

APPIA ENERGY CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

AUDITORS' REPORT

To the Shareholders of
Appia Energy Corp.:

We have audited the balance sheet of Appia Energy Corp. as at September 30, 2009 and 2008 and the statements of loss and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Markham, Ontario
November 27, 2009

Wasserman Ramsay

Chartered Accountants
Licensed Public Accountants

APPIA ENERGY CORP.

(Incorporated under the Laws of the Province of Ontario)

BALANCE SHEET - SEPTEMBER 30, 2009 AND 2008

ASSETS

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| Current: | | |
| Cash and cash equivalents | \$ 750,201 | \$ 974,490 |
| G.S.T Receivable | 885 | 109,367 |
| Cash and cash equivalents held for future exploration (Note 4) | - | 652,393 |
| Prepaid expenses | <u>3,717</u> | <u>417</u> |
| | <u>754,803</u> | <u>1,736,667</u> |
| Long term: | | |
| Interest in mineral properties (Note 3) | 561,643 | 559,721 |
| Deferred exploration expenditures | <u>2,996,140</u> | <u>2,078,857</u> |
| | <u>3,557,783</u> | <u>2,638,578</u> |
| | <u>\$ 4,312,586</u> | <u>\$ 4,375,245</u> |

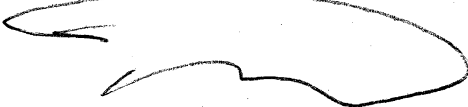
LIABILITIES

| | | |
|---|-------------------|-------------------|
| Current: | | |
| Accounts payable and accrued liabilities (Note 6) | \$ <u>159,225</u> | \$ <u>139,113</u> |
| Future income tax (Note 7) | <u>398,200</u> | <u>464,000</u> |

SHAREHOLDERS' EQUITY

| | | |
|------------------------|---------------------|---------------------|
| Capital stock (Note 5) | 4,916,593 | 3,978,939 |
| Deficit | <u>(1,161,432)</u> | <u>(206,807)</u> |
| | <u>3,755,161</u> | <u>3,772,132</u> |
| | <u>\$ 4,312,586</u> | <u>\$ 4,375,245</u> |

Approved on behalf of the Board:



Anastasios (Tom) Drivas, Director

See Nature of Operations (Note 1)

The accompanying notes form an integral part of these financial statements

APIA ENERGY CORP.

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

September 30, 2009

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|---------------------|
| Operating expenses: | | |
| Management fees (Note 6) | \$ 60,000 | \$ 60,000 |
| Office and general (Note 6) | 22,247 | 42,220 |
| Professional fees (Note 6) | <u>43,505</u> | <u>142,884</u> |
| | <u>125,752</u> | <u>245,104</u> |
| Less: Interest income | <u>42,981</u> | <u>38,297</u> |
| Net loss for the year before income tax | (82,771) | (206,807) |
| Future income tax recovery | <u>(65,800)</u> | <u>-</u> |
| Net loss and comprehensive loss for the year | <u>\$ (16,971)</u> | <u>\$ (206,807)</u> |
| Basic and diluted loss per share | <u>\$ -</u> | <u>\$ (0.01)</u> |
| Weighted average number of shares outstanding -basic and diluted | <u>39,016,525</u> | <u>35,161,735</u> |

STATEMENTS OF DEFICIT

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------|---------------------|
| Deficit, beginning of year | \$ (206,807) | \$ - |
| Shares purchased and cancelled (Note 5 (d)) | (937,654) | - |
| Net loss for the year | <u>(16,971)</u> | <u>(206,807)</u> |
| Deficit, end of year | <u>\$ (1,161,432)</u> | <u>\$ (206,807)</u> |

