

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of even requiring this shell report

For the transition period from _____ to _____

Commission file number 000-49760

Petro River Oil Corp.

(Exact name of the Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Delaware

(Jurisdiction of incorporation or organization)

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(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares, par value \$0.00001 per share

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 14,078,947 common shares, par value \$0.00001 per share, as of April 30, 2012 and as of October 12, 2012.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Explanatory Note:

As disclosed in the Current Report on Form 8-K filed by Petro River Oil Corp. (the “Company”, formerly known as Gravis Oil Corporation) with the Securities and Exchange Commission on September 13, 2012, the Company’s stockholders approved (i) amendment of its articles of incorporation to change the name of the Company from “Gravis Oil Corporation” to “Petro River Oil Corp.”, (ii) a continuance of the Company from Alberta, Canada into the State of Delaware as if it had been incorporated under the laws of the State of Delaware (the “Continuance”), and (iii) amendment of its articles of incorporation to change the authorized shares of the Company as reflected in the Certificate of Incorporation of the Company filed as an exhibit to the referenced Form 8-K. At April 30, 2012, which is prior to the Continuance described in clause (ii) above, the Company was a “foreign issuer” required to file an Annual Report on Form 20-F.

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INTRODUCTION

We are a corporation organized under the laws of the State of Delaware. Prior to September 11, 2012, and at April 30, 2012, we were organized under the laws of Alberta, Canada.

Since December 2006, our primary business activity has been the acquisition, exploration and development of a number of unproven heavy oil properties in the United States. To date, we have been assigned an immaterial amount of proved reserves based on the anticipated total reserves in the Missouri area; however, we still believe we are an exploration stage company. Our activities to date have included analysis and evaluation of technical data, preparation of geological models, acquisition of mineral rights, exploration and development drilling, conceptual engineering, construction and operation of thermal demonstration projects.

Our common shares have traded in the United States on the Over-the-Counter Bulletin Board exchange (OTC) under the symbol "GRAVF". We are advised that upon the filing of this Annual Report, FINRA will assign the Company a new trading symbol. As used in this annual report, the terms "issuer" and Petro or Gravis means Petro River Oil Corp or, individually, the terms "we", "us", "our", "Company" and "Corporation" mean Petro River Oil Corp. together with its subsidiaries and "MegaWest USA" means our directly-owned subsidiary MegaWest Energy (USA) Corp.

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company ("Petro LLC") that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the "Merger Transaction"). The letter of intent also contemplates that our board will consist of 5 members, 4 of which will be nominated by Petro LLC. Currently, it is intended that, post-Merger Transaction, current common shareholders of Petro will own approximately 2% of the issued and outstanding shares of the Company, holders of our preferred shares and notes approximately 18% and holders of shares and notes of Petro LLC approximately 80%. Additionally, in advance of the closing of the Merger Transaction, our stockholders approved, and we completed, the name change to Petro River Oil Corp., our continuation/domestication to Delaware, and the election of the directors nominated by Petro LLC.

On September 7, 2012, our stockholders approved a special resolution granting the Board of Directors of the Company the discretionary authority to amend the Company's organizational documents to effect one or more reverse stock-splits of the issued and outstanding common shares, pursuant to which the common shares would be combined and reclassified into one common share at a ratio within the range from 1-for-2 up to 1-for-250; provided, however, that the Company shall not effect a reverse stock-split that, in the aggregate, exceeds 1-for-250. We do not currently intend to issue fractional shares in connection with the reverse stock-split. Therefore, the Company does not expect to issue certificates representing fractional shares. The Board of Directors will have the discretionary authority to determine whether to arrange for the disposition of fractional interests by stockholders entitled thereto, to pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or to entitle stockholders to receive from the Company's transfer agent, in lieu of any fractional share, the number of shares rounded up to the next whole number. The ownership of a fractional share interest following the reverse stock-split would not give the holder any voting, dividend or other rights, except to receive the cash payment, or, if the Board of Directors so determines, to receive the number of shares rounded up to the next whole number, as described above.

This annual report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933, as amended and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors” that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to a wide range of known and unknown risks and uncertainties, and although we believe that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results, future actions, conditions or events to differ materially from those in the forward-looking statements, including, but not limited to, the volatility of oil and gas prices, the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, changes in oil and gas acquisition and drilling programs, operating risks, production rates, reserve estimates, changes in general economic conditions, and other factors. Undue reliance should not be placed on forward-looking statements as we can give no assurance that they will prove to be correct. The forward-looking statements contained in this annual report are made as of the date hereof. While we acknowledge that subsequent events and developments may cause the views expressed herein to change, we have no intention and undertake no obligation to update, revise or correct such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required.

Item 2. Offer Statistics and Expected Timetable

Not required.

Item 3. Key Information

A. Selected Financial Data

The following table summarizes selected financial data for and as of the five years ended April 30, 2012, and are derived from our audited financial statements, which have been prepared in accordance with U.S. GAAP and audited by our independent registered public accountants. The selected financial data for the years ended April 30, 2012, 2011 and 2010 have been derived from our audited financial statements and related notes included elsewhere in this annual report. The selected financial data should be read in conjunction with our audited financial statements and related notes included in this annual report and with the information appearing under the heading "Item 5 - Operating and Financial Review and Prospects" below.

Effective May 1, 2010, we changed our accounting policies from Canadian GAAP to U.S. GAAP, which has been reflected retrospectively in this report. Effective July 30, 2010, we changed the presentation currency of our consolidated financial statements from the Canadian dollar to the U.S. dollar, reflecting the primary source of funding and spending. We believe that this change provides greater alignment of our presentation currency with our most significant operating currency and underlying financial performance. Unless otherwise specified, all financial information included in this Form 20-F has been stated in U.S. dollars.

	Years Ended April 30,	
	2012	2011
Revenue	\$ 436,386	\$ 1,565,963
Operating Expenses	20,568,540	20,470,643
Net Loss	(10,103,480)	(29,709,386)
Total Comprehensive Loss	(10,065,974)	(29,993,157)
Net (Loss) per Share	(1.12)	(2.27)
Total Assets	1,596,398	20,818,512
Total Liabilities	12,544,014	23,650,925
Accumulated Deficit	(146,388,486)	(135,918,002)
Total Stockholders (Deficiency) Equity	\$ (10,947,616)	\$ (2,832,413)

	Years Ended April 30,		
	2010	2009	2008
Revenue	\$ 1,575,150	\$ 135,190	\$ 644,731
Operating Expenses	8,604,191	60,082,461	40,734,966
Net Loss	(7,950,359)	(59,947,271)	(40,090,235)
Total Comprehensive Loss	(2,966,333)	(73,779,415)	(31,585,085)
Net Loss Per Share	(0.611)	(4.60)	(5.05)
Total Assets	31,596,571	30,502,369	88,185,360
Total Liabilities	2,842,857	952,720	49,807,354
Accumulated Deficit	(105,144,948)	(96,975,794)	(37,472,384)
Total Stockholders (Deficiency) Equity	\$ 28,753,714	\$ 29,549,649	\$ 38,378,006

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

The common shares of our company are considered speculative. Investing in our common shares involves a high degree of risk and uncertainty. You should carefully consider the following risks and uncertainties in addition to other information in this annual report in evaluating our company and our business before purchasing our common shares. Our business, operating or financial condition could be harmed due to any of the following risks.

RISKS RELATING TO OUR BUSINESS

If we are unable to obtain additional funding our business operations will be harmed and if we do obtain additional financing our then existing shareholders may suffer substantial dilution.

During September 2011 and, again, in August 2012, the Company was cease traded by the Alberta and British Columbia Securities Commissions for failure to file certain financial information – See Legal Proceedings below. The Company made the required filings with regard to the 2011 cease trade orders and the Alberta and British Columbia cease trade orders were rescinded. The Company intends to make the required filings with regard to the 2012 cease trade orders and believes that the Alberta and British Columbia cease trade orders will be rescinded. However, as of the date of the filing of this report the cease trade orders have not been rescinded and no assurances can be given as to when or if they will be rescinded. Until these cease trade orders are rescinded the Company's ability to raise capital is significantly restricted.

Our current capital and our other existing resources will not be sufficient to provide working capital for the balance of 2012, and the revenues generated will not be sufficient to fund our operations or planned growth. In addition, when our Senior Notes and Junior Notes come due the Company currently lacks the resources to repay them. While the Company plans on renegotiating the terms of the Senior Notes and Junior Notes there can be no assurance that the Company will be successful and the Senior Note and Junior Note holders may demand repayment and or force their security interests against our assets. We will require additional capital to continue to operate our business and to further expand our exploration and development programs. We may be unable to obtain additional capital required. Furthermore, inability to maintain capital may damage our reputation and credibility with industry participants. Our inability to raise additional funds when required may have a negative impact on our consolidated results of operations and financial condition.

Future acquisitions and future exploration, development, production, leasing activities and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) will require a substantial amount of additional capital and cash flow.

We plan to pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. The Company plans to consider a full range of strategic alternatives for addressing its financial condition. We may not be successful in locating suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. This may adversely affect our consolidated financial results, financial condition and ability to continue as a going concern.

Any additional capital raised through the sale of equity will likely dilute your ownership percentage. This could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

Our ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the oil and gas industry in particular), our status as a new enterprise without a significant demonstrated operating history, the location of our oil and natural gas properties and prices of oil and natural gas on the commodities markets (which will impact the amount of asset-based financing available to us) and/or the loss of key management. Further, if oil and/or natural gas prices on the commodities markets decrease, then our revenues will likely decrease, and such decreased revenues may increase our requirements for capital. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs (even to the extent that we reduce our operations), we may be required to cease our operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our consolidated financial results.

We have a history of losses which may continue, which may negatively impact our ability to achieve our business objectives and continue as a going concern.

We incurred net losses of \$10,103,480, \$29,709,386 and \$7,950,359 for the years ended April 30, 2012, 2011 and 2010 respectively. To date, we have acquired interests in oil and gas properties, but have not established a project on any of our properties that generates commercial revenues. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

As a result of our inability to raise sufficient capital to sustain our operations, we have discontinued substantially all of our operations with regard to our properties, which has had a material adverse effect on our ability to continue as a going concern.

As our Missouri, Kentucky and Montana properties are in early stages of development, we may not be able to establish commercial reserves on these projects. Exploration for commercial reserves of oil is subject to a number of risk factors. Few of the prospects that are explored are ultimately developed into producing oil and/or gas fields. To April 30, 2012, only a portion of the reserves associated with the Missouri Marmaton River and Grassy Creek projects are classified as developed and production activities have been suspended since September 2011. We may not be able to establish commercial reserves in Missouri and it is therefore considered to be an exploration stage company.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.

We have received a limited amount of revenues from operations and have limited assets. To date, we have acquired interests in oil and gas properties, but have not established a project on any of our properties that generates commercial revenues and there can be no assurance that we will ever operate profitably. We have a limited operating history. Our success is significantly dependent on a successful acquisition, drilling, completion and production program. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the exploration stage and potential investors should be aware of the difficulties normally encountered by enterprises in the exploration stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment.

Because we are small and do not have much capital, we may have to limit our exploration activity which may result in a loss of your investment.

Because we are small and do not have much capital, we must limit our exploration activity. As such we may not be able to complete an exploration program that is as thorough as we would like. In that event, existing reserves may go undiscovered. Without finding reserves, we cannot generate revenues and you will lose your investment.

Our cash and cash equivalents have declined dramatically since April 30, 2011, this decline and our working capital deficiency may materially and adversely affect our ability to obtain additional capital and continue as a going concern.

Cash and cash equivalents at April 30, 2012 were \$300,274 as compared to \$1,179,838 at April 30, 2011. At April 30, 2012, we had a working capital deficiency of approximately \$4.5 million. These results may materially and adversely affect our ability to obtain additional capital and, accordingly, our ability to continue as a going concern.

Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations.

Our ability to successfully acquire additional properties, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will depend on developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. These realities are subject to change and may impair our ability to grow.

To develop our business, we will endeavor to use the business relationships of our management to enter into strategic relationships, which may take the form of joint ventures with other private parties and contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

Although our estimated natural gas and oil reserve data has been prepared by an independent third party, the estimates may prove to be inaccurate.

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributed to such reserves. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditure, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves will vary from estimates thereof and such variations could be material.

Operating Costs have exceeded Gravis' expectations and production has been low when operations were underway.

Operating costs on the Missouri properties have been excessively high and have prevented us from attaining expected results. Additionally, production has been below expectations and may never be sufficient to reach full commercial development. We have determined that we will require significant additional financing to take advantage of what has been learned thus far and to follow through to economically viable production of our steam flood projects.

Our primary and most valuable assets are pledged as security against our indebtedness.

In order to finance our exploration activities with a view toward establishing commercial operations we pledged our assets in Missouri as a security against our Senior Notes and Junior Notes. If we default on the terms of any of these credit instruments, we could lose such assets, which would adversely impact our business.

Current global financial conditions have been characterized by increased volatility which could have a material adverse effect on our business, prospects, liquidity and financial condition.

Current global financial conditions and recent market events have been characterized by increased volatility and the resulting tightening of the credit and capital markets has reduced the amount of available liquidity and overall economic activity. There can be no assurance that debt or equity financing, the ability to borrow funds or cash generated by operations will be available or sufficient to meet or satisfy our initiatives, objectives or requirements. Our inability to access sufficient amounts of capital on terms acceptable to us for our operations could have a material adverse effect on our business, prospects, liquidity and financial condition.

Our results of operations as well as the carrying value of our oil and gas properties are substantially dependent upon the prices of oil and natural gas, which historically have been volatile and are likely to continue to be volatile.

Our results of operations and the ceiling on the carrying value of our oil and gas properties are dependent on the estimated present value of proved reserves, which depends on the prevailing prices for oil and gas, which are and are likely to continue to be volatile. Recent world events have significantly increased oil and gas prices, but we cannot assure that such prices will continue. Various factors beyond our control affect prices of oil and natural gas, including political and economic conditions; worldwide and domestic supplies of and demand for oil and gas; weather conditions; the ability of the members of the Organization of Petroleum Exporting Countries to agree on and maintain price and production controls; political instability or armed conflict in oil-producing regions; the price of foreign imports; the level of consumer demand; the price and availability of alternative fuels; and changes in existing federal and state regulations. Current prices for oil are at or near historical highs, and any significant decline in oil or gas prices could have a material adverse effect on our operations, financial condition, and level of development and exploration expenditures and could result in a reduction in the carrying value of our oil and gas properties. Any decline in prices would cause a reduction in the amount of any reserves and, in turn, in the amount that we might be able to borrow to fund development and acquisition activities. To date, we do not believe that the lack of reserves has hindered our efforts to obtain the capital we have sought.

We are currently in default under various secured convertible notes. The inability to repay the outstanding borrowings could cause the investors to foreclose upon the Company's assets.

On July 30, 2010, we issued to various investors senior secured promissory notes and subordinated secured debentures. Between December 28, 2010 and March 7, 2011, we issued to various investors secured promissory notes. In connection with the issuance of these securities, we granted a security interest to the investors substantially all of our assets. Interest on these securities is payable quarterly in arrears. We have not made the required quarterly interest payments and the secured promissory notes issued between December 28, 2010 and March 7, 2011 had a maturity date of June 28, 2012, which have not been repaid, therefore, we are currently in default under the terms of the securities.

Although the investors have not demanded current payment on the amounts outstanding (to the extent the principal is not currently due), the obligations of the Company under the various secured notes may be accelerated upon the occurrence of an event of default. Pursuant to the security interests granted, in the event of a default, the investors have the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements. As of the date of this filing, the investors have not declared a default by the Company, although there can be no assurance that they will not declare a default in the future.

RISKS RELATING TO OUR INDUSTRY

The oil and gas industry is highly competitive and we may not be able to compete with current and potential exploration companies.

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which have substantially greater technical, financial and operational resources and staff for suitable business opportunities, desirable oil and gas properties for drilling operations, drilling equipment and funds. We may be unable to compete successfully with our existing competitors or with any new competitors. The competition from other companies with greater resources and reputations may result in our failure to maintain or expand our business.

We may not be able to develop oil and gas reserves on an economically viable basis.

To the extent that we succeed in discovering oil and/or natural gas reserves, we cannot assure that these reserves will be capable of production levels we project or in sufficient quantities to be commercially viable. Our viability depends on our ability to find or acquire, develop and commercially produce additional oil and natural gas reserves. Without the addition of reserves through acquisition, exploration or development activities, our reserves and production will decline over time as reserves are produced. Our future reserves will depend not only on our ability to develop then-existing properties, but also on our ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas we develop and to effectively distribute our production into our markets.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While we will endeavor to effectively manage these conditions, we cannot be assured of doing so optimally, and we will not be able to eliminate them completely in any case. Therefore, these conditions could diminish our revenue and cash flow levels and result in the impairment of our oil and natural gas interests.

The potential profitability of oil and gas ventures depends upon factors beyond our control, any of which could have a material adverse effect on our business.

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance. In addition, a productive well may become uneconomic in the event that water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. These factors cannot be accurately predicted and the combination of these factors may result in us not receiving an adequate return on invested capital.

The marketability of natural resources will be affected by numerous factors beyond our control.

The markets and prices for oil and gas depend on numerous factors beyond our control. These factors include demand for oil and gas, which fluctuate with changes in market and economic conditions, and other factors, including:

- worldwide and domestic supplies of oil and gas;
- actions taken by foreign oil and gas producing nations;
- political conditions and events (including instability or armed conflict) in oil-producing or gas-producing regions;
- the level of global and domestic oil and gas inventories;
- the price and level of foreign imports;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline or other takeaway capacity;

- weather conditions;
- domestic and foreign governmental regulations and taxes; and
- the overall worldwide and domestic economic environment.

Significant declines in oil and gas prices for an extended period may have the following effects on our business:

- adversely affect our financial condition, liquidity, ability to finance planned capital expenditures and results of operations;
- cause us to delay or postpone some of our capital projects;
- reduce our revenues, operating income and cash flow; and
- limit our access to sources of capital.

We may have difficulty distributing our oil and gas production, which could harm our financial condition.

In order to sell the oil and gas that we are able to produce, we may have to make arrangements for storage and distribution to the market. We will rely on local infrastructure and the availability of transportation for storage and shipment of our products, but infrastructure development and storage and transportation facilities may be insufficient for our needs at commercially acceptable terms in the localities in which we operate. This situation could be particularly problematic to the extent that our operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping and/or pipeline facilities. These factors may affect our ability to explore and develop properties and to store and transport our oil and gas production and may increase our expenses.

Furthermore, weather conditions or natural disasters, actions by companies doing business in one or more of the areas in which we will operate, or labor disputes may impair the distribution of oil and/or gas and in turn diminish our financial condition or ability to maintain our operations.

We are subject to complex laws and regulations, including environmental regulations, which can adversely affect the cost, manner or feasibility of doing business.

Oil and gas operations in United States are subject to federal and state laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling and production operations to be conducted and we may not receive such permits. Oil and gas operations in the United States are also subject to federal and state laws and regulations relating to, among other things, the construction and operation of facilities, the use of water in industrial processes, the removal of natural resources from the ground, and the discharge/release of materials into the environment.

Environmental standards imposed by United States federal and state authorities are subject to change and any such changes could have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated. Additionally, we may be subject to liability for pollution or other environmental damages, which we may elect not to insure against due to prohibitive premium costs and other reasons. Our current and anticipated exploration and drilling activities are subject to the foregoing environment regulations and we would become subject to additional regulations if we establish reserves or enter into production.

Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on our financial position.

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or for which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

Any change in government regulation and/or administrative practices may have a negative impact on our ability to operate and on our profitability.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the U.S. or any other jurisdiction may be changed, applied or interpreted in a manner which will fundamentally alter our ability to carry on our business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitability.

Our rights to drill on the leases owned by our company are only valid if we continue to pay contractual lease rental payments.

Continuation of existing undrilled leases owned by our company is dependent on the payment of lease rental payments. The majority of these lease payments are pre-paid at the inception of the individual lease agreement with an option for the pre-payment of a second term at the expiry of the initial term. We may not be in a financial position at the end of the primary lease term to pay the option payment for the second term, in which case the lease would expire at the end of its primary term.

Our rights to produce petroleum from the leases that we own are dependent on continuous production and the payment of shut-in royalty payments.

Our leases contain provisions that once commercial production has been established, continuous production must be maintained on a monthly basis (with normal maintenance shut-ins excepted). In order to maintain our leases in force and effect, the leases include provisions for the payment of shut-in royalties. Under our leases, we would be required to pay a shut-in royalty in certain circumstances when a well is shut-in due to lack of a suitable market, a lack of facilities to produce the product, or other reasons defined within the shut-in provisions contained in our leases. We may not be in a financial position to make such shut-in royalty payments, in which event our leases would terminate.

The real property associated with our projects for which we have leases may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title searches.

The oil and gas leases with respect to the real property associated with our projects do not guarantee title against all possible claims. The real property may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title research. If the oil and gas leases to the real property associated with our projects are challenged, we may have to expend funds defending any such claims and may ultimately lose our interest in such leases, which would have an adverse effect on revenues generated from such projects.

Operational hazards for which we do not maintain insurance are inherent in the exploration, drilling, and production of oil and gas.

Usual operational hazards incident to our industry include blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, pollution, releases of toxic gas, and other environmental hazards and risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage, and suspension of operations. We maintain insurance to cover operational hazards and rely on our agreements that require the operator of the properties in which we have an interest to maintain workers' compensation, employer's and general liability, general liability, and bodily injury and property damage insurance coverage. The insurance policies purchased under this covenant include us as the owner of a non-operating working interest as an insured under such policies. We cannot assure that we could obtain or that our contractors will be able to continue to obtain insurance coverage for current or future activities. Further, we cannot assure that any insurance obtained will provide coverage customary in the industry, be comparable to the insurance now maintained, or be on favorable terms or at premiums that are reasonable. The insurance maintained by our contractors does not cover all of the risks involved in oil and gas exploration, drilling, and production, and if coverage does exist, may not be sufficient to pay the full amount of such liabilities. We may not be insured against all losses or liabilities that may arise from all hazards because such insurance may not be available at economical rates, the respective insurance policies may have limited coverage, and other factors. For example, insurance against risks related to violations of environmental laws is not maintained. The occurrence of a significant adverse event that is not fully covered by insurance or for which the coverage is insufficient to cover aggregate losses could expose us to liability because we may be responsible for our working interest share of the damages in excess of any related insurance coverage. Further, we cannot assure that adequate levels of insurance will be maintained for our benefit in the future at rates we consider reasonable. The occurrence of any of these risks could lead to a reduction in our value and the loss of investments made by purchasers of our stock.

RISKS RELATING TO OUR COMMON SHARES

If we fail to return to eligibility for our shares to be quoted on the OTC Bulletin Board, this could limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the Over-The-Counter Bulletin Board must be reporting issuers under the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. The lack of resources to prepare and file our reports, including the inability to pay our independent registered public accounting firm, resulted in our being removed from quotation on the OTC Bulletin Board. As a result, the market liquidity for our securities may be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to get re-approved for quotation on the OTC Bulletin Board, which may have an adverse material effect on our company.

There has been a limited trading market for our common stock.

It is anticipated that there will be a limited trading market for our Common Stock on the Over-the-Counter Bulletin Board for the foreseeable future. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using common stock as consideration.

You may have difficulty trading and obtaining quotations for our common stock.

Our common stock is not actively traded, and the bid and asked prices for our common stock on the Over-the-Counter Bulletin Board may fluctuate widely. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of the common stock, and would likely reduce the market price of our common stock and hamper our ability to raise additional capital.

Our common stock is not currently traded at high volume, and you may be unable to sell at or near ask prices or at all if you need to sell or liquidate a substantial number of shares at one time.

Our common stock is currently traded, but with very low, if any, volume, based on quotations on the “Over-the-Counter Bulletin Board”, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is still relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that trading levels will be sustained.

Stockholders should be aware that, according to Commission Release No. 34-29093, the market for “penny stocks” has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the future volatility of our share price.

The market price of our common stock may, and is likely to continue to be, highly volatile and subject to wide fluctuations.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- dilution caused by our issuance of additional shares of Common Stock and other forms of equity securities, which we expect to make in connection with future capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;
- quarterly variations in our revenues and operating expenses;
- changes in the valuation of similarly situated companies, both in our industry and in other industries;
- changes in analysts’ estimates affecting our company, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- additions and departures of key personnel;
- announcements of technological innovations or new products available to the personal protective equipment industry;
- fluctuations in interest rates and the availability of capital in the capital markets; and
- significant sales of our common stock.

These and other factors are largely beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our Common Stock and/or our results of operations and financial condition.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant.

Legislative actions and higher insurance costs may impact our future financial position and results of operations.

There have been regulatory changes, including the Sarbanes-Oxley Act of 2002, and there may potentially be new accounting pronouncements or additional regulatory rulings that will have an impact on our future financial position and results of operations. The Sarbanes-Oxley Act of 2002 and other rule changes as well as proposed legislative initiatives following the Enron bankruptcy are likely to increase general and administrative costs and expenses. In addition, insurers are likely to increase premiums as a result of high claims rates over the past several years, which we expect will increase our premiums for insurance policies. Further, there could be changes in certain accounting rules. These and other potential changes could materially increase the expenses we report under generally accepted accounting principles, and adversely affect our operating results.

Our common stock is subject to the “penny stock” rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted Rule 15g-9 which establishes the definition of a “penny stock,” for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

FINRA sales practice requirements may also limit a stockholder’s ability to buy and sell our stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Future exercises or conversions of certain dilutive instruments, such as convertible Senior Notes, convertible Junior Notes and warrants, may result in substantial dilution and new concentrations in ownership.

In the event that the holders of our Senior Notes, Junior Notes and other equity-linked securities exercise or convert all of those derivative instruments held by them, including warrants and accrued interest, they would receive a total of approximately 117,759,023 common shares or approximately 89.3% (as of April 30, 2012) of our fully diluted common shares. Future exercises or conversions of such instruments may result in substantial dilution and new concentrations in ownership. Such stockholders could have the ability to control all matters submitted to our stockholders for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets) and to control our management and affairs. Accordingly, this potential concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our company, impeding a merger, consolidation, takeover or other business combination involving our company or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company, which in turn could have a material adverse effect on the market price of our common shares.

Stockholders' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.

We are authorized to issue an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value. In the event that we issue additional common shares in the future, enter into private placements to raise financing through the sale of equity securities or acquire additional oil and gas property interests using common shares to acquire such interests, the interests of existing stockholders in our may be diluted and existing stockholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. The issuance of common shares for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common shares.

Certain of our directors and officers may have a conflict of interest

Some of our directors and officers serve or may serve as directors or officers of other oil and gas or mineral exploration companies or have interests in other oil and gas or mineral exploration companies or ventures. To the extent that we have dealings with such companies or ventures, certain of our directors and officers may have a conflict of interest in negotiating and concluding terms relating to the extent of such dealings.

The Company's Continuance to Delaware, and continuation as a Delaware corporation may have a material and adverse effect on trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings plans.

Following the Continuance, the common shares will cease to be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings plans ("TFSA") (collectively "Deferred Plans").

Serious penalties, including significant penalty taxes for RRSPs, RRIFs and TFSAs, will result from Deferred Plans holding non-qualified investments. In addition, annuitants or holders of RRSPs, RRIFs or TFSAs, as the case may be, may also be subject to penalty taxes in respect of certain transactions undertaken as between their Deferred Plan and themselves or persons with whom they do not deal at arm's length with. Stockholders who hold their shares through Deferred Plans are encouraged to consult their own tax advisors as to appropriate course of action to affect the disposition of their common shares prior to the Continuance given their particular circumstances .

Upon completion of our merger transaction with Petro River Oil, LLC, the percentage equity ownership of our current shareholders will be reduced to approximately 2% and upon completion of one or more of the reverse stock splits approved by our stockholders certain stockholders may have less than one common share, which would not entitle them to continue to be a stockholder.

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company (“Petro LLC”) that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the “Merger Transaction”). The letter of intent also contemplates that our board will consist of 5 members, 4 of which will be nominated by Petro LLC. Currently, it is intended that, post-Merger Transaction, current common shareholders of Petro will own approximately 2% of the issued and outstanding shares of the Company, holders of our preferred shares and notes approximately 18% and holders of shares and notes of Petro LLC approximately 80%. Additionally, in advance of the closing of the Merger Transaction, our stockholders approved, and we completed, the name change to Petro River Oil Corp., our continuation/domestication to Delaware, and the election of the directors nominated by Petro LLC.

On September 7, 2012, our stockholders approved a special resolution granting the Board of Directors of the Company the discretionary authority to amend the Company’s organizational documents to effect one or more reverse stock splits of the issued and outstanding common shares, pursuant to which the common shares would be combined and reclassified into one common share at a ratio within the range from 1-for-2 up to 1-for-250; provided, however, that the Company shall not effect a reverse stock-split that, in the aggregate, exceeds 1-for-250. We do not currently intend to issue fractional shares in connection with the reverse stock-split. Therefore, the Company does not expect to issue certificates representing fractional shares. The Board of Directors will have the discretionary authority to determine whether to arrange for the disposition of fractional interests by stockholders entitled thereto, to pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or to entitle stockholders to receive from the Company’s transfer agent, in lieu of any fractional share, the number of shares rounded up to the next whole number. The ownership of a fractional share interest following the reverse stock-split would not give the holder any voting, dividend or other rights, except to receive the cash payment, or, if the Board of Directors so determines, to receive the number of shares rounded up to the next whole number, as described above.

Item 4. Information on the Company

A. History and Development of the Company

Petro was originally incorporated under the Company Act (British Columbia) on February 8, 2000 under the name Brockton Capital Corp. Its name was then changed to MegaWest Energy Corp. effective February 27, 2007 before it became Gravis on June 20, 2011 and then Petro on September 11, 2012.

At a meeting of the stockholders on October 29, 2007, the stockholders approved the continuance of Petro (then Gravis) from the Province of British Columbia into the Province of Alberta under the Business Corporations Act (Alberta). Effective February 12, 2008, Petro (then Gravis) was continued into the Province of Alberta as a company organized under the Business Corporations Act (Alberta) and ceased to be a company organized under the Business Corporations Act (British Columbia).

At a meeting of the stockholders on September 7, 2012, the stockholders approved the name change and the continuance of the Company from the Province of Alberta Canada to the State of Delaware. Effective September 11, 2012, Petro was continued into the State of Delaware as a corporation organized under the Delaware General Corporations Law (the “Continuance”).

We continue to be a reporting issuer under the Securities Act in Alberta and British Columbia and a reporting issuer as that term is defined for United States purposes, as a US company that has a class of securities, its common shares, registered under the Securities Exchange Act of 1934.

The Company was originally engaged in the consumer electronics market. However, due to our inability to generate revenues from this business, on November 1, 2006 new management was hired to pursue alternative business opportunities, namely non-conventional oil and gas resource exploration and development. In December 2006 we entered into several non-binding letters of intent with companies involved in the business of the exploration of oil and gas resources in Kansas, Missouri, Kentucky and Texas.

On March 26, 2007, we purchased (through our subsidiary, MegaWest Energy (USA) Corp.) all of the assets of Deerfield Energy Kansas Corp. The purchased assets included certain items of equipment and fixed assets and interests in two oil and gas leases covering 392 unproved acres in respect of the Chetopa project near Chetopa, Kansas. The consideration given for the assets was 25,000 shares of our common stock and the assumption of a promissory note in the amount of \$500,000 payable to a private company, Agosto Corporation Limited. Pursuant to our assumption of the promissory note, we granted Agosto a conversion feature that enables the holder of the note to convert the principal amount of the loan plus accrued interest into shares of our common stock at a rate of US\$2.50 per share. On maturity on June 20, 2008 these promissory notes were converted into common shares of our company.

As part of the project, we are obligated to pay a net revenue interest up to a maximum of \$750,000 on net revenues generated from the Chetopa project. The net revenue interest becomes payable after we recover 100 percent of our capital and operating costs, and will be paid quarterly from 25 percent of the project's net revenues. On April 2, 2012, the project was sold. However we retained the net revenue interest obligation which we determined at the time to be nominal.

On April 2, 2007, we acquired (in conjunction with MegaWest Energy (USA) Corp.) all of the issued and outstanding membership units of Kentucky Reserves, LLC (Kentucky Reserves) in consideration for \$3,000,000 cash and 500,000 shares of our common stock. Kentucky Reserve's assets included oil and gas leases covering 27,009 unproved acres in the Edmonson, Warren and Butler Counties in Kentucky. Pursuant to the membership unit purchase agreement, we acquired a 62.5 percent working interest in the shallow rights in certain tar sands and a 37.5 percent interest in the certain deep rights. Furthermore, pursuant to the purchase agreement, we were committed to undertake a \$15,000,000 work program within the area covered by the leases, which work program was required to be completed by October 2009 for the purpose of determining the most effective way of extracting heavy oil/bitumen from the leases. The work program was to consist of field testing and evaluation, drilling, logging and coring of wells, formation and fluid testing, the construction of heavy oil pilot projects such as steam, water flooding, solvent injection, electro-thermal heating, or the like. If we had been unable to expend the work program commitment within the said period, we would have been subject to a 37.5 percent penalty on the unexpended amount of the work program commitment. However, pursuant to an amending agreement dated April 9, 2009 with Kentucky Reserves II, LLC ("KRRII"), the said work program obligations and attendant penalty payment provisions were terminated in consideration for: (i) a reduction in our working interest in the shallow rights from 62.5 percent to 37.5 percent; (ii) a transfer of the ownership of the oil and gas leases to KRRII; and (iii) our continuing obligation to pay, directly to the lessors of the lands which make up the Kentucky project, lease rentals for the 24-month period commencing March 1, 2009 (estimated at \$225,000).

On September 21, 2010, we and our 62.5% working interest partner (together the "Farmor") signed a farm-out agreement for their interest in 5,100 net acres in the Little Muddy Area of Butler County, Kentucky to a Houston-based independent exploration and production company (the "Farmee"). On December 4, 2010, this farm-out agreement was expanded to cover the full 29,147 unproved gross acres. All acreage leased in Kentucky by the Farmor and the Farmee in Butler, Warren, Edmonson and Muhlenberg counties was pooled and subject to the new agreement. During September 2011, we reviewed our arrangements with the Farmee with our working interest partner. As a result of this review, we and our working interest partner agreed that there was a lack of development activity by the Farmee and that we should seek a release from the farmout agreement.

During the year ended April 30, 2011, we recorded an impairment charge of \$3,179,174 (2010 – \$nil) on the Kentucky project as a result of the lack of development activity by the Farmee and the curtailment of our plans to continue exploration on the project due to a lack of available capital. As a result of these factors and to help raise capital for other purposes we have been exploring the disposition of our interest in this property. To date no offers have been received on the property and the amount that may be ultimately realized is unknown.

At April 30, 2012 our Kentucky lease holdings included a 37.5% working interest in 29,147 unproved gross acres (10,930 net acres). The Kentucky property mainly is undeveloped land and, therefore, was not assigned any reserve value under either of our independent reserve reports. A full impairment charge of \$100,000 was recorded at April 30, 2012 due to the Company's financial inability to explore, develop and exploit this property.

On April 5, 2007, we acquired (through MegaWest Energy (USA) Corp.) all of the issued and outstanding membership units of Deerfield Energy LLC ("Deerfield Missouri") in consideration for US\$925,000 cash, including a change in control fee, and 475,000 shares of our common stock. The assets of Deerfield Missouri include rights to oil development agreements in Vernon County, Missouri covering 7,620 unproved acres and all of the issued and outstanding units of Deerfield Kansas. At the closing of the transaction, we paid \$625,000 of the purchase price. Owing to potential issues related to certain oil development agreements, the unpaid cash of \$300,000 and 475,000 shares of our common stock were placed in an escrow account, set-up for our indemnification in respect of the said claims. Pursuant to the escrow agreement, the said cash and shares can be released on a pro-rata basis to the previous unit holders of Deerfield Missouri upon either the modification of certain oil development agreements into oil and gas leases or until 4,000 acres of replacement acreage have been leased. To rectify the escrow indemnifications, we engaged in a leasing program in Missouri and in October 2007, we surpassed the 4,000 acre threshold of replacement acreage. As a result, the \$300,000 cash and 475,000 shares of our common stock held in escrow were released. Of the cash held in escrow, \$100,000 plus interest was paid to us for reimbursement of our costs associated with leasing the replacement acreage. At April 30, 2012, our leaseholds in Missouri are 34,045 gross acres with 95.8% working interest. On April 25, 2007, we acquired (in conjunction with MegaWest Energy (USA) Corp.) all of the issued and outstanding membership units of Trinity Sands Energy LLC (Trinity) in consideration for \$200,000 cash and 9,500 exchange shares of MegaWest Energy (USA) Corp. Each exchange share may be exchanged for US\$10 in cash or 10 shares of our common stock during the period January 1, 2008 to July 31, 2008, after this time, we may compel the holders of the exchange shares to convert their exchange shares into shares of our common stock. The assets of Trinity consisted of a 50 percent working interest in approximately 14,948 unproved acres in Edwards County, Texas and an earn-in agreement to increase the said working interest to 66.67 percent and earn up to a 66.67 percent working interest in an additional 13,348 undeveloped acres in Edwards County, Texas. As of February 28, 2008, all of the exchange shares were converted into 950,000 shares of our common stock. At April 30, 2012, all of our leaseholds in Texas have expired.

In June 2007, we began oil production from the Chetopa project and have shipped approximately 11,500 barrels of oil from the project. To date this production has been incidental to the pilot project. On April 2, 2012, we sold the Chetopa project including certain oil and gas equipment and a 100% interest in one oil and gas lease covering 320 net acres for cash consideration of \$7,100 and for a royalty of \$5.00 US per bbl. on future production with a royalty cap of \$1,000,000.00.

On October 24, 2007, we acquired (in conjunction with MegaWest Energy Montana Corp.) a 40 percent working interest in oil and gas leases covering approximately 37,400 unproved acres of land in Montana for consideration of \$300,000 cash and 50,000 units, of which each unit consists of one share of our common stock and one-half of one share purchase warrant (each whole warrant entitles the holder to purchase an additional share of our common stock at an exercise price of US\$25.00 per share until April 24, 2009). Pursuant to earn-in agreements, we can earn an additional 20 percent working interest in the lands by completing \$2.5 million of work that includes additional leasing, seismic, geological studies, test wells and pilot project development and implementation. In addition, we and the vendors established a regional area of mutual interest (AMI) covering approximately 1,000,000 acres that would remain active for two years. At April 30, 2012, all of these interests and arrangements were expired.

At April 30, 2012, our remaining Montana leasehold is in the Devils Basin prospect and totals 1,175 gross acres (881 net). We currently own a 75% working interest in this prospect but have no immediate plans to develop this property. On April 17, 2012 the Teton Prospect leases totalling 2,807 gross acres (1137 net) expired.

In November 2007, we commenced construction of our first commercial project in Missouri called Marmaton River. Commissioning and startup of the facility was completed on March 16, 2008 when steam injection commenced and the first oil sales from the project occurred on August 4, 2008 (see "Business Overview" below in this annual report).

On May 15, 2008, we completed a private placement of 2,675,000 shares of our common stock at US\$6.00 per share for aggregate proceeds of US\$16,050,000. The proceeds of the placement were used to fund our ongoing oil and gas exploration and development activities.

In December 2008, due to low oil prices, we suspended all our capital projects, including operations at our two Missouri heavy oil projects (Grassy Creek and Marmaton River), pending a recovery in oil prices and financing.

On August 28, 2009, we entered into a strategic arrangement with the Iroquois Capital Opportunity Fund, L.P. (ICO Fund) aimed at recapitalizing our company and enabling the restart of production at our Missouri projects. The arrangement involved several transactions, all of which were completed on or about August 28, 2009, including:

- the sale of a 10 percent working interest in our existing land and production projects on 15,313 acres of our oil and gas leases located in Missouri and Kansas (the Deerfield Area), which area includes our Grassy Creek and Marmaton River projects, to Mega Partners 1, LLC (MP 1), an affiliate of the ICO Fund for \$2.0 million. In connection with the sale of the working interest, we granted MP 1 various options, including: (i) the option to acquire an additional 10 percent working interest in future development within the Deerfield Area; (ii) the option to acquire up to a 20 percent proportionate interest in any of our properties outside of the Deerfield Area by paying a proportionate 133 percent share of our costs-to-date in respect of such property until the later of the full redemption or conversion of the Series A or Series B preferred shares (issued pursuant to the arrangement with the ICO Fund) and August 27, 2011; and (iii) the option to participate with our company in any future oil and gas property acquisitions for a proportionate 20 percent share of the cost of any such acquisition until the later of the full redemption or conversion of the Series A or Series B preferred shares and August 27, 2011; and
- an offering to investors of 22,000 Series A convertible preferred shares, each with a stated value of \$100, for gross proceeds of \$2.2 million. The Series A preferred shares are convertible into shares of our common stock at \$0.70 per common share and have a quarterly cumulative dividend equal to either 5 percent, if paid in cash (15 percent upon the occurrence of certain events of default) or 7.5 percent, if paid in additional Series A preferred shares. In connection with the Series A preferred share offering, our company also issued to the subscribers thereunder: (i) 1,540,000 common stock purchase warrants, each entitling the holder thereof to purchase an additional common share at \$2.50 per share until August 28, 2014; and (ii) additional investment rights consisting of the right to purchase convertible shares 20,000 Series B convertible preferred shares, each with a stated value of \$100, convertible into common shares at \$1.00 per common share attached to which would be 1,000,000 common share purchase warrants, each entitling the holder thereof to purchase an additional common share at \$3.50 per common share for a period of five years from the date of issuance.

Following closing of the August 28, 2009 financing, we re-started our Deerfield, Missouri operations and the initial oil production response to steam injection on both the Marmaton River and Grassy Creek projects was positive.

On April 29, 2010 the Company secured a line of credit with a private lender for the sole purpose of buying natural gas to fuel the steam generators on its Marmaton River and Grassy Creek projects. The credit facility is available up to a maximum of U.S. \$1.0 million at an interest rate of 2% per month calculated on the average daily outstanding principal balance. As security, the Company had signed a mortgage and a promissory note in the amount of \$1.0 million granting security to the lender over certain Missouri properties. At the date of this report, there was no balance owing under this credit facility and it was terminated.

Working Interest Acquisition:

Effective July 1, 2010, we reacquired a 10% working interest in the Company's Missouri Marmaton River and Grassy Creek projects from Mega Partners 1, LLC ("MP1") in exchange for a 2.75% gross overriding royalty interest on the projects. Following this acquisition, we have a 100% working interest in both projects. A receivable owed to us by MP1 as at July 1, 2010, has been converted into a note receivable that is recoverable from 50% of the gross overriding royalty, with outstanding balances to bear interest at the U.S. bank prime rate plus three percent (3%). MP1 retains the option to acquire up to an additional 10% interest in future projects within the Deerfield Area, on a project by project basis, by paying up to a \$300,000 equalization payment per project and thereafter its proportionate share of all future development and operating costs in respect of such project, including a proportionate share of facility costs.

On July 30, 2010, the Company closed a \$2.5 million financing with a group of its existing stockholders. The transactions included the issuance of \$2.5 million in senior secured convertible notes (“Senior I Notes”), the conversion of the outstanding Preferred A Shares into junior secured convertible notes (“Junior Notes”) and the reacquisition by us of a 10% working interest in the Marmaton River and Grassy Creek projects in exchange for a 2.75% overriding royalty interest on the same properties.

A summary of the features and terms of the financing are as follows:

- Issuance of Senior I Notes for proceeds of \$2.5 million, maturing on January 30, 2012 with an annual coupon rate of 8% cash or 12% in additional Senior I Notes at the Company’s option until January 30, 2011 and at the holder’s option thereafter. Senior I Notes are redeemable in cash at any time or convertible into common shares at US\$0.50 per common share at the Company’s option if the underlying shares are freely tradable and common shares trade at or above \$2.50 per share for the previous 20 consecutive trading days and the daily average trading volume has been in excess of \$750,000 per day for the same period. In the event of redemption before the end of the term, there will be a 5% premium due on the investment amount. Note holders may elect to receive the redemption in common shares at the conversion price. Senior I Note holders received one warrant for each \$0.50 principal amount of the Senior I Notes for 5,000,000 warrants (“Senior I Warrants”). Senior I Warrants are exercisable at \$0.50 per share until July 29, 2013.
- Conversion of 22,000 Preferred A Shares plus accumulated dividends of \$301,069 into \$2,501,069 of Junior Notes maturing on July 30, 2013 with an annual coupon rate of 5% cash or 7.5% in additional Junior Notes, at the Company’s option and at the holder’s option thereafter. The Junior Notes are redeemable in cash at any time at the holder’s option at a conversion price of \$0.50 per common share. The Junior Notes are also redeemable in cash at any time at the Company’s option or convertible into common shares at \$0.50 per common share at the Company’s option provided: i) production from the Missouri Deerfield project is 15,000 barrels of oil in a 30 day period; ii) the common shares have traded at or above US \$2.50 per share for the preceding 20 consecutive trading days; and iii) the daily average dollar trading volume has been in excess of US \$750,000 per day for the same 20 day period.
- Extension of the expiry date on the outstanding option to acquire Series B Preferred Shares to May 24, 2011 (further extended to June 7, 2011).
- Re-acquisition of a 10% working interest in the Company’s Missouri Marmaton River and Grassy Creek projects from Mega Partners 1, LLC (“MP1”) in exchange for a 2.75% gross overriding royalty interest on the projects, effective July 1, 2010. Following this acquisition, The Company has a 100% working interest in both projects.

On September 21, 2010, the Company and its working interest partner farmed out 5,100 net acres in the Little Muddy Area of the Company’s Kentucky project. During September 2011, we reviewed our arrangements with the Farmee with our working interest partner. As a result of this review, we and our working interest partner agreed that there was a lack of development activity by the Farmee and that we should seek a release from the farmout agreement.

On December 28, 2010, January 31, 2011 and March 7, 2011, the Company issued a total of \$4.6 million senior secured convertible notes (“Senior II Notes”).

A summary of the features and terms of the Senior II Notes are as follows:

- Issuance of Senior II Notes for proceeds of \$4.6 million, maturing 18 months after closing, with an annual coupon rate of 8% cash or 12% in additional Senior II Notes at the Company’s option for the first six months after closing and at the holder’s option thereafter. Senior II Notes are redeemable in cash at any time or convertible into common shares at \$0.20 per common share at the Company’s option if the underlying shares are freely tradable and common shares trade at or above \$2.50 for the previous 20 consecutive trading days and the daily average trading volume has been in excess of US \$750,000 per day for the same period. Senior II Note holders received one warrant for each \$0.50 principal amount of the Senior Notes for 9,200,000 warrants (Senior II Warrants). Senior II Warrants are exercisable at \$0.25 per share.

In the event the Company issues common shares or securities convertible into or exercisable for common shares at a price per share or conversion or exercise price less than the conversion or exercise prices agreed to for each note, the conversion price of the notes and the exercise price of the warrants is automatically reduced to such lower prices. The number of warrants outstanding will be increased such that the expected exercise proceeds remain unchanged.

On December 28, 2010, the conversion price of the Senior I Notes and Junior Notes was reduced from \$0.50 to \$0.20 per share and the exercise price of the Senior I Warrants was reduced from \$0.50 to \$0.20 per share.

During October 2011, as a result of the Company's financial position, cost factors and market conditions it suspended operations on its Missouri oil and gas assets - See Business Overview below.

As disclosed in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 13, 2012, the Company domesticated into the State of Delaware from Canada by filing of a Certificate of Corporate Domestication and Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Continuance"). The Continuance took effect on September 11, 2012. A copy of the Certificate of Domestication and Certificate of Incorporation were filed as exhibits to the Current Report.

B. Business Overview

Prior to November 2006, we were a technology company, whose business plan was to acquire the rights to market, sell and distribute a product line of consumer electronic technology products in Canada.

Since November 1, 2006, the primary business activity of Company has been the acquisition, exploration and development of a number of unproven heavy oil properties in the United States. Its activities to date have included analysis and evaluation of technical data, preparation of geological models, acquisition of mineral rights, exploration and development drilling, conceptual engineering, construction and operation of thermal demonstration projects, and securing capital to fund related expenditures.

In December 2008, the Company reduced its staff and suspended all its capital projects, including operations at its two Missouri heavy oil projects, pending a recovery in oil prices and obtaining financing.

During the spring and summer of 2009, to provide funding to re-start steam injection operations on its Deerfield Missouri acreage, the Company closed a 10% working interest disposition in its Deerfield Missouri project area for proceeds of \$2,000,000 and closed the sale of 22,000 Series A Preferred Shares ("Preferred A Shares") with a stated value of \$100 each for proceeds of \$2,200,000. Following closing of the transactions, we re-started our Deerfield, Missouri project and the initial oil production response to steam injection on both the Marmaton River and Grassy Creek projects was positive.

On July 30, 2010, the Company closed a \$2.5 million financing with a group of its existing stockholders. The transactions included the issuance of \$2.5 million in senior secured convertible notes ("Senior I Notes"), the conversion of the outstanding Preferred A Shares into junior secured convertible notes ("Junior Notes") and the reacquisition by us of a 10% working interest in the Marmaton River and Grassy Creek projects in exchange for a 2.75% overriding royalty interest on the same properties.

On December 28, 2010, January 31, 2011 and March 7, 2011, the Company issued a total of \$4.6 million senior secured convertible notes ("Senior II Notes").

During the Spring of 2011, the administration of the Company was moved to Houston, Texas.

As at April 30, 2011, the Company had a working capital deficiency of \$1.8 million, recurring losses and net cash outflows from operating activities and an accumulated deficit of \$135.9 million.

Due to the significant capital cost of steam injection, the volatility of oil prices, and the Company's financial position, management elected to suspend operations on its Missouri oil and gas assets in October 2011.

As at April 30, 2012, the Company had a working capital deficiency of approximately \$4.5 million, recurring losses and net cash outflows from operating activities and an accumulated deficit of \$146.4 million.

During September 2011 and, again, in August 2012, the Company was cease traded by the Alberta and British Columbia Securities Commissions for failure to file certain financial information – See Legal Proceedings below. The Company made the required filings with regard to the 2011 cease trade orders and the Alberta and British Columbia cease trade orders were rescinded. The Company intends to make the required filings with regard to the 2012 cease trade orders and believes that the Alberta and British Columbia cease trade orders will be rescinded. However, as of the date of the filing of this report the cease trade orders have not been rescinded and no assurances can be given as to when or if they will be rescinded. Until these cease trade orders are rescinded the Company's ability to raise capital is significantly restricted.

Our current capital and our other existing resources will not be sufficient to provide working capital for the balance of 2012, and the revenues generated will not be sufficient to fund our operations or planned growth. In addition, when our Senior Notes and Junior Notes come due the Company currently lacks the resources to repay them. While the Company plans on renegotiating the terms of the Senior Notes and Junior Notes there can be no assurance that the Company will be successful and the Senior Note and Junior Note holders may demand repayment and or force their security interests against our assets. We will require additional capital to continue to operate our business and to further expand our exploration and development programs. We may be unable to obtain additional capital required. Furthermore, inability to maintain capital may damage our reputation and credibility with industry participants. Our inability to raise additional funds when required may have a negative impact on our consolidated results of operations and financial condition.

Operational and Project Review

The following table summarizes the costs incurred in oil and gas property acquisition, exploration, and development activities for the Company for the years ended April 30, 2012, 2011 and 2010:

Cost	Missouri	Kentucky	Montana	Kansas	Texas	Other	Total
Balance, April 30, 2011	\$ 16,364,000	\$ 100,000	\$ 75,000	\$ 98,214	\$ -	\$ 1,338,616	\$ 17,975,830
Additions	243,409	-	-	-	-	-	243,409
Disposals	(178,339)	-	-	(7,100)	-	(246,550)	(431,989)
Depletion	(261,061)	-	-	-	-	-	(261,061)
Impairment	(15,218,009)	(100,000)	-	(91,114)	-	(971,043)	(16,380,166)
Foreign currency translation	-	-	-	-	-	(21,023)	(21,023)
Balance, April 30, 2012	\$ 950,000	\$ -	\$ 75,000	\$ -	\$ -	\$ 100,000	\$ 1,125,000

Cost	Missouri	Kentucky	Montana	Kansas	Texas	Other	Total
Balance, April 30, 2010	\$ 24,936,309	\$ 3,215,682	\$ 686,209	\$ 94,613	\$ -	\$ 1,354,996	\$ 30,287,809
Additions	1,516,465	102,364	-	4,745	-	-	1,623,574
Depletion	(720,740)	-	-	-	-	-	(720,740)
Impairment	(9,066,590)	(3,179,174)	(602,913)	-	-	-	(12,848,677)
Foreign currency translation	(301,444)	(38,872)	(8,296)	(1,144)	-	(16,380)	(366,136)
Balance, April 30, 2011	\$ 16,364,000	\$ 100,000	\$ 75,000	\$ 98,214	\$ -	\$ 1,338,616	\$ 17,975,830

Cost	Missouri	Kentucky	Montana	Kansas	Texas	Other	Total
Balance, April 30, 2009	\$ 22,462,582	\$ 2,695,991	\$ 1,273,963	\$ 83,803	\$ 251,460	\$ 1,529,053	\$ 28,296,852
Additions	714,821	49,223	15,413	-	-	5,557	785,014
Recoveries and transfers	38,311	-	-	(3,200)	(323)	(4,719)	30,069
Disposition	(2,011,529)	-	-	-	-	(379,548)	(2,391,077)
Depletion	(95,815)	-	-	-	-	-	(95,815)
Impairment	-	-	(816,696)	-	(290,237)	(55,612)	(1,162,545)
Foreign currency translation	3,827,939	470,468	213,529	14,010	39,100	260,265	4,825,311
Balance, April 30, 2010	\$ 24,936,309	\$ 3,215,682	\$ 686,209	\$ 94,613	\$ -	\$ 1,354,996	\$ 30,287,809

During the year ended April 30, 2012, the Company capitalized \$121,000 (2011 - \$180,537; 2010 - \$161,459) of administrative costs and \$nil (2011 - \$9,945; 2010 - \$50,846) of stock based compensation cost, which have been included as part of the Missouri project additions.

Missouri

At April 30, 2012, the Company's Missouri lease holdings totaled 34,045 gross acres with 95.8% working interest. During the year ended April 30, 2012, certain leases totaling 3,957 gross acres were sold for cash consideration of \$177,200, and three Gross Overriding Royalty agreements ranging from

1% to 5% of future production.

On separate pilot projects at Deerfield (being Marmaton River and Grassy Creek), we built two 500 barrel of oil per day steam drive production facilities (Marmaton River and Grassy Creek) comprised of 116 production wells, 39 steam injection wells and 14 service and observation wells. Throughout the Deerfield area, we have drilled 73 exploration/delineation wells with a 67% success rate.

Effective July 1, 2010, Petro reacquired the 10% working interest in the Company's Marmaton River and Grassy Creek projects it had sold during fiscal 2010 to MP1, in exchange for a 2.75% gross overriding royalty interest on the projects. Following this acquisition, Petro has a 100% working interest in both projects.

MP1 retains the option to acquire up to a 10% interest in future projects within the Deerfield Area, on a project by project basis, by paying up to a US \$300,000 equalization payment per project and thereafter its proportionate share of all future development and operating costs in respect of such project, including a proportionate share of facility costs.

As of April 30, 2012, the Company determined it necessary to impair the oil and gas properties in Missouri by \$15,218,009 (2011 -\$9,066,590; 2010 -\$nil) Management concluded that an impairment was necessary after analyzing the current capitalization of the Company and analyzing the capital needs of each of the oil and gas projects. Management's assessment was based on its lack of success in raising funds necessary to commercialize its assets. The Company impaired these assets to salvage values.

During 2012, the Company earned an average price of \$76.75 per barrel of oil equivalent (boe) (2011 -\$59; 2010 - \$52.90) and incurred operating expenses of \$351.71 per boe (2011 -\$130.70; 2010 - \$132.80). The Company's 2012 depletion rate was \$46.75 per boe (2011 -\$27.15; 2010 - \$6.02).

While we believe that future uninterrupted commercial operations, taking advantage of what has been learned in the pilot operations, could result in economically viable production rates, we are uncertain of our ability to achieve these results.

At April 30, 2012, the Company held a long-term receivable for capital and operating costs owing from MP1, in the amount of \$302,536 (April 30, 2011 - \$294,862; April 30, 2010 - \$307,620) related to the Marmaton River and Grassy Creek projects in Missouri. In July 2010, the Company and MP1 entered into an arrangement whereby the Company reacquired the remaining 10% working interest in the projects in exchange for a 2.75% gross overriding royalty. Under this arrangement, the Company will recover the balance owing from 50% of the GOR payments to the partner. During the time the receivable is outstanding, the Company earns interest on the outstanding balance at the U.S bank prime rate plus 3%. Included in the reported amount receivable is \$32,514 of interest earned on the outstanding balance (2011- \$15,050; 2010 - \$nil). As of April 30, 2012, Management reported an allowance of \$302,536, because while operations at Marnaton River and Grass Creek have been suspended currently, at some point in the future, they may resume.

Kentucky

The Kentucky lease holdings include a 37.5 % working interest in 29,147 unproved gross acres (10,930 net acres). The Kentucky property is mainly undeveloped land and therefore was not assigned any reserve value under our independent reserve reports.

On September 21, 2010, we and our 62.5% working interest partner (together the “Farmor”) signed a farm-out agreement for their interest in 5,100 net acres in the Little Muddy Area of Butler County, Kentucky to a Houston-based independent exploration and production company (“Farmee”).

On December 4, 2010, this farm-out agreement was expanded to cover the full 29,147 unproved gross acres. All acreage leased in Kentucky by the Farmor and the Farmee in Butler, Warren, Edmonson and Muhlenberg counties was pooled and subject to the new agreement. During September 2011, we reviewed these arrangements with the Farmee with our working interest partner. As a result of this review we and our working interest partner agreed that there was a lack of development activity by the Farmee and that we should seek a release from the agreement.

During the year ended April 30, 2012, the Company recorded an impairment charge of \$100,000 (2011 -\$3,179,174, 2010 - \$nil) on the Kentucky project as a result of the lack of development activity by the Farmee and the curtailment of Company plans to continue exploration on the project due to a lack of available capital. As a result of these factors and to help raise capital for other purposes the Company is seeking to dispose of its interest in this property. To date no offers have been received on the property and the amount that may be ultimately realized is uncertain.

Montana

The Montana leasehold is in the Devils Basin prospect and totals 1,175 gross acres (881 net). We currently own a 75% working interest in this prospect, but have no immediate plans to develop this property. On April 17, 2012 the Teton Prospect leases totalling 2,807 gross acres (1137 net) expired.

During the year ended April 30, 2012 the Company recorded an impairment charge of \$nil (2011 -\$602,913; 2010 - \$816,690) on the Montana project. The 2011 impairment was recorded due to the expiry of leases and curtailment of plans to continue exploration on the lands in the near term because of the lack of capital available for this project. The remaining costs represent the Company’s estimate of the fair value of the leases as determined by sales in the area for long term leases with farmout potential and related seismic value.

Kansas

On April 2, 2012, we sold our suspended Chetopa pre-commercial heavy oil demonstration project including certain oil and gas equipment and a 100% interest in one oil and gas lease covering 320 net acres for cash consideration of \$7,100 and for a royalty of \$5.00 US per bbl. on future production with a royalty cap of \$1,000,000. One lease of 65 acres expired during the year ended April 30, 2012. The project was suspended in fiscal 2009. During the year ended April 30, 2012 the Company recorded an impairment charge of \$91,114 (2011 -\$nil; 2010 - \$nil).

Texas

At April 30, 2012 all Petro River’s Texas leases are expired. The Company has recorded an abandonment liability of \$260,482 with respect to five remaining wells and leases.

Other

Other property consists primarily of four used steam generators and related equipment that will be assigned to future projects. In March of 2012, the Company sold one of its five steam generators, located in Lloydminster, Alberta for cash consideration of \$219,154. During the year ended April 30, 2012, the Company recorded an impairment charge of \$971,043 (2011 - \$nil; 2010 - \$55,612).

Principal Markets

The principal market that we compete in is the North American energy market, specifically the North American oil market.

C. Organizational Structure

We have one wholly-owned subsidiary MegaWest USA, which was incorporated in Nevada on January 9, 2007, and the following indirect wholly-owned subsidiaries that are directly owned by MegaWest USA:

Subsidiary	Jurisdiction of Incorporation	Incorporation / Acquisition Date
MegaWest Energy Kentucky Corp. (formerly Kentucky Reserves, LLC)	Ohio	April 2, 2007
MegaWest Energy Missouri Corp. (formerly Deerfield Energy LLC)	Delaware	April 5, 2007
MegaWest Energy Kansas Corp. (formerly Deerfield Energy Kansas Corp.)	Delaware	April 5, 2007
MegaWest Energy Texas Corp. (formerly Trinity Sands Energy LLC)	Delaware	April 25, 2007
MegaWest Energy Montana Corp.	Delaware	October 19, 2007

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company ("Petro LLC") that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the "Merger Transaction"). The letter of intent also contemplates that our board will consist of 5 members, 4 of which will be nominated by Petro LLC. Currently, it is intended that, post-Merger Transaction, current common shareholders of Petro will own approximately 2% of the issued and outstanding shares of the Company, holders of our preferred shares and notes approximately 18% and holders of shares and notes of Petro LLC approximately 80%. Additionally, in advance of the closing of the Merger Transaction, our stockholders approved, and we completed, the name change to Petro River Oil Corp., our continuation/domestication to Delaware, and the election of the directors nominated by Petro LLC.

On September 7, 2012, our stockholders approved a special resolution granting the Board of Directors of the Company the discretionary authority to amend the Company's organizational documents to effect one or more reverse stock splits of the issued and outstanding common shares, pursuant to which the common shares would be combined and reclassified into one common share at a ratio within the range from 1-for-2 up to 1-for-250; provided, however, that the Company shall not effect a reverse stock-split that, in the aggregate, exceeds 1-for-250. We do not currently intend to issue fractional shares in connection with the reverse stock-split. Therefore, the Company does not expect to issue certificates representing fractional shares. The Board of Directors will have the discretionary authority to determine whether to arrange for the disposition of fractional interests by stockholders entitled thereto, to pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or to entitle stockholders to receive from the Company's transfer agent, in lieu of any fractional share, the number of shares rounded up to the next whole number. The ownership of a fractional share interest following the reverse stock-split would not give the holder any voting, dividend or other rights, except to receive the cash payment, or, if the Board of Directors so determines, to receive the number of shares rounded up to the next whole number, as described above.

D. Property, Plants and Equipment

The following table sets forth the number of oil wells in which we held a working interest as of April 30, 2012 and 2011.

	Producing						Non-Producing					
	April 30, 2012		April 30, 2011		April 30, 2010		April 30, 2012		April 30, 2011		April 30, 2010	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Kansas	-	-	-	-	-	-	-	-	33	33.0	33	33.0
Missouri (1)	-	-	116	116	111	99.9	117	117	1	1	-	-
Kentucky	-	-	-	-	-	-	5	1.9	5	1.9	5	1.9
Montana	-	-	-	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	5	3.75	5	3.75	5	1.75
Total	-	-	116	116	111	99.9	127	122.65	44	37.65	43	36.65

(1) We drilled six production, one injection and two observation wells in the year ending April 30, 2011. These were drilled in the Grassy Creek Project in Missouri. As well, we increased our working interest in all Missouri producing wells to 100% in the year ended April 30, 2011. No wells were drilled in the year ended April 30, 2012.

Project Areas

The following table sets forth the lease areas we have an interest in, by area, as of April 30, 2012 and 2011:

Project Areas	April 30, 2012		April 30, 2011		April 30, 2010	
	Gross	Net	Gross	Net	Gross	Net
Kansas	-	-	385	385	385	385
Missouri (1)	34,045	32,615	38,119	37,470	38,119	36,598
Kentucky (1)	29,147	10,930	29,147	10,930	29,147	10,930
Texas (1)	-	-	19,938	9,969	29,516	11,751
Montana (1)	1,175	881	3,982	2,019	15,688	8,673
Total	64,367	44,426	91,571	60,773	112,855	68,337

(1) We have discontinued our plans for any further expenditure on these properties as a result of poor drilling results in prior years and a lack of resources. See Operational and Project Review above.

Oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board ("FASB") Topic 932 - "Extractive Activities - Oil and Gas".

The Company retains qualified independent reserves evaluators to evaluate the Company's proved oil reserves. The Company does not have any natural gas reserves. For the years ended April 30, 2012, 2011 and 2010 the reports by GLJ Petroleum Consultants ("GLJ") covered 100% of the Company's oil reserves.

Proved oil and natural gas reserves, as defined within the SEC Rule 4-10(a)(22) of Regulation S-X, are those quantities of oil and gas, which, by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether determinable or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Developed oil and natural gas reserves are reserves that can be expected to be recovered from existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and through installed extraction equipment and infrastructure operational at the time of the reserves estimate is the extraction is by means not involving a well. Estimates of the Company's oil reserves are subject to uncertainty and will change as additional information regarding producing fields and technology becomes available and as future economic and operating conditions change.

The following table summarizes the Company's proved developed and undeveloped reserves (all oil) within the United States, net of royalties, as at April 30, 2012, 2011 and 2010:

Oil (MBbls)	2012	2011	2010
Proved reserves as at May 1	463	445	79
Extensions and discoveries	-	46	-
Dispositions	(45)	-	(3)
Production	(6)	(28)	(32)
Revisions of prior estimates	1	-	401
Total Proved reserves as at April 30	<u>413</u>	<u>463</u>	<u>445</u>
Oil (MBbls)	2012	2011	2010
Proved developed producing	-	191	191
Non-producing	203	-	-
Proved undeveloped	210	272	254
Total Proved reserves as at April 30	<u>413</u>	<u>463</u>	<u>445</u>
Capitalized Costs Related to Oil and Gas Assets	2012	2011	2010
Proved properties	\$ 10,532,021	\$ 10,474,051	\$ 9,630,780
Unproved properties	105,123,129	105,123,129	104,692,582
	<u>115,655,150</u>	<u>115,597,180</u>	<u>114,323,362</u>
Less: amount impaired	(113,552,534)	(98,143,411)	(85,294,734)
Capitalized cost, net of impairment	2,102,616	17,453,769	29,028,628
Less: accumulated depletion	(1,077,616)	(816,555)	(95,815)
	<u>\$ 1,025,000</u>	<u>\$ 16,637,214</u>	<u>\$ 28,932,813</u>
Costs incurred in Oil and Gas Activities:	2012	2011	2010
Development	\$ 243,409	\$ 1,361,890	\$ 941,332
Exploration	-	-	-
	<u>\$ 243,409</u>	<u>\$ 1,623,574</u>	<u>\$ 779,457</u>

Standardized Measure of Discounted Future Net Cash Flows From Proved Oil Reserves and Changes Therein:

The following standardized measure of discounted future net cash flows from proved oil reserves has been computed using the average first-day-of-the-month price during the previous 12-month period, costs as at the balance sheet date and year-end statutory income tax rates. A discount factor of 10% has been applied in determining the standardized measure of discounted future net cash flows. The Company does not believe that the standardized measure of discounted future net cash flows will be representative of actual future net cash flows and should not be considered to represent the fair value of the oil properties. Actual net cash flows will differ from the presented estimated future net cash flows due to several factors including:

- Future production will include production not only from proved properties, but may also include production from probable and possible reserves;
- Future production of oil and natural gas from proved properties may differ from reserves estimated;
- Future production rates may vary from those estimated;
- Future rather than average first-day-of-the-month prices during the previous 12-month period and costs as at the balance sheet date will apply;
- Economic factors such as changes to interest rates, income tax rates, regulatory and fiscal environments and operating conditions cannot be determined with certainty;
- Future estimated income taxes do not take into account the effects of future exploration expenditures; and
- Future development and asset retirement obligations may differ from those estimated.

Future net revenues, development, production and restoration costs have been based upon the estimates referred to above. The following tables summarize the Company's future net cash flows relating to proved oil reserves based on the standardized measure as prescribed in FASB Topic 932 - "Extractive Activities - Oil and Gas":

Future cash flows relating to proved reserves:	2012	2011	2010
Future cash inflows	\$ 27,858,000	\$ 26,338,000	\$ 26,291,000
Future operating costs	(12,203,000)	(9,686,000)	(10,672,000)
Future development costs	(1,994,000)	(3,345,000)	(3,488,000)
Future asset retirement costs	(146,000)	(141,000)	(139,000)
Future income taxes	-	-	-
Future net cash flows	13,515,000	13,166,000	11,992,000
10% discount factor	(4,168,000)	(3,225,000)	(3,286,000)
Standardized measure	<u>\$ 9,347,000</u>	<u>\$ 9,941,000</u>	<u>\$ 8,706,000</u>

Reconciliation of future cash flows relating to proved reserves:	2012	2011	2010
Undiscounted value as at May 1	\$ 13,166,000	\$ 11,992,000	\$ 472,000
Extensions and discoveries	-	1,308,100	-
Dispositions	(815,000)	-	(17,900)
Production	(166,068)	(1,904,800)	(481,100)
Revisions of prior volume estimates	28,436	-	10,806,300
Revisions of pricing	1,301,632	1,770,700	1,212,700
Undiscounted value as at April 30	\$ 13,515,000	\$ 13,166,000	\$ 11,992,000
10% discount factor	(4,168,000)	(3,225,000)	(3,286,000)
Standardized measure	<u>\$ 9,347,000</u>	<u>\$ 9,941,000</u>	<u>\$ 8,706,000</u>

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company ("Petro LLC") that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the "Merger Transaction"). The letter of intent also contemplates that our board will consist of 5 members, 4 of which will be nominated by Petro LLC. Currently, it is intended that, post-Merger Transaction, current common stockholders of Petro will own approximately 2% of the issued and outstanding shares of the Company, holders of our Preferred shares and notes approximately 18% and holders of shares and notes of Petro LLC approximately 80%. Additionally, in advance of the closing of the Merger Transaction, our stockholders approved, and we completed, the name change to Petro River Oil Corp., our continuation/domestication to Delaware, and the election of the directors nominated by Petro LLC.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

The following discussion of our financial condition and results of operations for the fiscal year ended April 30, 2012, should be read in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP and related notes included elsewhere in this annual report. The following discussion may contain forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

Effective June 20, 2011, the Company's share capital was reverse split on a one-for-ten basis. All common share, preferred share, warrant and stock option figures disclosed herein are reported on a post reverse split basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 4 to the annual consolidated financial statements for the years ended April 30, 2012, April 30, 2011 and April 30, 2010 respectively. The consolidated financial statements are prepared in conformity with U.S. GAAP.

Effective May 1, 2010, the Company started using generally accepted accounting principles in the United States ("US GAAP") retrospectively to prepare its consolidated financial statements. The decision to change to US GAAP was made to enhance communication with shareholders and other investors and improve the comparability of financial information reported with competitors and peer group companies.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these audited consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and other disclosures in these financial statements. Actual results may differ from those estimates due to factors such as fluctuations in interest rates, currency exchange rates, inflation levels and commodity prices, changes in economic conditions and legislative and regulatory changes.

Significant estimates used in the preparation of these financial statements include estimates of oil and gas reserves and resources and the estimated value of the unproved properties, fair value of the Preferred A Shares at the date of their exchange estimates for Preferred B shares, derivative fair values, stock-based compensation fair values and estimated cost and timing related to asset retirement obligations.

Certain fair value estimates are based on expected volatility of the Company's share price. In years 2012 and 2011, the Company used a volatility rate based on peer entities rather than historical trading prices of its common shares as used in 2010 and prior years. The volatility of peer entities is considered more representative for the Company due to the dilutive impact of financings completed in 2011 and the limited trading of the Company's shares on the OTC Bulletin Board.

The critical accounting policies used in the preparation of our consolidated financial statements are described below.

Oil and Gas Operations

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to exploration and development of oil and gas reserves are capitalized. Under this method, the Company capitalizes all acquisition, exploration and development costs incurred for the purpose of finding oil and natural gas reserves, including salaries, benefits and other internal costs directly attributable to these activities. Costs associated with production and general corporate activities, however, are expensed in the period incurred. Costs are capitalized on a country-by-country basis. To date, there has only been one cost center, the United States.

Capitalized costs of oil and natural gas properties may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proved reserves plus the cost of unproved properties. Should capitalized costs exceed this ceiling, impairment is recognized.

The present value of estimated future net cash flows is computed by applying the average first-day-of-the-month prices during the previous twelve-month period of oil and natural gas to estimated future production of proved oil and natural gas reserves as of year-end less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Prior to December 31, 2009, prices and costs used to calculate future net cash flows were those as of the end of the appropriate quarterly period.

Following the discovery of reserves and the commencement of production, the Company computes depletion of oil and natural gas properties using the unit-of-production method based upon production and estimates of proved reserve quantities. Costs associated with unproved properties are excluded from the depletion calculation until it is determined whether or not proved reserves can be assigned to such properties. Unproved properties are assessed for impairment quarterly. Significant properties are assessed individually.

The Company assesses all items classified as unproved property on a quarterly basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: land relinquishment; intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate impairment, the related exploration costs incurred are transferred to the full cost pool and are then subject to depletion and the ceiling limitations on development oil and natural gas expenditures.

Proceeds from the sale of oil and gas assets are applied against capitalized costs, with no gain or loss recognized, unless a sale would alter the rate of depletion and depreciation by 25 percent or more.

Significant changes in these factors could reduce our estimates of future net proceeds and accordingly could result in an impairment of our oil and gas assets. Management will perform quarterly assessments of the carrying amounts of its oil and gas assets as additional data from ongoing exploration activities becomes available.

Management concluded that for the year ended April 30, 2012, an impairment was necessary after analyzing the current capitalization of the Company and its capital needs, and its lack of success in raising funds necessary to commercialize its assets.

As a result of these considerations, the Company's current and foreseeable inability to develop these properties due to capital constraints, the Company recorded a \$16,380,166 impairment charge on its properties during the year ended April 30, 2012, \$12,848,677 for the year ended April 30, 2011, and \$1,162,545 for the year ended April 30, 2010.

Canadian Disclosure Requirements

National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. We have provided and continue to provide disclosure which complies with the annual disclosure requirements of NI 51-101, however as an SEC Issuer (as such term is defined under National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102")) we are entitled to file our U.S. filings, under some circumstances, in place of continuous disclosure materials set forth in NI 51-102 for Canadian reporting issuers. However, our U.S. filings also contain reserves disclosure prepared in accordance with U.S. disclosure requirements. We have obtained an exemption order from the Alberta Securities Commission dated April 5, 2012, exempting us from certain requirements of NI 51-101 to permit us to provide disclosure prepared in accordance with U.S. disclosure requirements, in addition to the Canadian protocol disclosures.

The practice of preparing production and reserve quantities data under Canadian disclosure requirements differs from the U.S. reporting requirements. The primary differences between the two reporting requirements include:

- the Canadian standards require disclosure of proved and probable reserves, while the U.S. standards require disclosure of only proved reserves;
- the Canadian standards require the use of forecast prices in the estimation of reserves, while the U.S. standards require the use of 12-month average prices which are held constant;
- the Canadian standards require disclosure of reserves on a gross (before royalties) and net (after royalties) basis, while the U.S. standards require disclosure on a net (after royalties) basis;
- the Canadian standards require disclosure of production on a gross (before royalties) basis, while the U.S. standards require disclosure on a net (after royalties) basis; and
- the Canadian standards require that reserves and other data be reported on a more granular product type basis than required by the U.S. standards.
- This supplementary oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board ("FASB") Topic 932 – "Extractive Activities – Oil and Gas".

We retain qualified independent reserves evaluators to evaluate our proved oil reserves. We do not have any natural gas reserves. For the years ended April 30, 2012, 2011 and 2010 the reports by GLJ Petroleum Consultants ("GLJ") covered 100% of our oil reserves.

Fair Value of the Company's Common Shares, Options and Warrants and Derivatives

We used valuation techniques that rely on unobservable inputs for its derivatives to estimate their fair values such as expected volatility rates comparable to peer companies. The Company evaluates all financial instruments for freestanding and embedded derivatives. Warrants and conversion features related to convertible notes and preferred shares do not have readily determinable fair values and therefore require significant management judgment and estimation. Changes in the fair value of these derivatives during each reporting period are included in the statement of operations. Inputs into the Binomial pricing model require estimates, including such items as estimated volatility of the Company's stock and the estimated life of the financial instruments being fair valued.

While on the date of issuance, the Company used a Black Scholes pricing model, the fair value of options and warrants granted and the conversion feature of convertible notes were as valued subsequent to issuance based on binomial pricing models, which use the common share fair value on the grant date as an input.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2012, the FASB issued the Accounting Standards Update or ASU, 2012-02, *Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment*, that allows entities to have the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with ASC 350-30. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company does not expect the adoption of these provisions to have a significant effect on its financial statements.

In December 2011, the FASB issued the ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, that deferred the effective date for amendments to the presentation of reclassifications of items out of other comprehensive income. ASU 2011-12 was issued to allow the FASB time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. During the redeliberation period, entities will continue to report reclassifications out of accumulated other comprehensive income using guidance in effect before ASU 2011-05 was issued. ASU 2011-05 is to be applied retrospectively and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company does not expect the adoption of these provisions to have a material effect on its financial statements.

Results of Operations

Effective June 20, 2011, the Company completed a reverse split on a one-for-ten basis. All common share, preferred share, warrant and stock option figures disclosed herein are reported on a post reverse stock split basis.

Fiscal Year Ended April 30, 2012 Compared to Fiscal Year Ended April 30, 2011

	Years ended April 30	
	2012	2011
Revenue and other income		
Oil and natural gas sales	\$ 436,386	\$ 1,565,963
Total Income	<u>436,386</u>	<u>1,565,963</u>
Operating Expenses		
Operating	1,963,969	3,470,746
Impairment of oil and gas assets	16,380,166	12,848,677
General and administrative	1,890,791	3,307,060
Depreciation, depletion and accretion	333,614	844,160
Total Expenses	<u>20,568,540</u>	<u>20,470,643</u>
Operating loss	<u>(20,132,154)</u>	<u>(18,904,680)</u>
Other (income) expenses		
Interest and Other Income	(18,580)	(16,213)
Interest and accretion	3,856,833	1,512,443
Foreign exchange (gain) loss	6,849	(86,959)
Extinguishment of debt	(250,000)	-
Rent Settlement	(50,000)	-
Change in fair value of derivatives	(13,573,776)	9,395,435
Total other (income) expenses	<u>(10,028,674)</u>	<u>10,804,706</u>
Net Loss	<u>\$ (10,103,480)</u>	<u>\$ (29,709,386)</u>
Net loss attributable to common stockholders	<u>\$ (15,810,184)</u>	<u>\$ (30,329,193)</u>
Total Comprehensive Loss	<u>\$ (10,065,974)</u>	<u>\$ (29,993,157)</u>
Net Loss attributable to common stockholders per Common Share – Basic and Diluted	<u>\$ (1.12)</u>	<u>\$ (2.27)</u>
Weighted Average Number of Common Shares Outstanding	<u>14,078,947</u>	<u>13,387,166</u>

Oil Sales

During the year ended April 30, 2012, the Company's Missouri properties produced 5,584 barrels of oil and sold 5,789 barrels of oil at an average price (net of royalties) of \$76.75 per barrel as compared to 2011 production of 26,549 barrels of oil at an average price (net of royalties) of \$59 per barrel. Production decreased due to insufficient capital to sustain operations, which resulted in a suspension of production in September 2011.

Interest and Other Income

During the year ended April 30, 2012 interest on other income of \$18,580 consisted mainly of interest on a long-term receivable, as compared interest and other income for the year ended April 30, 2011 of \$16,213 which consisted mainly of interest earned from July 2010 to April 2011 on the long-term receivable at U.S bank prime rate plus 3%.

Operating Expenses

During the year ended April 30, 2012, operating expenses were \$1,963,969 (\$351.71 per barrel), as compared to operating expenses for the year ended April 30, 2011, of \$3,470,746 (\$131 per barrel). The decrease in operating expenses primarily is the result of reduced production as a result of a suspension of production due to insufficient capital to sustain operations.

General and administrative expenses

General and administrative expenses for the year ended April 30, 2012 were \$1,890,791, as compared to \$3,307,060 for the comparable prior year period. The reduction in these expenses is attributable primarily to a decrease in stock based compensation in the amount of \$862,789, a decrease in professional fees of \$869,345 which was offset by an increase in office and administrative expenses of \$243,994.

	Year ended April 30	
	2012	2011
Stock-based compensation:		
Stock options	\$ 22,371	\$ 575,835
Compensation warrants	-	152,010
Consulting warrants	-	166,810
Shares issued for services	-	-
Less: capitalized portion	-	(9,495)
	<u>\$ 22,371</u>	<u>885,160</u>
Salaries and benefits	1,007,929	1,063,706
Professional fees	234,925	1,104,290
Investor relations	100,928	64,818
Office and administrative	569,253	325,259
Information technology	49,973	44,364
Less: capitalized portion	(94,588)	(180,537)
	<u>1,868,420</u>	<u>2,421,900</u>
	<u>\$ 1,890,791</u>	<u>\$ 3,307,060</u>

Interest and accretion expense

Interest and accretion expense is related to the interest and accretion on the Junior and Senior notes and for the year ended April 30, 2012 was \$3,684,545, as compared to \$1,412,086 for the comparable prior year period. The increase in interest and accretion expense for the current fiscal year primarily is attributable to the Company having recorded default interest at a rate of 15% as compared to rates ranging from 7.5% to 12% during fiscal year ending April 30, 2011.

Foreign exchange gain/loss

Foreign exchange (gain) loss for the year ended April 30, 2012 was \$6,849, as compared to (\$86,959) for the prior year period, and is comprised of gains on the translation of U.S. dollar denominated transactions and balances to Canadian dollars in the first quarter, partially offset by losses on the translation of Canadian dollar denominated transactions and balances to U.S. dollars in the second, third and fourth quarters, both due to a weakening U.S. dollar.

Change in fair value of derivatives

The fair value of our derivative liabilities decreased for the year ended April 30, 2012 by \$13,573,776, as compared to an increase in the fair value of \$9,395,435 for the year ended April 30, 2011.

The decrease in the fair value of the following derivative liabilities is recognized in the consolidated statement of operations as change in fair value of derivatives expense:

	Preferred A Warrants	Preferred Shares	Preferred B Option/Warrants	Note conversion features	Warrants	Consulting warrants	Total
Balance, April 30, 2011	3,219,700	-	5,122,294	2,869,630	2,796,890	491,380	14,499,894
Exercise of Preferred B Options (b)	-	-	(4,846,941)	-	-	-	(4,846,941)
Expiry of Preferred B Options (b)	-	-	(661,259)	-	-	-	(661,259)
Preferred B Shares and Warrants (b)	-	1,662,100	3,677,600	-	-	-	5,339,700
Change in fair value	(3,038,040)	(1,635,701)	(3,014,510)	(2,697,876)	(2,697,876)	(480,591)	(13,573,776)
Balance, April 30, 2012	<u>\$ 181,660</u>	<u>\$ 26,399</u>	<u>\$ 277,184</u>	<u>\$ 171,754</u>	<u>\$ 89,832</u>	<u>\$ 10,789</u>	<u>\$ 757,618</u>

Fiscal Year Ended April 30, 2011 Compared to Fiscal Year Ended April 30, 2010

	Years ended April 30	
	2011	2010
Revenue and other income		
Oil and natural gas sales	\$ 1,565,963	\$ 1,575,150
Total Income	<u>1,565,963</u>	<u>1,575,150</u>
Operating Expenses		
Operating	3,470,746	3,955,084
Impairment of oil and gas assets	12,848,677	1,162,545
General and administrative	3,307,060	3,193,449
Depreciation, depletion and accretion	844,160	293,113
Total Expenses	<u>20,470,643</u>	<u>8,604,191</u>
Operating loss	<u>(18,904,680)</u>	<u>(7,029,041)</u>
Other (income) expenses		
Interest and Other Income	(16,213)	(6,073)
Interest and accretion	1,512,443	-
Foreign exchange (gain) loss	(86,959)	98,225
Extinguishment of debt	-	-
Rent Settlement	-	-
Change in fair value of derivatives	9,395,435	829,166
Total other (income) expenses	<u>10,804,706</u>	<u>921,318</u>
Net Loss	<u>\$ (29,709,386)</u>	<u>\$ (7,950,359)</u>
Net Loss attributable to common stockholders	<u>\$ (30,329,193)</u>	<u>\$ (8,169,154)</u>
Total Comprehensive Loss	<u>\$ (29,993,157)</u>	<u>\$ (2,966,333)</u>
Net Loss attributable to common stockholders per Common Share – Basic and Diluted	<u>\$ (2.27)</u>	<u>\$ (0.61)</u>
Weighted Average Number of Common Shares Outstanding	<u>13,387,166</u>	<u>13,325,545</u>

Oil sales

During the year ended April 30, 2011, the Company's Missouri properties produced 26,549 barrels of oil at an average price (net of royalties) of \$59 per barrel as compared to 2010 production of 29,775 barrels at an average price (net of royalties) of \$53 per barrel.

Production decreased due to 3 months of shut in for downhole repairs and then operations with restricted gas use to conserve operating funds.

Interest and Other Income

2011 interest income is mainly interest earned from July 2010 to April 2011 on the long-term receivable at U.S bank prime rate plus 3%. 2010 interest income was earned on bank balances.

Operating expenses

During the year ended April 30, 2011, the Company incurred \$3,470,746 (\$131 per barrel) of operating costs compared to \$3,955,084 (\$133 per barrel) in 2010.

Impairment of oil and gas assets

See Operational and Project Review section.

General and administrative expenses

	Year ended April 30	
	2011	2010
Stock-based compensation:		
Stock options	\$ 575,835	\$ 500,293
Compensation warrants	152,010	-
Consulting warrants	166,810	-
Shares issued for services	-	7,638
Less: capitalized portion	(9,495)	(50,846)
	<u>885,160</u>	<u>457,085</u>
Salaries and benefits	1,063,706	1,401,257
Professional fees	1,104,290	460,101
Investor relations	64,818	45,177
Office and administrative	325,259	938,534
Information technology	44,364	52,754
Less: capitalized portion	(180,537)	(161,459)
	<u>2,421,900</u>	<u>2,736,364</u>
	<u>\$ 3,307,060</u>	<u>\$ 3,193,449</u>

The primary variances in general and administrative expenses for the 2011 periods as compared to the 2010 periods are as follows:

- Stock-based compensation expense is higher in 2011 due to the granting of:
 - 500,000 stock options in January 2011 and 802,000 stock options in April 2011;
 - 480,000 compensation warrants in April 2011; and
 - 720,000 consulting warrants in July 2010 and 2,000,000 consulting warrants in December 2010;
- Salaries and benefit costs increased in the fourth quarter of 2011 due to the hiring of a new president in January 2011. Annual salaries and benefits costs are lower in 2011 due to reduced staffing levels for the majority of the year;
- Professional fees, consisting of legal, audit, accounting and tax advisory fees, increased due to services related to financial reporting and regulatory compliance and the Company's dispute with its landlord (see Contingency and Contractual Obligation section);
- Investor relations expenses increased in 2011 related to the Company's efforts to raise investor awareness of the Company;
- Office and administrative costs decreased due to management's efforts to reduce costs, the closing of a field office in Missouri and no Calgary office lease payments made since December 2009 (see Contingency and Contractual Obligation section); and
- Information technology costs decreased in 2011 due to a reduction in the outsourcing of technology services.

Interest and accretion

Interest and accretion expense is related to the interest and accretion on the Junior and Senior notes.

Foreign exchange gain/loss

The 2011 net foreign exchange gain is comprised of gains on the translation of U.S. dollar denominated transactions and balances to Canadian dollars in the first quarter, partially offset by losses on the translation of Canadian dollar denominated transactions and balances to U.S. dollars in the second, third and fourth quarters, both due to a weakening U.S. dollar.

The 2010 net foreign exchange loss is comprised of Canadian dollar foreign exchange losses on the translation of U.S. dollar denominated transactions and balances to Canadian dollars.

Change in fair value of derivatives

The increase in the fair value of the following derivative liabilities is recognized in the consolidated statement of operations as change in fair value of derivatives expense:

	Preferred A Warrants	Preferred B Option	Conversion Feature derivative	Senior warrants	Consulting warrants	Total
Balance, April 30, 2010	\$ 740,269	\$ 590,640	\$ -	\$ -	\$ -	\$ 1,330,909
Fair value on date of issue	-	-	1,883,200	1,808,070	166,810	3,858,080
Conversion of Senior I Notes	-	-	(84,530)	-	-	(84,530)
Change in fair value	2,479,431	4,531,654	1,070,960	988,820	324,570	9,395,435
Balance, April 30, 2011	<u>\$ 3,219,700</u>	<u>\$ 5,122,294</u>	<u>\$ 2,869,630</u>	<u>\$ 2,796,890</u>	<u>\$ 491,380</u>	<u>\$ 14,499,894</u>

B. Liquidity and Capital Resources

As at April 30, 2012, the Company had a working capital deficiency of approximately \$4.5 million.

During September 2011 and, again, in August 2012, the Company was cease traded by the Alberta and British Columbia Securities Commissions for failure to file certain financial information – See Legal Proceedings below. The Company made the required filings with regard to the 2011 cease trade orders and the Alberta and British Columbia cease trade orders were rescinded. The Company intends to make the required filings with regard to the 2012 cease trade orders and believes that the Alberta and British Columbia cease trade orders will be rescinded. However, as of the date of the filing of this report the cease trade orders have not been rescinded and no assurances can be given as to when or if they will be rescinded. Until these cease trade orders are rescinded the Company's ability to raise capital is significantly restricted.

Our current capital and our other existing resources will not be sufficient to provide working capital for the balance of 2012, and the revenues generated will not be sufficient to fund our operations or planned growth. In addition, when our Senior Notes and Junior Notes come due the Company currently lacks the resources to repay them. While the Company plans on renegotiating the terms of the Senior Notes and Junior Notes there can be no assurance that the Company will be successful and the Senior Note and Junior Note holders may demand repayment and or force their security interests against our assets. We will require additional capital to continue to operate our business and to further expand our exploration and development programs. We may be unable to obtain additional capital required. Furthermore, inability to maintain capital may damage our reputation and credibility with industry participants. Our inability to raise additional funds when required may have a negative impact on our consolidated results of operations and financial condition.

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company ("Petro LLC") that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the "Merger Transaction"). It is intended that, post-Merger Transaction, on a consolidated basis, Petro will have cash and cash equivalents of approximately \$7 million, which we believe will be sufficient to fund our general administrative and operating expenses for the next three fiscal years.

Investing Activities

During the year ended April 30, 2012, the Company incurred \$243,409 of expenditures on oil and gas assets compared to \$1,361,890 in 2011 and \$941,332 in 2010.

On July 30, 2010, the Company and MPI entered into an arrangement whereby the Company acquired MPI's 10% working interest in the projects in exchange for a 2.75% gross overriding royalty interest effective July 1, 2010. Under this arrangement, the Company converted a receivable related to joint venture capital and operating costs owing by MPI on its Marmaton River and Grassy Creek projects in Missouri to a promissory note and the Company will recover the balance of the amount due from 50% of the gross overriding royalty payments to MPI. During the time the long term receivable is outstanding, the Company will receive interest on the outstanding balance at the U.S. bank prime rate plus three percent (3%). As at April 30, 2012, management reported an allowance of \$302,536.

During the years ended April 30, 2012, 2011 and 2010 the Company received proceeds of \$431,989, \$Nil and \$2,391,077 from the disposition of oil and gas assets and equipment. The company had net cash provided by (used in) investing activities of \$953,243, (\$1,367,825) and \$1,475,848 for the years ended April 30, 2012, 2011 and 2010 respectively.

Financing Activities

During the year ended April 30, 2012, the Company received proceeds from the sale of preferred shares of \$1,759,900 as compared to \$6,114,248 provided by all financing activities in year ended April 30, 2011 and \$2,136,950 in year ended April 30, 2010.

Capitalization

Effective June 20, 2011, the Company's common shares were reverse split on a one-for-ten basis. All common share, preferred share, warrant and stock option figures disclosed herein are reported on a post reverse stock split basis.

The number of outstanding shares and the number of shares that could be issued if all convertible instruments are converted to shares is as follows:

As at	April 30 2012	April 30 2011	April 30 2010
Common shares	14,078,947	14,078,947	13,328,947
Preferred A Shares	-	-	34,592,950
Preferred A Warrants	19,250,000	19,250,000	15,400,000
Preferred B Shares	8,799,995	10,000,000	20,000,000
Preferred B Warrants	15,399,125	17,500,000	10,000,000
Senior I Notes	12,646,000	11,750,000	-
Senior I Warrants	12,500,000	12,500,000	-
Senior II Notes	23,000,000	23,000,000	-
Senior II Warrants	9,200,000	9,200,000	-
Junior Notes	12,988,903	12,505,340	-
Consulting Warrants	2,720,000	2,720,000	-
Stock Options	775,000	1,404,300	1,069,800
Compensation Warrants	480,000	480,000	-
	<u>131,837,970</u>	<u>134,388,587</u>	<u>94,391,697</u>

C. Research and Development

We do not currently, and did not previously, have any research and development policies in place. Over the past three fiscal years, no funds were expended by our company on research and development activities.

D. Trend Information

We are an exploration stage company engaged principally in the acquisition, exploration and development of oil and gas properties in the United States. As a result, our business is dependent on the worldwide prices of oil and gas. In the past, oil and gas prices have been volatile. Prices are subject to wide fluctuations in response to changes in supply of, and demand for, oil and gas, market uncertainty, and a variety of additional factors that are beyond our control.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. Tabular Disclosure of Contractual Obligations

In January 2010, the Company experienced a flood in its office premises as a result of a broken water pipe. There was significant damage to the premises rendering them unusable until remediation had been completed by the landlord. Pursuant to the lease contract, the Company has asserted that rent should be abated during the remediation process and accordingly, the Company has not paid rent since December 2009. During the remediation process, the Company engaged an independent environmental testing company to test for air quality and for the existence of other potentially hazardous conditions. The testing revealed the existence of potentially hazardous mold and the consultant provided specific written instructions for the effective remediation of the premises. During the remediation process, the landlord did not follow the consultant's instructions and correct the potentially hazardous mold situation and subsequently in June 2010 gave notice and declared the premises to be ready for occupancy. The Company re-engaged the consultant to re-test the premises and the testing results again revealed the presence of potentially hazardous mould. The Company has determined that the premises are not fit for re-occupancy and considers the landlord to be in default of the lease and the lease terminated.

The landlord disputes the Company's position and has given notice that it considers the Company to be in default of the lease for failure to re-occupy the premises.

In addition, the landlord has claimed that the Company owes monthly rent for the premises from January 2010 to June 30, 2010 in the amount of \$247,348 and has claimed that, as a result of the alleged default, pursuant to the terms of the lease, the Company owes three months accelerated rent in the amount of \$114,837. The landlord has also asserted that the Company would be liable for an amount up to the full lease obligation of \$1,596,329 which otherwise would have been due as follows:

Year Ended April 30	
2012	\$ 473,055
2013	473,055
2014	473,055
2015	177,164
Thereafter	-
Total	\$ 1,596,329

To date, no legal action has been commenced by the landlord and the cost, if any, to the Company is not determinable. Accordingly, no amounts related to rent or the disputed lease obligation have been recorded in these financial statements.

At April 30, 2012 pursuant to employment agreements with a senior officer, the Company is obligated to pay approximately \$200,000 under certain events around employment termination.

Item 6. Directors, Senior Management and Employees

A. Directors, Senior Management

Set forth below are the name, age, principal position and a biographical description of each of our directors and executive officers:

Name and Age	Position
Tim L. Morrison (39)	Chief Executive Officer, Secretary and Chairman of the Board of Directors, resigned effective January 23, 2012
George Orr (51)	Director, resigned effective June 27, 2012
M. Elden Schorn (73)	Director, resigned effective June 27, 2012
Fred S. Zeidman (66)	Director since November 2009
Jeffrey Freedman (65)	Chief Financial Officer, Chief Executive Officer effective January 23, 2012
Pat McCarron (63)	Vice President, Operations since June 2008
Scot Cohen (43)	Director, elected September 7, 2012
Ruben Alba (39)	Director, elected September 7, 2012
Daniel Smith (40)	Director, elected September 7, 2012
Glenn C. Pollack (54)	Director, elected September 7, 2012

Tim Morrison

Mr. Morrison was named President and Chief Executive Officer of Gravis Oil (formerly MegaWest Energy Corp.) on January 4, 2011, Secretary on March 10, 2011 and a director on April 29, 2011. He resigned from the Company effective January 23, 2012. Prior to joining the Company, he served as Chief Operating Officer of Cox Operating LLC and Cox Oil LLC, a Dallas-based oil and gas production company. Earlier in his career, Mr. Morrison spent five years with Halliburton Energy Services, where he served as District Manager of the San Juan and Raton Basin oil fields. He holds a B.S. degree in Chemical Engineering from Texas Tech University.

George Orr

Mr. Orr served as a director since December 2006 and resigned effective June 27, 2012. From December 2006 to October 2008 and again from February 14, 2011 to June 30, 2011 Mr. Orr served as our Chief Financial Officer. Mr. Orr is a Chartered Accountant.

Elden Schorn

Mr. Schorn served as a director since April 2011 and resigned effective June 27, 2012. Mr. Schorn served as Vice President of the British Columbia Region for the Canadian Manufacturers and Exporters Association. Earlier in his career, Mr. Schorn served as Consul and Senior Investment Advisor for the Canadian Consulate in New York City. Mr. Schorn received his undergraduate degree from the University of British Columbia and did additional course work at the University of Alberta.

Fred S. Zeidman

Mr. Zeidman has served as a director since November 2009. Mr. Zeidman, Chairman Emeritus of the United States Holocaust Memorial Council, was appointed by President George W. Bush in March 2002 and served in that position from 2002 - 2010. A prominent Houston based business and civic leader, Mr. Zeidman also serves as Chairman of the University of Texas Health Science System Houston and is on the Board of Trustees of the Texas Heart Institute and the Institute for Rehabilitation and Research (TIRR). He further serves on the Board of Directors and Executive Committee of The University of Saint Thomas and chairs its Audit and Finance Committee. Mr. Zeidman also serves on the Board of Hyperdynamics Corp. He was formerly Chairman of the Board of SulphCo Inc., Chief Restructuring Officer of Transmeridian Exploration, Inc. and Bankruptcy Trustee of AremisSoft Corp. He has previously served as Chairman of the Board of Seitel Inc., Interim President of Nova Bio Fuels, Inc. and Senior Director Governmental Affairs Ogilvy Government Relations in Washington, DC. Mr. Zeidman also serves on the Board of Prosperity Bank in Houston.

Scot Cohen

Mr. Cohen was elected to serve as a director on September 7, 2012. Mr. Cohen is the Co-founder of Iroquois Capital, a New York based hedge fund. He is also the Co-founder and Managing Director of Iroquois Capital Opportunity (ICO), a private equity fund focused on investments in U.S. onshore oil and gas. Mr. Cohen remains actively involved in a wide variety of charitable organizations. Most notably, Mr. Cohen serves as the Founder and Chairman of the National Foundation for Veteran Redeployment, a non-profit providing scholarships, job placement assistance and mentoring to veterans interested in careers in the oil and gas industry. Mr. Cohen holds a Bachelors of Science degree from Ohio University.

Ruben Alba

Mr. Alba was elected to serve as a director on September 7, 2012. Mr. Alba spent the majority of his career with both Halliburton Energy Services and Superior Well Services, overseeing regional technical staff and operations. In this capacity, Mr. Alba introduced a number of new and novel technologies involving new fluid chemistry to the industry, as well as completion processes to reservoirs requiring cutting edge technology, where he holds three US Patents. Mr. Alba received his B.S in Chemical Engineering from New Mexico State University and has been active in the oil and gas industry since 1997.

Daniel Smith

Mr. Smith was elected to serve as a director on September 7, 2012. Mr. Smith is a registered Professional Engineer in Petroleum Engineering and has over 15 years of experience in the oil and gas industry. Mr. Smith spent his career at XTO Energy where he served as an Operations Engineer specializing in hydraulic fracturing and artificial lift. Mr. Smith was directly responsible for managing fields producing in excess of 100 million cubic feet of natural gas per day and worked on numerous drilling projects ranging from the Marcellus Shale to the Permian Basin.

Glen C. Pollack

Since 2001, Mr. Pollack has been a Managing Director of Candlewood Partners, LLC, a merchant bank focused on middle market capital formation, mergers and restructurings. He was the CEO of \$1 billion container terminal project in Damietta, Egypt from February 2009 to March 2012. Mr. Pollack graduated in 1980, from Boston University with a BSBA degree in Accounting.

Jeffrey Freedman

Mr. Freedman has been our Chief Financial Officer since July 2011 and effective January 23, 2012 became Interim Chief Executive Officer until being appointed Chief Executive Officer effective September 7, 2012. Between 2009 and 2011, Mr. Freedman served as Vice President of Corporate Development for SulphCo Inc., a publicly traded crude oil field technology oil service company. Mr. Freedman also served as a founding stockholder, executive and director of Allis-Chalmers Energy Inc., serving on that company's Board of Directors from 2002 to April 2007. Earlier in his career, Mr. Freedman served as Managing Director for Oilfield Services and Equipment for Prudential Securities and Smith Barney. He holds a B.A. degree in Finance from Babson College and an M.B.A. from the Stern School of Business at New York University.

Pat McCarron

Mr. McCarron has served as our Vice President Operations since June 2008. Mr. McCarron has extensive experience in operations with over 25 years of experience with gas processing, SAGD and conventional oil operations. Specifically, Mr. McCarron has experience dealing with construction, commissioning and start-up of new facilities, production operations supervision, and management of environment, health and safety programs. Mr. McCarron holds a Power Engineers Certificate and has completed an Environmental Management program at the University of Calgary. Mr. McCarron served as the Operations Team Leader for Gulf Canada's Surmont SAGD pilot project from November 1996 to April 1998, and served as the Manager of Health and Safety for Harvest Energy Trust from February 2006 to August 2008.

There are no family relationships between any of the directors or executive officers of our company. There are no arrangements or understandings between any of our directors and/or executive officers and any other person pursuant to which that director and/or executive officer was selected.

Corporate Cease Trade Orders

Except as disclosed below, no current director, or current officer has, within the past ten years, been a director, chief executive officer or chief financial officer of any other issuer that, while that person was acting in that capacity:

- a) was subject to a cease trade order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was subject to a cease trade order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,

Mr. Zeidman was a director MegaWest Energy Corp. (now Petro), an OTC reporting issuer when on September 7, 2010, and September 8, 2010, the Alberta Securities Commission and BC Securities Commission each issued a Cease Trade Order in the trading of the company. The Cease Trade Orders were issued as a result of the company's failure to file an annual information form, audited annual financial statements, annual management discussion and analysis and certificates in respect of the annual filings for the year ended April 30, 2010. The Cease Trade Orders were revoked by both the Alberta and BC Securities Commission on October 22, 2010. Mr. McCarron was the Vice President, Operations at the time of the cease trade orders.

Mr. Zeidman was a director of the Company when it was cease traded on September 7, 2011 by the Alberta Securities Commission and on September 8, 2011 by the BC Securities Commission as a result of the company's failure to timely file an annual information form, audited annual financial statements, annual management discussion and analysis and accompanying certificates for the year ended April 30, 2011. The Cease Trade Orders were rescinded on June 5, 2012 pursuant to the Company having filed the required documents. At the time of the issuance of the Cease Trade Orders, Mr. Freedman was the Chief Financial Officer and Mr. McCarron was the Vice President, Operations.

Mr. Zeidman was a director of the Company when it was placed on the List of Defaulting Issuers by the British Columbia Securities Commission on August 29, 2012, and when it subsequently became subject to cease trade orders issued by the Alberta Securities Commission and the British Columbia Securities Commission on August 31, 2012 and September 10, 2012, respectively. The cease trade orders were issued as a result of the Company failing to file certain required disclosure under applicable Canadian securities laws including the Company's annual information form, annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the year ended April 30, 2012. The Company remains on the List of Defaulting Issuers, and the cease trade orders remain in effect as at the date of this form. At the time that the Company was placed on the List of Defaulting issuers and of the issuance of both cease trade orders, Mr. Freedman was the Chief Financial Officer and Mr. McCarron was the Vice President, Operations. At the time of the cease trade order issued by the British Columbia Securities Commission, Messrs. Cohen, Alba, Smith and Pollack were directors of the Company, having been elected on September 7, 2012.

Corporate and Personal Bankruptcies

Except as disclosed below, no current director, current officer, or promoter of the Company, or a current shareholder of the Company holding a sufficient number of securities of the Issuer to affect materially the control of the Company or a personal holding company of any such persons,

- a) is, as at the date of this Annual Report, or has been within the 10 years before the date of this Annual Report, a director or executive officer of any company (including Petro) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this Annual Report become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or has instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Zeidman was a director of a small, development stage technology company that became insolvent and declared bankruptcy prior to the technology becoming viable.

Penalties or Sanctions

No current director or executive officer of the Company, or a shareholder of the Company holding a sufficient number of securities of ours to affect materially the control of the company, has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

B. Compensation

Introduction

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's philosophy, objectives and processes regarding compensation for the Named Executive Officers of the Company (**NEOs** or **Named Executive Officers**). It explains how decisions regarding executive compensation are made by the Board of Directors and the reasoning behind these decisions. All members of the Board of Directors are required to have expertise and experience in compensation, and other human resource areas.

As at the date hereof, the Company has the following two NEOs:

Jeffrey Freedman	Interim Chief Executive Officer and Interim Chief Financial Officer (" CEO ")
Pat McCarron	Vice President, Operations

Compensation Philosophy and Objectives of Compensation Programs

The Board of Directors determines the compensation to be paid or awarded to the NEOs of the Company. The Board has sought to encourage advancement of exploration projects and growth in reserves, in order to enhance stockholder value. To achieve these objectives, the Company believes it is critical to create and maintain compensation programs that attract and retain committed, highly qualified personnel by providing appropriate rewards and incentives and that align the interest of the officers of the Company with those of the Stockholders to provide incentive to the officers to enhance shareholder value. However, as a junior exploration company the Company has been constrained by the amount of capital it has available to it. Additionally, the Company was subject to cease trade orders until June 6, 2012 issued by the Alberta Securities Commission and the British Columbia Securities Commission which significantly reduced its ability to fund operations.

The Company has sought new business opportunities, including a proposed restructuring transaction announced June 27, 2012. As a result of the Company ceasing operations during the last fiscal year, compensation for the CEO was based on time spent pursuing and negotiating potential new business transactions, maintaining the Company's regulatory filings and managing the Company's strategic direction. Similarly, compensation for the Vice President, Operations was based on time spent dealing with ongoing operational issues and assisting with the preparation of requisite regulatory filings. If and when the Company resumes full operations, compensation for the NEOs is expected to be re-evaluated in the specific circumstances. During the last fiscal year, compensation for the NEOs consisted of three elements: contract rate or base salary, long-term equity incentives and benefits (however compensation may include a bonus under some circumstances). The following provides an overview of the three elements of compensation excluding benefits.

<u>Compensation Element</u>	<u>Type of Compensation</u>	<u>Name of Plan</u>	<u>Performance Period</u>	<u>Form of Payment</u>
Contract Rate/Base Salary ⁽¹⁾	Hourly rate/Annual - Fixed Pay	Salary Program	1 year	Cash
Bonus	Annual - Variable Pay	N/A	1 year	Cash or shares
Long-Term Equity Incentives	Long Term - Variable Pay	Option Plans	up to 5 years	Options for Common Shares

Note:

- (1) As a result of a significant operational and financial difficulties, compensation of the CEO for the year ended April 30, 2012 was determined on an *ad hoc* basis by the Board to ensure management continued with the Company.

How the Company Determines the Amount for Each Element

As indicated above, executive compensation is the responsibility of the Board.

During the fiscal year ended April 30, 2012, the Board had no formal meetings dedicated to compensation because of the other significant issues facing the Company.

Under ideal circumstances, the Board uses data which, at its reasonable discretion, it believes to be relevant, to ensure that the Company is maintaining a level of compensation that is both commensurate with the size of the Company and sufficient to retain personnel it considers essential to the success of the Company. In reviewing comparative data, the Board does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined point. In the Board's view, external and third-party survey data provides an insight into external competitiveness, but it is not an appropriate basis for establishing compensation levels for us. This is primarily due to the differences in the size of comparable companies and the lack of sufficient appropriate matches to provide statistical relevance. Additionally, compensation payable to the NEOs for similarly placed junior exploration entities is frequently nil or nominal, thus such comparatives are typically of little value.

In the process used by the Board to establish and adjust executive compensation levels, the Board may consider third-party survey data (although no such data was considered in the year ended April 30, 2012), along with an assessment of individual performance, experience and potential to contribute to operations and growth of the Company. The Board can exercise both positive and negative discretion in relation to the compensation awards and its allocation between cash and non-cash awards.

The CEO of the Company may make recommendation to the Board regarding total compensation to the officers of the Company (excluding the CEO), including contract rate or base salaries and long-term equity incentive grants. These recommendations are considered by the Board against information derived from publicly available information and adjusted, as applicable, for inflation and anticipated increases in the current year.

Contract Rate/Salary. The contract rate or base salary represents the fixed element of the NEOs cash compensation. The contract rate or base salary reflects economic considerations for each individual's level of responsibility, expertise, skills, knowledge and performance, as well as the overall success of the Company's operations during the fiscal year (with due consideration to financial and operational challenges during the past fiscal year). The contract rate or base salary for the NEOs of the Company are typically reviewed annually by the Board.

Annual Cash Bonus Awards. The Board has the authority, based upon management recommendations, to award discretionary annual bonuses to the executive officers. The annual discretionary bonuses are intended to compensate officers for achieving superior financial and operational goals of the Company. The discretionary annual bonus may be paid in cash or shares in an amount reviewed with management and recommended by the Board and approved by the Board. The actual amount of bonus is determined following a review of each executive's individual performance.

Bonuses awarded by the Board are intended to be competitive with the market while rewarding senior executives for meeting qualitative goals, including delivering near-term financial and operating results, developing long-term growth prospects, improving the efficiency and effectiveness of business operations and building a culture of teamwork focused on creating long-term stockholder value. Consistent with a flexible nature of the annual bonus program, the Board does not assign any specific weight to any particular performance goal nor is any specific weight assigned to the performance goals in the aggregate. The Board considers not only the Company's performance during the year with respect to the qualitative goals, but also with respect to market and economic trends and forces, extraordinary internal and market-driven events, unanticipated developments and other extenuating circumstances. In sum, the Board analyzes the total mix of available information on a qualitative, rather than quantitative, basis in making bonus determinations. No cash bonuses were awarded to the NEOs during the 2010, 2011 or 2012 reporting periods as a result of the financial and regulatory challenges faced by the Company in those fiscal years.

Long-Term Incentive Programs. The allocation of Options and the terms assigned to those Options are an additional component of the compensation package of the senior officers of the Company. The Company's Option Plans are in place for the purpose of providing Options to the officers. The Board believes that the grant of Options to the executive officers and share ownership by such officers serves to motivate achievement of the Company's long-term strategic objectives and the result will benefit all Stockholders. Options may be awarded to employees of the Company by the Board based upon the recommendation of the CEO, who bases his decision upon the level of responsibility and contribution of the individuals toward the Company's goals and objectives. Also, the Board considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size of such grants. The granting of these specific Options is reviewed by the Board for final recommendation to the Board for approval.

Risk Assessment and Oversight. The Board is keenly aware of the fact that compensation practices can have unintended risk consequences. The Board will continually review the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risks. At the present time, the Company does not believe that its compensation programs encourage excessive or inappropriate risk taking as: (i) the Company's employees can receive both fixed and variable compensation, and the fixed (salary) portion provides a steady income regardless of the stock value which allows employees to focus on the Company's business; (ii) the employee Option Plans encourage a long-term perspective due to the vesting provisions of the Options; and (iii) the significant challenges faced by the Company in the last fiscal year were indicative of the a low risk profile for such activities as the continuing involvement of the NEOs is predicated by a long-term view to success and value for the Company.

Although the Company does not have a policy which prohibits any NEO or director from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by the NEO or director, to the knowledge of the Company, no NEO or director has entered into any such agreement.

During the year ended April 30, 2012, the Company's operational focus was on surviving significant liquidity challenges that were the result of having limited access to capital. There was no increase in base salaries or other benefits compared to the prior year.

Summary Executive Compensation Table

The following table sets forth a summary of all compensation paid during the period ended April 30, 2012 to the Named Executive Officers and other individuals who served as Named Executive Officers for some period during the year:

Name and Principal Position	Fiscal Year Ended April 30	Salary (\$)	Share- Based Awards (\$)	Option- Based Awards (\$) ⁽¹⁾⁽⁶⁾	Non-Equity Incentive Plan Compensation				
					Annual Incentive Plans (\$)	Long- Term Incentive Plans (\$)	Pension Value (\$)	All other Comp. (\$)	Total Comp. (\$)
Jeffrey Freedman ⁽²⁾									
<i>Interim Chief Executive Officer and Interim Chief Financial Officer</i>	2012	120,000	—	23,300	—	—	—	—	143,300
	2011	—	—	—	—	—	—	—	—
	2010	—	—	—	—	—	—	—	—
Pat McCarron ⁽⁵⁾	2012	185,040	—	—	—	—	—	—	185,040
<i>Vice President, Operations</i>	2011	185,040	—	35,618	—	—	—	—	220,658
	2010	185,040	—	—	—	—	—	—	185,040
Tim Morrison ⁽³⁾	2012	130,769	—	—	—	—	—	—	130,769
<i>former Chief Executive Officer, President and Secretary</i>	2011	61,359	—	128,560	—	—	—	—	189,919
	2010	—	—	—	—	—	—	—	—
George Orr ⁽⁴⁾⁽⁵⁾	2012	83,872	—	—	—	—	—	—	83,872
<i>former Chief Financial Officer</i>	2011	22,496	—	72,818	—	—	—	—	106,368
	2010	—	—	—	—	—	—	—	—

Notes:

- (1) "Options" includes all options granted by us as compensation for employment services or office.
- (2) Mr. Freedman has been the interim Chief Financial Officer since July 1, 2011 and has acted as Interim Chief Executive Officer since Mr. Morrison's resignation on January 23, 2012.
- (3) Mr. Morrison was the Chief Executive Officer, President and Secretary of the Company from January 1, 2011 until his resignation on January 23, 2012.
- (4) Mr. Orr was the Chief Financial Officer from February 14, 2011 to June 30, 2011. Mr. Orr resigned from the Company as a director on June 27, 2012. Mr. Orr's personal holding company was paid \$22,496 for consulting services during the year ended April 30, 2011, and \$83,872 for the year ended April 30, 2012.
- (5) The options granted in 2011 were issued on April 5, 2011 at \$0.50 and expire April 5, 2014. In conjunction with the issuance of these Options, Mr. Orr forfeited 30,000 previously issued Options at \$1.50, and Mr. McCarron forfeited 90,000 previously issued Options at \$1.50.
- (6) The fair value of the options granted is obtained by multiplying the number of options granted by their value established according to the Black - Scholes pricing model. This value is the same as the fair value established in accordance with generally accepted accounting principles. The following assumptions were used for options granted in 2012: expected volatility – 100%. The following assumptions were used for options granted in 2011: expected volatility – 130%; risk-free rate – 1.41%; forfeiture rate – 15%; expected life – 3.4 years; dividend yield – 0%. The following assumptions were used for options granted in 2010: expected volatility – 214%; risk-free rate – 2.57%; forfeiture rate – 10%; expected life – 3 years; dividend yield – 0%.

Retirement Benefits

We do not have in place any pension or actuarial plan to provide pension, retirement or similar benefits and no funds were set aside or accrued by our company or our subsidiaries during the fiscal year ended April 30, 2012 to provide pension, retirement or similar benefits.

Employment Agreements

We entered into an executive employment agreement with Pat McCarron, under which we agreed to employ Mr. McCarron as Vice President Operations as of July 16, 2008. Pursuant to the agreement, Mr. McCarron receives an annual salary of \$185,040 and bonuses as may be determined by the board. Upon execution of the agreement, we paid Mr. McCarron a \$100,000 signing bonus. Mr. McCarron is entitled to coverage under our Directors and Officers Liability Insurance and Errors and Omission Insurance (with a minimum cover of at least \$2,000,000 per occurrence). If Mr. McCarron's employment is terminated for just cause or by Mr. McCarron without constructive dismissal, we will pay Mr. McCarron the amount of his unpaid annual salary to and including the date of termination, any declared but unpaid bonus and all outstanding vacation pay and expense reimbursements. If Mr. McCarron's employment is terminated by us without just cause or by Mr. McCarron for constructive dismissal, then in addition to the foregoing amounts, Mr. McCarron will receive a severance payment in the amount of one year's annual salary plus \$10,000 in respect of lost benefits less applicable withholdings and deductions and all stock options held by Mr. McCarron will automatically vest. Additionally, in the event of a change of control, we and/or Mr. McCarron may terminate Mr. McCarron's employment, in which event we will pay Mr. McCarron the termination payments set out above.

A change of control is defined in the agreement as the occurrence of any of: (a) the purchase or acquisition of shares of our common stock (or securities convertible thereto or carrying the right to acquire our common stock) as a result of which a person or group of persons, acting jointly or in concert, beneficially owns or exercises control or direction over shares of our common stock that would have the right to cast more than 50% of the votes attached to all our common stock; or (b) approval by our stockholders of: (i) an amalgamation, arrangement or combination of our company with another entity pursuant to which our stockholders immediately before such combination do not own securities of the successor or continuing entity which would entitle them to cast more than 50% of the votes attaching to all of our common stock immediately thereafter; (ii) a liquidation, dissolution or winding-up of our company; (iii) the sale, lease or other disposition of all or substantially all of the assets of our company; (iv) the election at a meeting of our stockholders of a number of directors, who were not included in the slate for election as directors approved by our prior board of directors, and who would represent a majority of our board of directors, or (v) the appointment of a number of directors which would represent a majority of our board of directors and which were nominated by any holder of our voting shares or by any group of holders of our voting shares acting jointly or in concert and not approved by our prior board of directors. The Continuance does not qualify as a change of control for the purposes of Mr. McCarron's employment contract.

As at April 30, 2012, the amount of severance that would have been payable to Mr. McCarron had he been terminated without cause is approximately \$200,000.

The Company does not have any formal employment agreement with Mr. Freedman.

Director Compensation

No cash compensation was paid to any of our directors for services as a director during the fiscal year ended April 30, 2012. Our company has no formal arrangement pursuant to which directors are compensated by us for their services in their capacity as directors, except for the granting from time to time of incentive stock options. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board. Our board of directors may award special remuneration to any director undertaking any special services on our behalf, other than services ordinarily required of a director. No director received and/or accrued any compensation for his services as a director, including committee participation and/or special assignments for the fiscal year ended April 30, 2012.

In June 2012, Mssrs. Orr, Schorn and Zeidman received a payment for services rendered in the amount of \$7,500.

C. Board Practices

Board of Directors

Pursuant to the provisions of the Business Corporations Act (Alberta), at each annual general meeting of our stockholders all of our directors retire and the stockholders appoint a new board of directors. Each director holds office until our next annual general meeting unless: (i) he dies or resigns; (ii) he is removed by ordinary resolution of our stockholders (or class or series of stockholders if such class or series has the exclusive right to elect one or more directors); or (iii) the director becomes disqualified to hold office, as provided under the Business Corporations Act (Alberta). A director appointed or elected to fill a vacancy on our board holds office for the unexpired term of his predecessor (generally, until our next annual general meeting).

As a Delaware corporation, our by-laws authorize a board of directors consisting of not less than one nor more than ten directors. Directors generally are elected by our stockholders and at our annual meeting and served until they resign, are removed or until the next meeting of stockholders. A director appointed or elected to fill a vacancy on our board holds office for the unexpired term of his predecessor (generally, until our next annual general meeting). The holders of our Series B preferred shares have the right to nominate a director to our board as long as Series B preferred shares remain issued and outstanding.

Committees of the Board of Directors

Our board of directors established and, as of April 30, 2012 maintained, the committees described below.

Since the Company's continuance as a Delaware corporation effective September 12, 2012, the committees of the board of director are governed by the current By-Laws of the company which do not require the board of directors to establish or maintain any specific committees. However, it is likely that the board of directors will reestablish these committees, which will be served by the directors elected by the stockholders on September 7, 2012.

Audit Committee

As an Alberta corporation, pursuant to Multilateral Instrument 52-110 – *Audit Committees (MI 52-110)*, the Company is required to have an Audit Committee of its Board of Directors.

The terms under which the audit committee operates are set forth in the Audit Committee Charter, which provides that the audit committee will, among other things: (i) review and report to our board of directors our financial statements and MD&A and the auditor's report, if any, prepared in relation to those financial statements, before they are published; (ii) review our annual and interim earnings press releases we publicly disclose this information; satisfy itself that adequate procedures are in place for the review of our public disclosure of financial information extracted or derived from our financial statements and periodically assess the adequacy of those procedures; (iii) recommend to our board of directors the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services to our company, and the compensation of the external auditor; (iv) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for our company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) monitor, evaluate and report to our board of directors on the integrity of the financial reporting process and the system of internal controls that management and the board of directors have established; (vi) monitor the management of the principal risks that could impact the financial reporting of our company; (vii) establish procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; (viii) pre-approve all non-audit services to be provided to our company or its subsidiary entities by our company's external auditor; and (ix) review and approve our company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of our company.

Mr. Zeidman has served as the sole member of the Audit Committee since the resignation of the other members of the Audit Committee on June 27, 2012.

Mr. Zeidman is considered to be independent. The test we use to determine the independence of our directors is that set out in the Canadian Securities Regulators' Multilateral Instrument 52-110 - *Audit Committees*. The instrument provides that a member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer (namely, a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment).

Mr. Zeidman is a member of audit committee of Hyperdynamics Corp. a company listed on the New York Stock Exchange and was the Chief Restructuring Officer of Transmeridian Exploration, Inc. and Bankruptcy Trustee of AremisSoft Corp. Mr. Zeidman also holds a Masters of Business Administration from New York University.

Pre-Approval Policies and Procedures

Pursuant to the Audit Committee Charter as in effect as at April 30, 2012, the Audit Committee was required to review and pre-approve all non-audit services provided by the Company's external auditors.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit and compliance fees are set forth in Item 16.

Effective September 7, 2012, Marcum LLP, Independent Registered Public Accountants, was approved by the stockholders as the auditor of the Company for the 2012 fiscal year.

Compensation Committee

Our compensation committee discharges our board of directors' responsibilities relating to compensation of our Chief Executive Officer and our company's other executive officers, including the Chairman of the Board, President, Principal Financial Officer, Principal Accounting Officer (or Controller) and Vice President in charge of a principal business unit, division or function such as sales, administration or finance, any other officer who performs a policy-making function, or any other person who performs similar significant policy-making functions for our company (collectively, the Executive Officers). The Committee has overall responsibility for approving and evaluating all compensation plans, policies and programs of our company as they affect the Executive Officers. Prior to October 29, 2007, our corporate governance and human resources committee oversaw our company's compensation matters. Currently, the responsibilities of the compensation committee are performed by the board as a whole.

Corporate Governance and Human Resources Committee

The function of the corporate governance and human resources committee is to assist our board of directors in fulfilling its oversight responsibilities, primarily through: (i) overseeing the management of programs, including, but not limited to: (A) our company's compensation program, including, but not limited to: benefits program, employee salary and bonus program, stock option program and group savings plan, and (B) corporate policy and procedure process and controls; and (ii) providing an avenue of communication for internal operations. Currently, the responsibilities of the corporate governance and human resources committee are performed by the board as a whole.

Nominating Committee

Our nominating committee operates and is responsible for: (i) identifying and recommending to our board of directors individuals qualified to be nominated for election to the board; (ii) recommending to our board the members and chairman for each board committee; (iii) overseeing the annual self-evaluation of the performance of the board and the annual evaluation of our company's management; and (iv) establishing a process for nominating and evaluating new members of our board of directors. Our nominating committee operates under a Charter adopted by our board of directors. Currently, the responsibilities of the nominating committee are performed by our board of directors as a whole.

Reserves Committee

Our reserves committee is responsible for overseeing the engagement of independent reserve engineers and assists our board of directors with its regulatory reporting obligations of reserves. Currently, the responsibilities of the reserves committee are performed by our board of directors as a whole.

Director Service Contracts

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

D. Employees

As of April 30, 2012, 2011 and 2010 and we and our subsidiaries employed the following full-time equivalent persons:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Directors - Canada	2 part time	2	3
Directors - USA	1 part time	2	2
Senior Management – Canada	1	2	3
Senior Management - USA	1	1	1
Managers & Supervisors – Canada	-	2	2
Managers & Supervisors – USA	1	2	2
Office Staff - Canada	-	-	1
Office Staff - USA	-	-	1
Field Staff - USA	-	13	11
Total Employees	<u>6</u>	<u>24</u>	<u>26</u>

E. Share Ownership

At April 30, 2012, the Company was authorized to issue an unlimited number of common shares without par value and 100,000,000 preferred shares without par value. Effective September 12, 2012, the Company's authorized capital consisted of 2,250,000,000 shares of common stock, par value \$0.00001 per share, and 5,000,000 shares of preferred stock, par value \$0.00001 per share. At April 30, 2012, there were 14,078,947 shares of common stock and 17,599 shares of preferred stock outstanding, and at October 12, 2012, there were 14,078,949 shares of common stock and 17,599 shares of preferred stock outstanding.

Effective June 20, 2011, the Company's share capital had reverse stock-split on a one-for-ten basis. All common share, preferred share, warrant and stock option figures disclosed herein are reported on a post reverse stock-split basis. All pre reverse stock-split share amounts have been conformed to reflect the effect of the reverse stock-split.

Effective September 12, 2012, the Company was continued as a Delaware corporation.

Beneficial Ownership of Executive Officers and Directors

As at April 30, 2012, the directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 120,000 Common Shares, representing approximately 0.85% of the issued and outstanding Common Shares.

The following table sets forth certain information as of October 12, 2012, regarding the beneficial ownership of our ordinary shares by each of our directors and executive officers:

Name Office Held	Common Shares		Options and Dilutive Securities Exercisable for Common Shares()		
	Number Beneficially Owned(2)	Percentage of Class(3)	Number Beneficially Ownwd (unexercised)	Exercise Price	Expiration Date
Fred Zeidman Director	-	-	-	-	-
Jeffrey Freedman Int. CEO & CFO	-	-	600,000(4)	US\$0.50	June 30, 2015
Pat McCarron Vice President, Operations	25,000 *	-	112,500	US\$0.50	April 5, 2015

* Less than 1%.

- (1) Includes vested and unvested stock options granted under our Canadian equity incentive plan and our U.S. equity incentive plan.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities. Common shares relating to options currently exercisable or exercisable within 60 days of the date of the above table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (3) The percentages shown are based on 14,078,947 common shares issued and outstanding as of October 12, 2012.
- (4) Includes 250,000 common shares issuable upon conversion of 500 shares of Series B Preferred Stock and 250,000 common shares issuable upon exercise of common stock purchase warrants includes 100,000 stock options.

Stock Options and Equity Incentive Plans

On June 5, 2008, our board of directors adopted two new equity incentive plans, the Canadian equity incentive plan and the U.S. equity incentive plan. The Canadian equity incentive plan replaces and supersedes our former Canadian stock option plan, and the U.S. equity incentive plan replaces and supersedes our former U.S. stock option plan. The total number of our common shares that may be awarded under the Canadian equity incentive plan and the U.S. equity incentive plan together cannot exceed 10% of the total number of our common shares issued and outstanding from time to time. Each of our equity and stock option plans are described below.

The purpose of our equity and stock option plans are to provide us with a share-related mechanism to attract, retain and motivate qualified directors, officers, consultants and employees, to reward those persons from time to time for their contributions toward our long-term goals, and to enable and encourage such persons to acquire our common shares as long-term investments.

Canadian Equity Incentive Plan

The Canadian equity incentive plan was adopted by our board of directors and became effective on June 5, 2008. The material terms of the Canadian plan are: (i) the plan administrator is appointed by the board of directors; (ii) the term of the plan is indefinite; (iii) awards eligible to be awarded under the plan include stock options, stock appreciation rights, restricted stock units, performance awards and other stock based awards; (iv) options are subject to adjustment in the event of a subdivision or split of our common shares, an amalgamation, or other corporate event affecting our common shares; and (v) the board of directors determines the date of grant, the number of shares subject to option grants, the exercise price per share, the vesting period and option term. The minimum exercise price of any option granted under the plan is the weighted average price of our common shares on the principal stock exchange on which our common shares trade for the five trading days prior to and including the date of grant.

Canadian Stock Option Plan

We adopted the Canadian Stock Option Plan for Canadian resident directors, senior officers, employees and consultants on August 24, 2004. The plan provides that stock options granted under the plan vest in the manner determined by the administrator appointed under the plan on the date of the grant. The price at which a stock option may be exercised is determined by our board of directors at the time of the grant. The plan also provides that we may not grant stock options to any person or that person's associates that will in aggregate, when exercised, exceed in any 12 month period 5% of our issued and outstanding common shares.

As of February 19, 2007 and August 9, 2007, our Canadian stock option plan was amended and restated as follows: (i) to provide that the total number of common shares that may be issued upon the exercise of stock options issued under the plan plus the total number of common shares that may be issued upon the exercise of stock options issued under a stock option plan, dated January 5, 2007, for United States based employees cannot exceed 20% of the total number of common shares issued and outstanding from time to time; (ii) to set out the circumstances under which the number and class of shares issuable upon the exercise of a stock option will be adjusted; (iii) to allow for the immediate vesting of all unexpired and unvested stock options in the event of a change of control of our company and for the acceleration of the vesting of stock options at the discretion of the administrator appointed under the plan; (iv) to set out how the exercise price of a stock option may be paid and specifically to provide for a (cashless) net exercise option; (v) to provide that our obligation to issue shares upon the exercise of a stock option is dependant upon certain factors, including the compliance of the shares with any applicable laws; (vi) to provide an option holder is responsible for the payment of any withholding taxes in respect of the exercise of a stock option; (vii) to set out the discretion of our board of directors in respect of various matters concerning the interpretation of the plan and the granting and exercise of stock options and, specifically, the discretion to extend the expiry date of the stock options and to determine the price per share at which a stock option may be exercised; and (viii) to correct minor typographical and grammatical errors and inconsistencies in the text of the plan. The Canadian stock option plan was replaced by the Canadian equity incentive plan on June 5, 2008.

U.S. Equity Incentive Plan

The U.S. equity incentive plan was adopted by our board of directors and became effective on June 5, 2008. The material terms of the plan are: (i) the plan administrator is appointed by the board of directors except that the board of directors may, in its discretion, establish a committee composed of two or more members of the board or two or more other persons to administer the plan; (ii) the term of the plan is 10 years; (iii) awards eligible to be awarded under the plan include stock options, stock appreciation rights, restricted stock units, performance awards and other stock based awards; (iv) options are subject to adjustment in the event of a subdivision or split of our common shares, an amalgamation, or other corporate event affecting our common shares; and (v) the board determines the date of grant, the number of shares subject to option grants, the exercise price per share, the vesting period and option term. The minimum exercise price of any option granted under the plan is the weighted average price of our common shares on the principal stock exchange on which our common shares trade for the five trading days prior to and including the date of grant.

U.S. Stock Option Plan

As of January 5, 2007, our board of directors adopted a stock option plan for U.S. resident directors, senior officers, employees and consultants. The material terms of the plan were: (i) the number of common shares reserved for issuance under the plan was 20% of the issued and outstanding common shares from time to time less the number of stock options granted under our Canadian stock option plan; (ii) the plan was administered by our board of directors, except that the board of directors may, in its discretion, establish a committee composed of two or more members of the board or two or more other persons to administer the plan; (iii) incentive stock options (stock options which qualify under Section 422 of the Internal Revenue Code of 1986 (United States) may be granted to any individual who, at the time the option is granted, is resident in the U.S. and who is an employee of our company or any related corporation; (iv) non-qualified stock options (stock options that do not qualify under Section 422 of the Internal Revenue Code of 1986) may be granted to employees and to such other persons who are not employees as the plan administrator shall select, subject to any applicable laws; (v) the plan provides that, generally, the number of shares subject to each stock option, the exercise price, the expiry time, the extent to which such stock option is exercisable and other terms and conditions relating to such stock options will be determined by the board of directors of our company or any committee to which such authority is delegated by the board from time to time; (vi) the term of the stock options granted under the plan will not exceed ten years from the date of grant, provided that the term of the stock options will be reduced upon the death of an option holder or if an option holder ceases to be employed by or hold office with our company; (vii) the vesting of stock options granted under the plan will be in 25% increments, beginning one year from the date of the grant, provided that the plan allows for the immediate vesting of all unexpired and unvested stock options in the event of a change of control of our company and for the acceleration of the vesting of stock options at the discretion of the administrator appointed under the plan; (viii) the exercise price of the stock options will be determined by the plan administrator in compliance with applicable laws, including the rules of an applicable stock exchange or national market system; and (ix) the plan will terminate when all of the stock options, available for grant thereunder, have been granted or when the plan is otherwise terminated by our company (provided that any stock options outstanding when the plan is terminated will remain in effect until they are exercised or expire). The U.S. stock option plan was replaced by the U.S. equity incentive plan on June 5, 2008.

On June 5, 2008, our board of directors amended and restated the Canadian and U.S. Stock Option Plans to allow the issuance under such plans of other equity instruments, including stock appreciation rights. The amended incentive plans specify that the number of common shares reserved for issuance under the plans is 10% of the issued and outstanding common shares.

The following table summarizes changes in our stock options during the 2012, 2011, and 2010 fiscal years:

	Number of Options		Weighted Avg. Exercise Price
Outstanding, April 30, 2011	1,404,300	\$	0.60
Granted	100,000		0.50
Expired	(52,950)		0.15
Forfeited	-		-
Cancelled	(676,350)		(0.55)
Outstanding, April 30, 2012	775,000	\$	0.52
Outstanding, April 30, 2010	1,069,800	\$	3.00
Granted	1,302,000		0.50
Expired	(213,500)		(4.90)
Forfeited	(304,000)		(2.50)
Cancelled	(450,000)		(2.80)
Outstanding, April 30, 2011	1,404,300	\$	0.60
Outstanding April 30, 2009	747,850	\$	4.10
Granted	413,200		1.40
Forfeited	(91,250)		(4.90)
Outstanding April 30, 2010	1,069,800	\$	3.00

During fiscal 2010, the Company granted 413,200 stock options to certain employees, consultants and directors with a three-year term at exercise prices ranging from \$1.00 to \$1.80 per share. These options vest 25% six months from the grant date and 25% on each of the first, second and third anniversaries of the grant date.

During fiscal 2010, the Company granted 413,200 stock options to certain employees, consultants and directors with a three-year term at exercise prices ranging from \$1.00 to \$1.80 per share. These options vest 25% six months from the grant date and 25% on each of the first, second and third anniversaries of the grant date.

On January 1, 2011, the Company granted 500,000 stock options exercisable at \$0.50 per share. These options vest in three equal tranches on the first, second and third anniversaries of the grant date and expire on January 1, 2015.

On April 5, 2011, the Company granted 802,000 stock options exercisable at \$0.50 per share of which 772,500 options vest immediately and 29,500 options vest in three equal tranches on the first, second and third anniversaries of the grant date. These options expire on April 5, 2014.

In April 2011, the Company granted 480,000 warrants to certain officers and directors as recognition of past service contributions for which the \$152,010 estimated fair value was recognized on the date of issuance. The warrants are exercisable at \$0.50 per share until April 5, 2014.

On June 30, 2011, the Company granted 100,000 stock options to the interim chief executive officer exercisable at \$ 0.50 per share which vest in three equal tranches on the first, second and third anniversaries of the grant date. These options expire on June 30, 2014.

As at April 30, 2012, total compensation cost related to non-vested stock options not yet recognized is \$31,571 which will be recognized over a weighted average period of 2.00 years.

The following table sets forth information with respect to the outstanding Options granted under the Option Plans to the Named Executive Officers as of April 30, 2012:

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option exercise Price (US\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾	