

**ROCKBRIDGE RESOURCES INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited

(Expressed in Canadian Dollars)

For the three month period ended December 31, 2011

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                      September 30                      October 1  
**2011                                      2011                                      2010**

**ASSETS**

Current

Cash and cash equivalents	\$ 21,901	\$ 40,380	\$ 317,082
Amounts receivable	4,622	9,343	5,873
Subscription receivable	271,000	-	-
HST recoverable	4,257	2,244	12,114
Prepaid insurance	-	-	1,604
	301,781	51,967	336,673

Non Current

Property, Plant and Equipment - note 5	846,610	954,587	146,478
Mineral properties - note 6	-	-	1
Available for sale investment - note 7	79,500	169,600	-
Security deposit	516	516	7,622
	926,626	1,124,703	154,101
	\$1,228,406	\$1,176,670	\$490,774

**LIABILITIES**

Current

Accounts payable and accrued liabilities	339,122	304,939	87,101
Convertible debentures - note 14	125,000	125,000	125,000
	464,122	429,939	212,101

Non Current

Convertible debentures - note 14	150,000	150,000	-
Provisions	537,248	537,248	500,104
	687,248	687,248	500,104
	1,151,370	1,117,187	712,205

**SHAREHOLDERS' EQUITY**

Accumulated other comprehensive income (deficit)	(185,500)	(95,400)	-
Deficit	(5,938,218)	(5,923,938)	(5,017,704)
Share capital – note 9	4,868,398	4,737,553	3,479,185
Contributed surplus	1,332,356	1,341,268	1,317,088
	77,036	59,483	(221,431)
	\$ 1,228,406	\$ 1,176,670	\$ 490,774

Commitments – notes 9(c) and 12

Subsequent events – note 18

APPROVED ON BEHALF OF THE BOARD

<u>"Michael J. O'Byrne"</u>	Director	<u>"Steve Mathiesen"</u>	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, 2011 and 2010

	<b>December 2011</b>	<b>December 2010</b>
Oil and gas revenues	\$ 80,931	\$ 39,141
Royalties	(12,094)	(5,501)
Operating expense	(29,862)	(156,944)
Depletion expense	(48,675)	(6,000)
	<u>(9,700)</u>	<u>(129,304)</u>
General and administrative expense		
Accounting and audit fees - note 11	2,105	7,783
Consulting fees	-	34,000
Filing & listing fees	5,061	6,165
Interest expense	8,318	3,984
Investor relations	9,570	45,553
Legal fees	24,244	-
Management fees - note 11	14,909	22,500
Office and administrative expenses - note 11	2,178	3,612
Travel expenses	2,898	11,657
Stock-based compensation - note 9	(12,112)	6,593
	<u>(57,169)</u>	<u>(141,847)</u>
Net loss before other item	<u>(66,869)</u>	<u>(271,151)</u>
Other income (expense)		
Impairment on Oil and Gas properties - note 5	(76,366)	-
Interest income	-	55
FIT recovery - note 10	73,170	-
	<u>(3,196)</u>	<u>55</u>
Net Income (loss) for the year	(70,065)	(271,096)
Other Comprehensive loss:		
Change in fair value of available for sale investment - note 7	90,100	-
Comprehensive loss for the period	<u>(160,165)</u>	<u>(271,096)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>35,830,958</u>	<u>24,041,008</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, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities</b>		
Net Income (loss) for the year	\$ (70,065)	\$ (271,096)
Items not affected by cash:		
Depletion	48,675	6,000
Impairment of oil and gas properties	76,366	-
Stock-based compensation	(12,112)	6,593
FIT recovery	(73,170)	-
Changes in non-cash working capital items:		
Amounts receivable	4,721	5,873
HST recoverable	(2,013)	(18,491)
Prepaid expense	-	438
Accounts payable and accrued liabilities	34,183	(3,692)
	6,585	(274,375)
<b>Cash Inflow (Outflow) from Investing Activities</b>		
Oil & Gas property expenditures	(17,064)	(40,000)
Security deposit	-	7,106
	(17,064)	(32,894)
<b>Cash Flows from Financing Activities</b>		
Net cash received from issuance of shares	-	875,254
Share issue costs	(8,000)	
LTD - Thompson Properties Ltd.	-	150,000
	(8,000)	1,025,254
Change in cash and equivalents	(18,479)	717,985
Cash and cash equivalents, beginning of the year	40,380	317,082
Cash and cash equivalents, end of the year	\$ 21,901	\$ 1,035,067
Cash and cash equivalents represented by:		
Cash (Bank indebtedness)	21,901	121,247
Term deposit	-	913,820
	\$ 21,901	\$ 1,035,067
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	\$ 8,096	\$ 3,984

Supplementary Information with Respect to Non-cash Transactions – Note 17

*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)