The accompanying notes form an integral part of these financial statements

APIA ENERGY CORP.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

September 30, 2009

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|--------------------|
| Cash was provided by (used in) the following activities: | | |
| Operating: | | |
| Loss for the year | \$ (16,971) | \$ (206,807) |
| Add: items not requiring an outlay of cash: | | |
| Future income tax | (65,800) | |
| Net change in non-cash working capital items <i>(Note 8)</i> | <u>125,294</u> | <u>29,329</u> |
| | <u>42,523</u> | <u>(177,478)</u> |
| Financing: | | |
| Common share issued for cash - net of cash share issue costs | - | 2,184,976 |
| Issuance of flow-through shares | - | 2,731,250 |
| Purchase of shares for cancellation | - | <u>(1,000,000)</u> |
| | <u>-</u> | <u>3,916,226</u> |
| Investing: | | |
| Investments in mineral properties | (1,922) | (41,509) |
| Deferred exploration expenditures | (917,283) | (2,070,357) |
| Cash and cash equivalents held for future exploration | <u>652,393</u> | <u>(652,393)</u> |
| | <u>(266,812)</u> | <u>(2,764,259)</u> |
| Net change in cash and cash equivalents | (224,289) | 974,489 |
| Cash and cash equivalents, beginning of the year | <u>974,490</u> | <u>1</u> |
| Cash and cash equivalents, end of the year | <u>\$ 750,201</u> | <u>\$ 974,490</u> |

The accompanying notes form an integral part of these financial statements

APIIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

1. Nature of Operations:

Appia Energy Corp. ("Company") has interests in mining claims properties and is in the process of determining whether or not its properties contain resources that are economically recoverable.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

As at September 30, 2009 the Company has working capital of \$595,578. The Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future financing's. While the Company has been successful in raising financing's to date, there can be no assurance that it will be able to do so in the future.

2. Summary of significant accounting policies:

The financial statements of Appia Energy Corp. [the "Company"] have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Cash and cash equivalents:

Cash and cash equivalents and cash and cash equivalents held for future exploration consists of cash and investments in Canadian Chartered Bank short term deposits.

b) Mineral properties:

Mineral properties are stated at cost.

c) Deferred exploration expenditures:

Expenditures incurred in the acquisition and exploration of the Company's mineral properties have been deferred with the intention that the deferred expenditures and the cost of the mineral properties be amortized by charges against income from future mining operations. If the mineral properties are allowed to lapse or the properties are abandoned, the cost of the mineral properties and all associated exploration expenditures are written off.

d) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

e) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the section require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

f) Income taxes:

The Company has adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

APIIA ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

2. Summary of significant accounting policies (Continued):

g) Asset retirement obligations:

The Company has adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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 may differ from those estimates.

i) Financial Instruments – Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

j) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

k) Hedges

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any instruments that are covered in this standard.

APPIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

l) Accounting Changes

Effective May 1, 2007, the Company adopted revised CICA Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information; b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change; and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting policies since the adoption of the revised standard.

Upon adoption of the new standards on financial instruments, the Company designated GST receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

Except for the reclassifications noted above, the adoption of these new standards had no impact on the financial statements of the Company.

Accounting pronouncements adopted in current year:

Capital Disclosures

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Financial Instruments

Handbook Section 3862 and 3863 replaces Handbook s.3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how the entity manages those risks.

Accounting pronouncements not yet adopted:

International Financial Reporting Standards:

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The Corporation has the appropriate resources committed to the development of its IFRS changeover plan during the coming year. Management has yet to identify what if any effects these new standards will have on the Corporation.

Business combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

APIIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011.

Apart from additional disclosure requirements, it is not anticipated that adoption of these new standards will have a major impact on the Company.

3. Mineral properties:

- (a) On November 1, 2007 the Company acquired a 100% interest in 61 mining claims known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario. As part of the acquisition agreement the Company has issued 35 million common shares to Canada Enerco Corp. ("CEC"), a company related to the Company on the basis of common shareholders and management, at a stated value of \$218,212 with \$25,000,000 being the fair market value of the property as of November 1, 2007 as per an independent valuation obtained by management. CEC retains the right to a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable provided uranium is over US\$130 per pound.

The Company also entered into two (2) share option agreements with CEC whereby the Company has the option to buy back 1,000,000 of the common shares of the Company at the price of \$1 per share, expiring August 31, 2008 and 9,000,000 common shares at a price of \$2 per share, price subject to adjustments, in tranches of 1,000,000 shares, expiring November 2, 2012. The second option is conditional upon the Company spending at least \$10 million on exploration on the property prior to November 2, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The Company shall determine the maximum purchase price as \$0.10 multiplied by the number of pounds of uranium. In the event that maximum purchase price is less than \$20 million the option price of the 9 million shares will be adjusted to equal the maximum purchase price divided by 10 million. The Company acknowledges that the property has a historical resource of almost 200 million pounds of uranium. As at September 30, 2008, the Company has exercised the first option agreement for the 1 million common shares. These shares were returned to treasury for cancellation subsequent to year end.

