brokered private placement financing of up to \$3 million in flow-through units and non flow-through units, subject to regulatory approval. Ultimately an aggregate of 7,536,000 units were issued, in various tranches, for total proceeds of \$376,800. A total of \$30,500 comprised non-flow through proceeds, while the residual amount comprised flow-through funds. All units were priced at \$0.05 each and each flow-through unit consists of one flow-through common share and one-half share purchase warrant. Each non flow-through unit consisted of one regular common share and one whole share purchase warrant. Each whole share purchase warrant is exercisable for two years for one regular share at \$0.15 each. Finder's fees, subject to regulatory approval, of 10% will be paid on the financing to investment dealers or other qualified finders, and 10% brokers' warrants to brokers, with each warrant exercisable for two years for one regular share at \$0.15.

The fair values of agent warrants issued have been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	September 30, 2012	September 30, 2011
Risk-free interest rate (%)	1.04%	1.65% - 1.77%
Expected life (years)	2 year	½ year - 1 year
Expected volatility (%)	144 %	89.24% - 93.36%
Expected dividend yield (%)	0%	0%

c) Commitments:**Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from September 30, 2011 to December 31, 2012.

	Number	W/A Exercise Price
<b>Balance, September 30, 2011</b>	<b>14,734,440</b>	\$0.18
Issued	8,295,600	\$0.15
Expired	(9,734,440)	\$0.19
<b>Balance, September 30, 2012</b>	<b>13,295,600</b>	\$0.15
Issued	-	-
Expired	-	-
<b>Balance, December 31, 2012</b>	<b>13,295,600</b>	\$0.15

**ROCKBRIDGE RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**Note 10 Share Capital – (cont'd)**

As at December 31, 2012, the Company had share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common as follow:

Number	Exercise Price (\$)	Expiry Date
5,000,000	0.16	February 1, 2015
2,710,000	0.15	December 29, 2013
160,000	0.15	December 29, 2013
2,350,000	0.15	June 29, 2014
116,000	0.15	June 29, 2014
1,926,000	0.15	July 20, 2014
362,600	0.15	July 20, 2014
610,000	0.15	August 16, 2014
61,000	0.15	August 16, 2014
<u>13,295,600</u>		

**Share Purchase Options**

The Company has a Stock Option Plan (the “Plan”) under which it is authorized to grant stock options to directors, officers, consultants and employees of the Company. The maximum aggregate number of share purchase options granted under the Plan at any point in time will not exceed 10% of the outstanding issue at the time of the stock option grant or such lesser number of shares as determined by the directors as required to comply with the Exchange policies. The number of common shares which may be reserved in any twelve month period for issuance to any one individual upon exercise of stock options held by that individual may not exceed 5% (2% for employees and consultants) of the issued and outstanding common shares of the Company unless the Company has obtained disinterested shareholder approval. The exercise price of a share purchase option may not be less than the discounted market price of the common shares on the date of grant. The share purchase options granted under the Plan may not exceed five years (ten years if the Company becomes a Tier 1 Issuer under the Exchange policies).

On January 28, 2011 two new directors were appointed to the board, and each was granted 150,000 options exercisable at \$0.14 per share for 5 years, subject to vesting over a one year period.

On February 2, 2011, the Company appointed a new member to its board and that director was granted 300,000 options exercisable at \$0.14 per share for 5 years, subject to vesting over a one year period. These options were forfeited on October 31, 2011.

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**Note 10 Share Capital – (cont'd)**

Information regarding the Company's outstanding share purchase options is summarized below:

	Outstanding #	Weighted Average Price (\$)
<b>September 30, 2011</b>	<b>1,720,000</b>	<b>0.14</b>
Expired/Forfeited	(300,000)	0.14
<b>September 30, 2012</b>	<b>1,420,000</b>	<b>0.14</b>
Expired/Forfeited	-	-
<b>December 31, 2012</b>	<b>1,420,000</b>	<b>0.14</b>

The weighted average contractual life remaining of all stock options is 1.63 years (2011: 3.18 years).

As at December 31, 2012, the following options were outstanding and exercisable:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
720,000	\$0.10	September 10, 2013
250,000	\$0.25	September 10, 2013
150,000	\$0.14	May 26, 2015
300,000	\$0.14	January 30, 2016
<u>1,420,000</u>		

During the quarter ended December 31, 2012, share-based compensation expense of \$nil (2011: (\$12,112)) was recognized. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions:

	<u>2012</u>	<u>2011</u>
Fair value	\$ -	\$ 0.12
Expected dividend yield	0.0 %	0.0%
Expected volatility	Nil %	131%
Risk-free interest rate	Nil %	2.50% - 2.66%
Expected term in years	Nil years	5 years

d) Escrow Shares:

As at December 31, 2012 - Nil (2011: Nil) common shares issued are held in escrow, subject to the escrow restriction as required by National Policy 46-201 "Escrow for Initial Public Offering" for emerging issuers.