	<u>Share capital</u>		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
	Number of Shares	Capital Stock				
<b>Balance, October 1, 2010</b>	<b>26,003,000</b>	<b>\$ 3,479,185</b>	<b>\$ 1,317,088</b>	<b>\$ -</b>	<b>\$ (5,017,704)</b>	<b>\$ (221,431)</b>
Flow through shares issued for cash	1,859,499	278,925	-	-	-	278,925
Non flow through shares issued for cash	5,206,000	624,720	-	-	-	-
Options exercised	600,000	60,000	-	-	-	60,000
Cash Share issue costs	-	(88,391)	-	-	-	(88,391)
Flow through shares premium liability	-	(55,785)	-	-	-	(55,785)
Stock based compensation	-	-	6,593	-	-	6,593
Net loss for the year	-	-	-	-	(271,096)	(271,096)
<b>Balance, December 31, 2010</b>	<b>33,668,499</b>	<b>\$ 4,298,654</b>	<b>\$ 1,323,681</b>	<b>\$ -</b>	<b>\$ (5,288,800)</b>	<b>\$ (291,185)</b>
<b>Balance, September 30, 2011</b>	<b>36,754,999</b>	<b>\$ 4,681,768</b>	<b>\$ 1,341,268</b>	<b>\$ (95,400)</b>	<b>\$ (5,868,153)</b>	<b>\$ 59,483</b>
Flow through shares issued for cash	5,420,000	271,000	-	-	-	271,000
Non flow through shares issued for cash	-	-	-	-	-	-
Cash share issue cost	-	(8,000)	-	-	-	(8,000)
Non cash share issue cost (agents' warrants)	-	(3,200)	3,200	-	-	-
Stock based compensation	-	-	(12,112)	-	-	(12,112)
FIT recorded on flow through shares issued	-	(73,170)	-	-	-	(73,170)
Net loss for the year	-	-	-	-	(70,065)	(70,065)
Unrealized loss on available for sale assets	-	-	-	(90,100)	-	(90,100)
<b>Balance, December 31, 2011</b>	<b>42,174,999</b>	<b>\$ 4,868,398</b>	<b>\$ 1,332,356</b>	<b>\$ (185,500)</b>	<b>\$ (5,938,218)</b>	<b>\$ 77,036</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**

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

#### **Note 1 Incorporation**

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 and mineral properties (Notes 4 and 5). 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.

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

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

The financial statements of the Company for the year ended September 30, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). These condensed consolidated interim financial statements for the three months ended December 31, 2011 have been prepared in accordance with International Accounting Standard 34 ("IAS34") Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Reporting Standards has been applied.

As these condensed consolidated interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual consolidated financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual consolidated financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these consolidated financial statements for the comparative annual period. However, these condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company provided in Note 16.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 28, 2012.

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

These condensed consolidated interim financial statements have been prepared on the historical costs basis, except for certain 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.

**ROCKBRIDGE RESOURCES INC.**

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

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

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

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 condensed consolidated interim 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.

**Going Concern of Operations**

The condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2011, the Company had a negative working capital of \$162,341, had not yet achieved profitable operations and has accumulated deficit of \$5,974,056 since its inception and expects to incur further losses in the development of its business, all of which cast substantial doubt on 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.



**ROCKBRIDGE RESOURCES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited) Expressed in Canadian Dollars  
For the three months ended December 31, 2011

**Note 3      Significant Accounting Policies**

The accounting policies set out below are expected to be adopted for the year ended September 30, 2012 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at October 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. 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:

a) Basis of Consolidation

These consolidated 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, held for trading or other financial liabilities. The Company has designated its cash and cash equivalents and short-term investments as held-for-trading, 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.

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

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

*Recognition and Measurement*

*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. The cost of property, plant and equipment at October 1, 2010, the date of transition to IFRS, was determined by reference to IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS at the amount determined under Canadian GAAP as at October 1, 2010. Cost included in the full cost pool on October 1, 2010 were allocated on a pro-rata basis to the underlying assets on the basis of proved and probable reserves value as at October 1, 2010. The exploration and evaluation assets would have been reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP, however the company has not undertaken any exploration and evaluation activities on its oil and natural gas properties. 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 (major components).

**ROCKBRIDGE RESOURCES INC.**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited) Expressed in Canadian Dollars  
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**Note 3      Significant Accounting Policies – (cont'd)**

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within “other income” or “other expenses” in profit or loss.

*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 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.

## ROCKBRIDGE RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

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

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) Mineral Property costs

Mineral properties are carried at cost less accumulated depletion and any accumulated impairment charges. Mineral property expenditures include:

- i.) Acquisition costs consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business acquisition or the acquisition of a group of assets.
- ii.) Exploration and evaluation costs incurred on an area of interest once a determination has been made that a property has potential economically recoverable resources and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration and evaluation expenditures made prior to a determination that a property has economically recoverable resources are expensed as incurred.

#### f) 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**

(Unaudited) Expressed in Canadian Dollars

For the three months ended 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. E&E 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.