Pursuant to an Assumption of Obligations Agreement dated November 2, 2007 among the Company, CEC, Quincy Gold Corp. and Energy Metals Corp. ("EMC"), the Company assumed certain obligations of CEC to Quincy and EMC giving the Company a 100% interest in the Elliot Lake property free and clear of all liens, charges and encumbrances in consideration for granting to EMC the right to purchase up to 9.9% of the equity of the Company (the "Participation Right") pursuant to an initial financing or an initial public offering or a going public transaction pursuant to a business combination at the same price and terms as other subscribers and a \$250,000 credit (the "Credit") towards the Participation Right. Since the date of the agreement mentioned above, EMC has been acquired by Uranium One. During the prior year, 250,000 common shares of the Company were issued to EMC in consideration for the Credit.

- (b) On February 27, 2008 the Company entered into an agreement with Dan Patrie Exploration Ltd. ("DPE") to acquire an option to earn 100% interest in 6 mineral claims comprising of 50 claim units in the Buckles and Joubin Townships in Sault Saint Marie Mining Division in Province of Ontario in consideration for payment of \$20,000 cash and the issuance of 50,000 common shares at a price of \$1 per share. DPE retains the right to a 1% Uranium Production Payment Royalty ("Royalty") payable when the uranium is sold from the claims at a price of over US\$130 per pound. The Company has the right and option to purchase one-half (1/2) of the Royalty from DPE for \$1,000,000. If DPE wishes to sell the remaining Royalty to a third party, it shall first offer the remaining Royalty to the Company on the same terms on which they have received the offer from a bona fide third party which they are prepared to accept.
- (c) The Company also staked an additional 113 claim units in the Elliot lake area during the prior year at a cost of \$21,509.

4. Cash held for future exploration:

During the prior year the Company completed flow-through private placements for 2,185,000 shares for gross proceeds of \$2,731,250. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and as such were not available for current working capital purposes. During the current year the Company spent a total of \$917,283 (2008-\$2,078,857) of the funds raised on CEE, leaving a balance to be spent at year end in the amount of \$ nil (2008-\$652,393).

APIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

5. Capital stock:

The Company is authorized to issue an unlimited number of common shares.

Common shares have been issued as follows:

| | <u>Number</u> | <u>Value</u> |
|--|-------------------|---------------------|
| Issued for cash on incorporation | 1 | \$ 1 |
| Balance as at September 30, 2007 | 1 | 1 |
| Issuance of shares for mining properties | 35,300,000 | 518,212 |
| Issued pursuant to flow-through private placements | 2,185,000 | 2,731,250 |
| Issued pursuant to private placements | 2,307,825 | 2,286,777 |
| Cancellation of initial incorporation share | (1) | (1) |
| Issued - commission on flow-through private placements | 199,000 | 248,750 |
| Issued for debt settlement | 8,500 | 8,500 |
| Issuance of shares for finders fees | 16,200 | 16,200 |
| Less: share issue costs | | (366,750) |
| Reduction re: future income tax liability flow-through shares (Note 7) | | (464,000) |
| Balance as at September 30, 2008 before under-noted item | 40,016,525 | 4,978,939 |
| Less: shares of Company repurchased and held for cancellation (i) | (1,000,000) | (1,000,000) |
| Balance as at September 30, 2008 | 39,016,525 | 3,978,939 |
| To adjust for shares cancelled during the year | - | 937,654 |
| Balance as at September 30, 2009 | <u>39,016,525</u> | <u>\$ 4,916,593</u> |

(i) Cancelled subsequent to 2008 year end

- (a) During the prior year the Company entered into private placement agreements for 2,185,000 flow-through shares at \$1.25 per share for gross proceeds of \$2,731,250. Finder fees were paid on the flow-through private placements by the issuance of 199,000 common shares valued at \$248,750.
- (b) During the prior year the Company entered into private placement agreements for 2,307,825 working capital shares priced at \$1 per share for gross proceeds of \$2,286,777.
- Cost related to the issuance were cash commissions of \$101,800 and the issuance of 16,200 common shares valued at \$16,200.
- (c) During the prior year the Company also issued 8,500 common shares valued at \$1 per share to a consultant for consulting services rendered to the Company.
- (d) Under the terms of the agreement noted in 3(a) above, the Company exercised its right to repurchase 1,000,000 of its shares from CEC for \$1,000,000 during fiscal 2008. During the current year these shares were returned to treasury and cancelled. As required, share capital has been charged with the original stated value of the shares in the amount of \$62,346 with the difference of \$937,654 being charged directly to deficit.

At a shareholders meeting on August 11, 2009 the Company approved the following proposed amendments to its articles of incorporation: (i) to change the number of directors to a minimum of three (3) and a maximum of ten (10); and (ii) to delete item 4 of the Articles of Incorporation, being Restrictions on Share Transfers, in its entirety and replace it with "None", to facilitate going public by way of a prospectus or otherwise if the management of the Corporation deems it appropriate to take the Corporation public. As of year end the Company had not yet filed articles of amendment to give effect to the above-noted proposed changes.

APIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

6. Related party transactions:

The total of \$60,000 (2008-\$60,000) was charged for management fees by an individual who is an officer, director and shareholder of the Company. As at September 30, 2009, a total of \$120,000 is still outstanding and included under accounts payable and accrued liabilities.

A company related to the director noted above charged the Company \$12,000 (2008-\$11,000) for office administration services. This amount is included under office and general expenses. At September 30, 2009, \$23,279 (2008-\$9,544) of the amount charged is outstanding and is included under accounts payable and accrued liabilities.

The Company's solicitor, who is also an officer of the Company, charged legal fees in the amount of \$27,297 (2008-\$111,364) which is included under professional fees. Included in accounts payable is \$3,252 (2008-\$7,774) owing to the firm of this individual.

As disclosed in Note 3(a), the Company's major exploration property was acquired from a related party.

All transactions with related parties are established and agreed by the various parties and approximate the exchange amount.

7. Income taxes:

The Company has incurred tax losses of approximately \$417,900 which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended September 30, if unused, as follows:

| | |
|------|-------------------|
| 2028 | \$ 316,800 |
| 2029 | <u>101,100</u> |
| | <u>\$ 417,900</u> |

The components of future income tax assets (liabilities) at the Company's statutory rate of 16.50 (2008 - 17%) is as noted below:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Non-capital losses | \$ 52,450 | \$ 35,150 |
| Future income tax liability recognized as a result of flow-through share issuance | (450,650) | (464,000) |
| Valuation allowance | - | (35,150) |
| Liability recognized in the financial statements | <u>\$ (398,200)</u> | <u>\$ (464,000)</u> |

As required by CICA Handbook EIC 146, the Company has, for renunciations of flow-through amounts, treated the future income tax liability related to this temporary difference as a reduction in share capital at the time that the expenditure is renounced. During the prior year this amounted to \$464,000 and is included in share issue costs.

8. Supplemental cash flow information:

Net change in non-cash working capital:

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|------------------|
| G.S.T. receivable | \$ 108,482 | \$ (109,367) |
| Prepaid expenses and deposits | (3,300) | 83 |
| Accounts payable and accrued liabilities | <u>20,112</u> | <u>138,613</u> |
| | <u>\$ 125,294</u> | <u>\$ 29,329</u> |

APIA ENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

8. Supplemental cash flow information (continued):

Non-cash investing and financing activities:

| | | |
|--|-------------|-------------------|
| Common shares issued for interest in mineral properties (Note 3) | \$ - | \$ 518,212 |
| Common shares issued on debt settlement (Note 5) | - | 8,500 |
| Common shares issued as commissions and finder's fees on private placements (Note 5) | <u>-</u> | <u>264,950</u> |
| | <u>\$ -</u> | <u>\$ 791,662</u> |

9. Financial instruments:

Fair values

The Company's financial instruments recognized in the balance sheet consists of cash and cash equivalents, GST receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

Foreign Currency risk

A portion of the Company's transactions occur in foreign currencies (U.S. dollars) and the Company is therefore exposed to risk from currency fluctuations.

Liquidity rate risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. Company's growth is financed through a combination of the cash flows from operations, and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The Company does not hold or issue financial instruments for trading purposes.

10. Capital disclosures:

Presently, the Company does not have any externally imposed capital requirements.