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**Note 11 Income Tax**

A rate reconciliation of income taxes at the statutory rate is as follows:

	2012	2011
Net loss before income taxes - year	\$ (112,461)	\$ (1,003,762)
Future income tax rate	25.40%	27.00%
Expected income tax expense	\$ (29,000)	\$ (271,000)
Non-deductible (deductible) expenses for tax purposes	(91,000)	168,000
Asset recognized to offset liability	-	55,785
Unrecognized benefit of FIT assets	120,000	103,000
Total income tax recovery	\$ -	\$ 55,785

The significant components of the Company's deferred income tax assets are as follows:

	2012	2011
Non-capital losses	\$ 563,000	\$ 445,000
Exploration and evaluation properties	(65,000)	-
Share issue costs	63,000	51,000
Oil and gas properties	273,000	405,000
	834,000	901,000
Less: valuation allowance	(834,000)	(901,000)
	\$ -	\$ -

The Company has recorded a valuation allowance against its deferred income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will be realized during the carry-forward period to utilize all the future tax assets.

The Company has non-capital losses of approximately \$2,251,000 which can be carried forward to reduce taxable income in future years. The non-capital losses expire as follows.

<u>Expiry Date</u>	<u>Amount</u>
2028	\$ 311,000
2029	522,000
2030	555,000
2031	389,000
2032	474,000
	<u>\$ 2,251,000</u>

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**Note 12 Related Party Transactions****Key Management Personnel Compensation**

During the year, the Company incurred the following charged by directors of the Company and private companies controlled by directors of the Company:

	2012	2011
Accounting fees	\$ 6,570	\$ 3,373
Directors' fees	800	-
Management fees	12,982	14,909
Office expenses	1,757	2,158
Travel expenses	706	1,700
Share-based compensation	-	-
	<u>\$ 22,815</u>	<u>\$ 22,140</u>

These expenditures occurred in the normal course of business operations and were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At December 31, 2012, accounts payable and accrued liabilities includes \$Nil (2011: \$63,550) payable to a director and a company controlled by a director of the Company. Refer to note 15.

During the year, the Company entered into two option agreements for exploration properties with a Company which shares a common officer. Refer to note 5.

**Note 13 Commitments**

- a) Pursuant to a consulting agreement dated November 28, 2007, the Company has agreed to pay \$3,000 per month. The term of the agreement expires on December 31, 2013.
- b) Pursuant to an investor relations and market making agreement dated May 23, 2012, the Company has agreed to pay \$7,500 per month. The term of the agreement expires on May 22, 2013.

**Note 14 Segmental Reporting**

The Company is organized into business units based on oil and gas properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

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**Note 15 Convertible Debentures and Secured Loan**

On September 4, 2009, the Company issued five \$25,000 Unsecured Convertible Debentures paying 12% per annum, maturing on June 30, 2011. The debentures are convertible, at any time and at the option of the holder, to common shares of the Company at \$0.15 per share. The debenture maturity date had previously been extended to June 30, 2012, and the conversion rate amended to \$0.12 per share. On June 30, 2012 one of the outstanding debentures was repaid and the others were extended to January 1, 2014. On October 31, 2012 an additional \$17,500 was repaid in respect to one of the remaining debentures.

On December 29, 2010, the Company borrowed \$150,000 from a private company controlled by two directors of the Company. Under the agreement the loan is due on demand with interest at 12% per annum, payable monthly, and is secured by a charge on the Company's assets. The loan is convertible to common shares of the Company, at any time prior to December 30, 2015, at the rate of \$0.13 per share. On October 31, 2012 the outstanding loan was repaid.

The Company used the residual method to estimate the equity component of these debentures, and concluded that the fair value of the equity portion was immaterial to record. The liability portion represents an estimate of the present value of term debt discounted using an estimated interest rate applicable to equivalent non-convertible debt. The equity component was determined as the residual of the face value of the instrument less its liability component.

**Note 16 Management of Capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents. There are no external restrictions on the use of the Company's capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

## **ROCKBRIDGE RESOURCES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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#### **Note 17 Financial Instruments**

##### Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, available for sale investment, convertible debentures and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value.

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
- Level 3 – Inputs that are not based on observable market data.

At December 31, 2012, the Company's financial instrument measured at fair value on a recurring basis was cash. This financial instrument was classified as "Level 1" instruments.

##### Foreign Exchange Risk

As at December 31, 2012, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

##### Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a large Canadian bank.

##### Interest Rate Risk

As at December 31, 2012, the Company was not subject to or exposed to any interest rate risk.

##### Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

##### Commodity Price Risk

The Company's ability to raise capital to fund operation of its oil and gas properties is subject to risks associated with fluctuations in the market prices of crude oil and natural gas.

**ROCKBRIDGE RESOURCES INC.**

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**Note 18    Subsequent Events**

None