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

## **ROCKBRIDGE RESOURCES INC.**

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

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

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

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.

#### g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligations, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

#### *Decommissioning Liabilities*

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation 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.

#### h) 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited) Expressed in Canadian Dollars  
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**Note 3      Significant Accounting Policies – (cont'd)**

i) Measurement of Uncertainties

The presentation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the assessment of impairment of long-lived assets including oil and gas properties, stock based compensation and deferred exploration costs and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates. The amounts for depletion and amortization of property and equipment and oil and gas properties and the provision

for asset retirement obligation are based on estimates. Ceiling tests are based on estimates of proved reserves, production rates, gas prices, future costs, and other relevant assumptions. Recovery of costs of (amount) is uncertain and dependent upon achieving commercial production, or sale and additional financing. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

j) 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.

k) 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 period ended December 31, 2011, 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.

**ROCKBRIDGE RESOURCES INC.**

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

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

l) 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.

m) 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 as a financial expense until paid.

n) Stock-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 stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of



**ROCKBRIDGE RESOURCES INC.**

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

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

each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

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

o) 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. The historical make up of net income has not changed. Other comprehensive income includes gains or losses which, in accordance to IFRS, are recognized in comprehensive income, but excluded from net income.

p) 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.

q) 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. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 – *Income Taxes (Amended)* (“IAS 12”), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 – *Financial instruments: Disclosures (Amended)* requires additional disclosures on transferred financial assets.

**ROCKBRIDGE RESOURCES INC.**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**Note 3      Significant Accounting Policies – (cont'd)**

Accounting Standards Issued and Effective January 1, 2013

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

**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.

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 condensed interim 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 5% 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.

**iii) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and

**ROCKBRIDGE RESOURCES INC.**

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

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

contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**iv) Share-based Payment Transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

**ROCKBRIDGE RESOURCES INC.**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**Note 5      Property, Plant and Equipment**

	<b><u>Petroleum and Natural Gas Properties</u></b>
<b>COST</b>	
<b>Balance at October 1, 2010</b>	<b>\$ 2,067,150</b>
Additions	1,476,281
	<hr/>
<b>Balance at September 30, 2011</b>	<b>\$ 3,543,431</b>
Additions	17,064
	<hr/>
<b>Balance at December 31, 2011</b>	<b><u><u>\$ 3,560,495</u></u></b>
 <b>DEPLETION AND IMPAIRMENT LOSSES</b>	
<b>Balance at October 1, 2010</b>	<b>\$ 1,920,672</b>
Depletion for the year	207,655
Impairment loss	448,821
Accretion	11,696
	<hr/>
<b>Balance at September 30, 2011</b>	<b>\$ 2,588,844</b>
Depletion for the period	48,675
Impairment Loss	76,366
	<hr/>
<b>Balance at December 31, 2011</b>	<b><u><u>\$ 2,713,885</u></u></b>
 <b>Net book value, Oct 1, 2010</b>	 <b><u><u>\$ 146,478</u></u></b>
 <b>Net book value, September 30, 2011</b>	 <b><u><u>\$ 954,587</u></u></b>
 <b>Net book value, December 31, 2011</b>	 <b><u><u>\$ 846,610</u></u></b>

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

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

**Note 5 Property, Plant and Equipment – (cont'd)**

The impairment assessment of Petroleum and Natural Gas properties resulted in \$76,366 and \$448,821 being written off in December 31, 2011 and September 30, 2011 respectively. The impairments were based on the difference between the period end 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.

The following table outlines the benchmark prices used in the impairment test at September 30, 2011:

Year	Crude Oil \$/BBL	Natural Gas \$/ MCF
2012	88.66	4.52
2013	90.56	5.09
2014	94.05	5.59
2015	95.74	6.14
2016	97.83	6.67

Benchmark prices escalated at 1.5% per year thereafter.

**Note 6 Asset Acquisition and Subsequent Disposal – Mineral Properties**

On February 1, 2010 the Company completed its acquisition of all the common shares of a private British Columbian company, which was subsequently renamed RockBridge Minerals Inc (“Minerals”).

The terms for the acquisition was the issuance by the Company of 4,500,000 units, with each unit consisting of one share and a one warrant exercisable at \$0.12 for 2 years, plus a cash payment of \$50,000, and the issuance of an additional 100,000 common shares as a finder’s fee. The assets of Minerals included 100 % ownership interest in 27 mineral claims located north of Fortune Bay in southern Newfoundland, 6 mineral claims in the Stewart area of British Columbia and 9 mineral claims in the Yukon.

As the assets of Minerals were comprised solely of mineral property interests, the acquisition has been accounted as an asset acquisition. The results of Minerals has been consolidated from February 1, 2010 and is included in the Company’s results of operations.

The following table summarizes the purchase price allocation based on the fair values of the asset acquired and liabilities assumed :

Net assets acquired:	
Mineral property	\$1,284,554
Future income tax liability	<u>(321,000)</u>
Total Net Assets acquired	<u>963,416</u>

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

(Unaudited) Expressed in Canadian Dollars

For the three months ended December 31, 2011

**Note 6     Asset Acquisition and Subsequent Disposal – Mineral Properties – (cont'd)**

Consideration paid:	
Cash	50,000
Common shares	495,000
Fair value of warrants issued (1)	390,000
Legal fees	17,416
Finder's fees	<u>11,000</u>
Total consideration applied	<u>\$ 963,416</u>

(1) *The fair value of the warrants granted of \$0.08 per warrant was calculated using the Black Scholes model under the following assumptions volatility of 148.59%, risk-free interest rate of 1.50% , and a term of two years. In the view of management, the measurement of share purchase warrants under a fair value model represents a notional non – cash item, and does not necessarily equal the cost that would have been incurred by the Company if cash or common shares were paid in lieu of the warrant consideration.*

With the acquisition, the Company recorded a future income tax liability of \$321,138, due to the limited tax basis obtained relative to the carrying costs of the acquired assets on the Company's balance sheet. This notional future income tax liability assumed was offset by an increase of \$321,138 in the cost allocated to the claims acquired. The liability balance was subsequently reversed to operations, where it offset the amount of related costs written off at year end. There were no material property acquisition costs incurred subsequent to the purchase of the common shares of Minerals.

However, the Company did subsequently acquire by staking , in minerals, an additional two claims in the Stewart area of British Columbia, 306 claims located in Grand Le Pierre, Fortune Bay of Newfoundland and 10 claims located in the Blue Cliff, Burin Peninsula area of Yukon.

At September 30, 2010 the Company had made an assessment that the value of these properties is impaired in an amount that is not determinable, and accordingly their aggregate carrying cost has been reduced to a nominal amount.

In June 2011, the Company agreed to sell all of the shares of Minerals to Cache Mineral Exploration ("Cache"), in consideration for 1,100,000 common shares of Cache and 1,100,000 share purchase warrants, valued in aggregate at \$275,000. The warrants are exercisable until June 15, 2013 into common shares of Cache at \$0.30 during the first 12 months from issuance and at \$0.40 thereafter.

The Company recognized a gain of \$274,220 on the sale of the subsidiary.

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**Note 7     Available for Sale Investment**

	<b>Cache Mineral Exploration Inc.</b>	
	<u>Units</u>	<u>\$</u>
<b>COST</b>		
<b>Balance at October 1, 2010</b>	-	\$ -
Received for Sale of Rockbridge Minerals Inc.	1,100,000	275,000
Sales	(40,000)	(10,000)
	<hr/>	<hr/>
<b>Balance at September 30, 2011</b>	<b>1,060,000</b>	<b>\$ 265,000</b>
Sales	-	-
	<hr/>	<hr/>
<b>Balance at December 31, 2011</b>	<b>1,060,000</b>	<b>\$ 265,000</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>CHANGE IN FAIR VALUE</b>		
<b>Balance at October 1, 2010</b>		\$ -
Other Comprehensive loss		95,400
		<hr/>
<b>Balance at September 30, 2011</b>		<b>\$ 95,400</b>
Other Comprehensive loss		90,100
		<hr/>
<b>Balance at December 31, 2011</b>		<b>\$ 185,500</b>
		<hr/> <hr/>
<b>Net book value, October 1, 2010</b>		<b>\$ -</b>
		<hr/> <hr/>
<b>Net book value, September 30, 2011</b>		<b>\$ 169,600</b>
		<hr/> <hr/>
<b>Net book value, December 31, 2011</b>		<b>\$ 79,500</b>
		<hr/> <hr/>



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

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For the three months ended December 31, 2011

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

As at December 30, 2011, the available for sale investment consisted solely of 1,060,000 shares of Cache. As a result of the change in fair value of these shares since acquisition, the Company recorded \$90,100 in other comprehensive loss for the period. For the year ended September 30, 2011 the Company recorded other comprehensive loss of \$95,400 due to the change in fair value of the shares. The Company also sold 40,000 shares of Cache at \$0.22 per share which resulted in a current realized loss of \$1,395. at September 30, 2011.

**Note 8     Provisions**

	<b><u>Decommissioning Liabilities</u></b>
<b>Balance at October 1, 2010</b>	<b>\$ 500,104</b>
Accretion	48,840
Change in liabilities estimate	(11,696)
	<hr/>
<b>Balance at September 30, 2011</b>	<b>\$ 537,248</b>
Accretion	-
Change in liabilities estimate	-
	<hr/>
<b>Balance at December 31, 2011</b>	<b><u>\$ 537,248</u></b>

The Company has estimated the decommissioning liabilities based on the Company's net ownership interest in 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 5% was used to calculate the fair value of the asset retirement obligation. At December 31, 2011, the Company's decommissioning liabilities totalled \$537,248 (October 1, 2010: \$500,104).

**Note 9     Share Capital**

a) Authorized:

Unlimited common shares without par value

b) Issued:

**ROCKBRIDGE RESOURCES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**Note 9    Share Capital – (cont'd)**

The following is a summary of changes in common share capital from October 1, 2010 to December 31, 2011.

	<b>Number of Shares</b>	W/A	Amount
<b>Balance, October 1, 2010</b>	<b>26,003,000</b>	\$0.05	\$ 3,479,185
Flow through shares issued for cash	1,859,499	\$0.15	278,925
Non flow through shares issued for cash	8,236,500	\$0.13	1,048,999
Options exercised	600,000	\$0.10	60,000
Cash Share issue costs	-		(99,237)
Non cash share issue cost (agents' warrants)	-		(30,061)
Flow through shares premium liability	-		(55,785)
Fair value of options exercised	-		63,480
Warrants exercised	56,000	\$0.12	6,720
Fair value of warrants exercised	-		4,861
Stock based compensation	-		-
<b>Balance, September 30, 2011</b>	<b>36,754,999</b>		<b>\$ 4,681,768</b>
Flow through shares issued for cash	5,420,000	\$0.05	271,000
Non flow through shares issued for cash	-		-
Cash share issue cost	-		(8,000)
Non cash share issue cost (agents' warrants)	-		(3,200)
Stock based compensation	-		-
FIT recorded on flow through shares issued	-		(73,170)
<b>Balance, December 31, 2011</b>	<b>42,174,999</b>		<b>\$ 4,868,398</b>

**ROCKBRIDGE RESOURCES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**Note 9     Share Capital – (cont'd)**

**Contributed Surplus**

The following is a summary of changes in contributed surplus from October 1, 2010 to December 31, 2011.

	Amount
<hr/>	
<b>Balance, October 1, 2010</b>	<b>\$ 1,317,088</b>
FV of agent warrants	30,061
FV of options exercised	(63,480)
FV of warrants exercised	(4,861)
Stock based compensation	<u>62,460</u>
<b>Balance, September 30, 2011</b>	<b>\$ 1,341,268</b>
FV of Agent warrants	3,200
Stock based compensation	<u>(12,112)</u>
<b>Balance, December 31, 2011</b>	<b><u>\$ 1,332,356</u></b>

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. The offering consisted of 4,000,000 Units at \$0.14 per Unit comprised of one regular Common Share and one-half Common Share Warrant. 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 its 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 warrant, with each whole warrant exercisable to purchase one non-flow-through common share at \$0.15 each for two years. The Company has paid agent's

**ROCKBRIDGE RESOURCES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**Note 9    Share Capital – (cont'd)**

fees of \$8,000 and issued 160,000 agent's warrants with each warrant exercisable for two years for one common share at \$0.15.

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

	December 31, 2011	September 30, 2011
Risk-free interest rate (%)	2.00%	1.65% - 1.77%
Expected life (years)	2 year	½ year - 1 year
Expected volatility (%)	131 %	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 October 1, 2010 to December 31, 2011.

	Number	W/A Exercise Price
<b>Balance, October 1, 2010</b>	<b>9,500,000</b>	\$0.14
Issued	5,799,840	\$0.24
Exercised	(56,000)	\$0.12
Expired	(509,400)	\$0.13
<b>Balance, September 30, 2011</b>	<b>14,734,440</b>	
Issued	2,870,000	\$0.15
Exercised	-	
Expired	(3,532,750)	\$0.25
<b>Balance, December 31, 2011</b>	<b><u>14,071,690</u></b>	

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

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**Note 9     Share Capital – (cont'd)**

As at December 31, 2011, 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
4,444,000	0.12	February 1, 2012
5,000,000	0.16	February 1, 2015
1,515,250	0.25	April 19, 2012
242,440	0.14	March 31, 2012
2,710,000	0.15	December 29, 2013
160,000	0.15	December 29, 2013
<u>14,071,690</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 November 16, 2009 the TSX Venture Exchange, approved revising the option price on the outstanding options from \$0.25 per common share to \$0.10 per common share.

On May 26, 2010 an officer was granted 150,000 options exercisable at \$0.14 per share for 5 years, subject to vesting over a one year period.

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

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**Note 9      Share Capital – (cont'd)**

During 2010 a total of 600,000 options were exercised for cash proceeds of \$60,000 and the associated fair value of \$63,480 was transferred from contributed surplus to share capital.

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.

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

	Outstanding #	Weighted Average Price (\$)
<b>October 1, 2010</b>	<b>2,170,000</b>	<b>0.13</b>
Exercised	(600,000)	0.10
Issued	600,000	0.14
Expired/Forfeited	(450,000)	0.14
<b>September 30, 2011</b>	<b>1,720,000</b>	<b>0.14</b>
Exercised	-	
Issued	-	
Expired/Forfeited	(300,000)	0.14
<b>December 30, 2011</b>	<b>1,420,000</b>	<b>0.14</b>

The weighted average contractual life remaining of all stock options is 2.38 years (2010: 3.41 years).

As of December 31, 2011, the number of exercisable options are 1,345,000 (2010: 1,907,500).

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**Note 9**     **Share Capital** – (cont'd)

As at December 31, 2011, 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
225,000	\$0.14	January 30, 2016
<hr style="border-top: 1px solid black;"/> 1,345,000		

During the quarter ended December 31, 2011, stock-based compensation expense of (\$12,112) (December 2010: \$6,593) was recognized due to the forfeiture of 300,000 stock options to a former executive officer. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions:

	<u>2011</u>	<u>2010</u>
Fair value	\$0.12	\$0.08 – \$0.14
Expected dividend yield	0.0%	0.0%
Expected volatility	131%	141% - 152%
Risk-free interest rate	2.50% - 2.66%	2.33%-2.81%
Expected term in years	5 years	2-5 years

d) Escrow Shares:

As at December 31, 2011 Nil (December 2010: 1,404,900) 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.

**Note 10**     **Income Tax**

The Company has non-capital losses of approximately \$1,777,000 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
	<hr style="border-top: 1px solid black;"/> \$ 1,777,000

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**Note 10 Income Tax –(cont'd)**

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

	2011	2010
Net loss before income taxes	\$ (1,001,634)	\$ (1,802,879)
Future income tax rate	27.0%	28.5%
Expected income tax expense	\$ (270,441)	\$ (513,000)
Non-deductible (deductible) expenses for tax purposes	147,318	338,000
Asset recognized to offset liability	(73,170)	-
Unrecognized benefit of FIT assets	123,123	175,000
Total income tax recovery	\$ 73,170	\$ -

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

	2011	2010
Non-capital losses	\$ 44,250	\$ 206,000
Share issue costs	51,099	47,000
Oil and gas properties	405,366	307,000
	900,715	560,000
Less: valuation allowance	(900,715)	(560,000)
	\$ -	\$ -

The Company has recorded a valuation allowance against its future 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.

**Note 11 Related Party Transactions**

**Key Management Personnel Compensation**

Key management of the Company are directors and officers of the Company and their remuneration includes the following:



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**Note 11 Related Party Transactions – (cont'd)**

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

	Dec 2011	Dec 2010
Accounting fees	\$ 3,373	\$ 7,783
Consulting fees	-	-
Management fees	14,909	56,500
Office expenses	2,158	1,491
Travel expenses	1,700	-
	<u>\$ 22,140</u>	<u>\$ 65,774</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, 2011, accounts payable and accrued liabilities includes \$63,550 (2010: \$nil) payable to a director and a company controlled by a director of the Company.

Refer to note 14.

**Note 12 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, 2012.

**Note 13 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.

**Note 14 Convertible Debentures**

On September 4, 2009, the Company issued \$125,000 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 has been extended to June 30, 2012, convertible at \$0.12 per share.

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**Note 14 Convertible Debentures – (cont'd)**

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.

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 15 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.

**Note 16 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:

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#### **Note 16 Financial Instruments – (cont'd)**

- 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, 2011, 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, 2011, 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, 2011, 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.

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**Note 17 Non-cash Transactions**

	<u>2011</u>	<u>2010</u>
Common shares issued for Mineral Property interest	\$ -	\$ 495,000
Common shares issued as Finders' fees	-	11,000
Future Income Tax Liability assumed	-	321,338
Common shares received for Rockbridge Minerals Inc.	275,000	-

**Note 18 Subsequent Events**

The Company has proposed to settle debt of \$53,133 by issuing 1,062,657 common shares at a price of \$0.05 each, subject to regulatory approval.

**Note 19 First Time Adoptions of IFRS**

The Company's financial statements for the year-ending September 30, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be September 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

**OPTIONAL EXEMPTIONS**

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

**Business Combinations**

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

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**Note 19 First Time Adoptions of IFRS – (cont'd)**

**Share-based Payment Transactions**

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to outstanding equity instruments that are unvested as at the Transition Date to IFRS.

**Property, Plant & Equipment**

The Company has elected an IFRS 1 exemption whereby, upon transition to IFRS, oil and gas properties were measured as follows:

- a) Exploration and evaluation assets were reclassified from oil and gas properties as exploration and evaluation assets at the amount that was recorded under Canadian GAAP. Exploration and evaluation assets on transition are those unproved properties excluded from the full cost pool under Canadian GAAP; and
- b) The remaining balance of oil and gas properties included in the Canadian GAAP full cost pool was allocated to CGUs and components pro-rata using Proved plus Probable reserve values.

On adoption of IFRS 1, the exploration and evaluation assets and oil and gas properties were tested for impairment. The impairment tests compared the carrying value of the assets to their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell or value in use.

As a result of applying the IFRS 1 exemption for Canadian oil and gas assets previously accounted for under the full cost approach under Canadian GAAP, no adjustment was required as the Company had no assets that meet the Exploration and evaluation asset category. All capital expenditures to Oil and Natural Gas properties were to established proven and probable fields. Mineral properties expenditures under Canadian GAAP made prior to a determination that a property has economically recoverable resources were expensed as incurred.

**MANDATORY EXCEPTIONS**

**Derecognition of Financial Assets and Liabilities**

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

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**Note 19**    **First Time Adoptions of IFRS** – (cont'd)

**Estimates**

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

**RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND  
COMPREHENSIVE INCOME TO IFRS**

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

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Reconciliation of Statement of Financial Position as at October 1, 2010 - Transition Date

	Canadian GAAP 1-Oct-10	Effects of Transition to IFRS	IFRS 1-Oct-10
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 317,082	-	\$ 317,082
Amounts receivable	5,873	-	5,873
HST recoverable	12,114	-	12,114
Prepaid insurance	1,604	-	1,604
	<u>336,673</u>	-	<u>336,673</u>
Non Current			
Property, Plant and Equipment	146,478	-	146,478
Mineral properties	1	-	1
Security deposit	7,622	-	7,622
	<u>154,101</u>	-	<u>154,101</u>
	<u>\$490,774</u>	-	<u>\$490,774</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	87,101	-	87,101
Convertible debentures	125,000	-	125,000
	<u>212,101</u>	-	<u>212,101</u>
Non Current			
Convertible debentures	-	-	-
Provisions	500,104	-	500,104
	<u>500,104</u>	-	<u>500,104</u>
	<u>712,205</u>	-	<u>712,205</u>
<b>SHAREHOLDERS' EQUITY</b>			
Accumulated other comprehensive income (deficit)	-	-	-
Deficit	(5,017,704)	-	(5,017,704)
Share capital	3,479,185	-	3,479,185
Contributed surplus	1,317,088	-	1,317,088
	<u>(221,431)</u>	-	<u>(221,431)</u>
	<u>\$ 490,774</u>	-	<u>\$ 490,774</u>

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Reconciliation of Statement of Financial Position as at December 31, 2010

	Canadian GAAP 31-Dec-10	Effects of Transition to IFRS	IFRS 31-Dec-10
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 1,035,067	-	\$ 1,035,067
Amounts receivable	0	-	0
HST recoverable	30,604	-	30,604
Prepaid insurance	1,167	-	1,167
	<u>1,066,838</u>	-	<u>1,066,838</u>
Non Current			
Property, Plant and Equipment	180,478	-	180,478
Mineral properties	1	-	1
Security deposit	516	-	516
	<u>180,995</u>	-	<u>180,995</u>
	<u>\$1,247,833</u>	-	<u>\$1,247,833</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	83,409	-	83,409
Convertible debentures	125,000	-	125,000
	<u>208,409</u>	-	<u>208,409</u>
Non Current			
Flow through shares premium (a)	-	55,785	55,785
Convertible debentures	150,000	-	150,000
Provisions	500,104	-	500,104
	<u>650,104</u>	-	<u>650,104</u>
	<u>858,513</u>	-	<u>858,513</u>
<b>SHAREHOLDERS' EQUITY</b>			
Accumulated other comprehensive income (deficit)	-	-	-
Deficit	(5,288,800)	-	(5,288,800)
Share capital (a)	4,354,439	(55,785)	4,298,654
Contributed surplus	1,323,681	-	1,323,681
	<u>389,320</u>	<u>(55,784.97)</u>	<u>333,535</u>
	<u>\$ 1,247,833</u>	<u>(55,784.97)</u>	<u>\$ 1,192,048</u>



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Reconciliation of Statement of Financial Position as at September 30, 2011

	Canadian GAAP 30-Sep-11	Effects of Transition to IFRS	IFRS 30-Sep-11
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 40,380	-	\$ 40,380
Amounts receivable	9,343	-	9,343
HST recoverable	2,244	-	2,244
Prepaid insurance	-	-	-
	<u>51,967</u>	-	<u>51,967</u>
Non Current			
Property, Plant and Equipment	954,587	-	954,587
Mineral properties	-	-	-
Available for sale investment	169,600	-	169,600
Security deposit	516	-	516
	<u>1,124,703</u>	-	<u>1,124,703</u>
	<u>\$1,176,670</u>	-	<u>\$1,176,670</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	304,939	-	304,939
Convertible debentures	125,000	-	125,000
	<u>429,939</u>	-	<u>429,939</u>
Non Current			
Convertible debentures	150,000	-	150,000
Provisions	537,248	-	537,248
	<u>687,248</u>	-	<u>687,248</u>
	<u>1,117,187</u>	-	<u>1,117,187</u>
<b>SHAREHOLDERS' EQUITY</b>			
Accumulated other comprehensive income (deficit)	(95,400)	-	(95,400)
Deficit (a)	(5,923,938)	55,785	(5,868,153)
Share capital (a)	4,737,553	(55,785)	4,681,768
Contributed surplus	1,341,268	-	1,341,268
	<u>59,483</u>	-	<u>59,483</u>
	<u>\$ 1,176,670</u>	-	<u>\$ 1,176,670</u>

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**RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

For the three months ended December 31, 2010

	Canadian GAAP 31-Dec-10	Effects of Transition to IFRS	IFRS 31-Dec-10
Oil and gas revenues	\$ 39,141	\$ -	\$ 39,141
Royalties	(5,501)	-	(5,501)
Operating expense	(156,944)	-	(156,944)
Depletion expense	(6,000)	-	(6,000)
	<u>(129,304)</u>	<u>-</u>	<u>(129,304)</u>
General and administrative expense			
Accounting and audit fees	7,783	-	7,783
Accretion expense	-	-	-
Consulting fees	34,000	-	34,000
Director's fees	-	-	-
Filing & listing fees	6,165	-	6,165
Insurance	-	-	-
Interest expense	3,984	-	3,984
Investor relations	45,553	-	45,553
Legal fees	-	-	-
Management fees	22,500	-	22,500
Marketing	-	-	-
Office and administrative expenses	3,612	-	3,612
Travel expenses	11,657	-	11,657
Stock-based compensation	6,593	-	6,593
	<u>(141,847)</u>	<u>-</u>	<u>(141,847)</u>
Net loss before other item	<u>(271,151)</u>	<u>-</u>	<u>(271,151)</u>
Other income (expense)			
Write down of mineral properties	-	-	-
Impairment on oil and gas properties	-	-	-
Interest income	55	-	55
FIT recovery	-	-	-
	<u>55</u>	<u>-</u>	<u>55</u>
Net loss for the year	<u>(271,096)</u>	<u>-</u>	<u>(271,096)</u>
Other Comprehensive loss:			
Change in fair value of available for sale investment	-	-	-
Comprehensive loss for the year	<u>(271,096)</u>	<u>-</u>	<u>(271,096)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>		<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>24,041,008</u>		<u>24,041,008</u>

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**RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

For the year ended September 30, 2011

	Canadian GAAP 30-Sep-11	Effects of Transition to IFRS	IFRS 30-Sep-11
Oil and gas revenues	\$ 242,697	\$ -	\$ 242,697
Royalties	(45,401)	-	(45,401)
Operating expense	(243,372)	-	(243,372)
Depletion expense	(207,655)	-	(207,655)
	<u>(253,731)</u>	<u>-</u>	<u>(253,731)</u>
General and administrative expense			
Accounting and audit fees	50,527	-	50,527
Accretion expense	48,840	-	48,840
Consulting fees	71,830	-	71,830
Director's fees	4,200	-	4,200
Filing & listing fees	33,299	-	33,299
Insurance	1,753	-	1,753
Interest expense	28,721	-	28,721
Investor relations	97,220	-	97,220
Legal fees	51,412	-	51,412
Management fees	65,239	-	65,239
Marketing	684	-	684
Office and administrative expenses	17,448	-	17,448
Travel expenses	19,436	-	19,436
Stock-based compensation	62,460	-	62,460
	<u>(553,069)</u>	<u>-</u>	<u>(553,069)</u>
Net loss before other item	<u>(806,800)</u>	<u>-</u>	<u>(806,800)</u>
Other income (expense)			
Flow through share Premium – Renounced (a)	-	55,785	55,785
Impairment on oil and gas properties	(448,821)	-	(448,821)
Interest income	1,252	-	1,252
Gain on sale of subsidiary	274,220	-	274,220
Loss on sale of available for sale investment	(1,395)	-	(1,395)
FIT recovery	75,310	-	75,310
	<u>(99,434)</u>	<u>55,785</u>	<u>(43,649)</u>
Net loss for the year	<u>(906,234)</u>	<u>55,785</u>	<u>(850,449)</u>
Other Comprehensive loss:			
Change in fair value of available for sale investment	95,400	-	95,400
Comprehensive loss for the year	<u>(1,001,634)</u>	<u>55,785</u>	<u>(850,449)</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>		<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>33,513,781</u>		<u>33,513,781</u>

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Explanation for the Adjustments are as follows:

a) Flow through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, 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.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was Not changed at the date of transition (December 31, 2010 – decreased by \$55,785); September 31, 2011 – (decreased by \$55,785) and retained earnings was not changed (September 30, 2011 – increase by \$55,785). The impact on net income for three months-ended December 31, 2010 - \$Nil; year-ended September 30, 2011 - \$55,785.

Where flow-through shares were issued but expenditures not incurred by the end of the reporting period, a liability is shown in “Non Current liabilities”. This resulted in a liability of \$Nil at the date of transition (December 31, 2010 - \$55,785; September 30, 2011 - \$Nil).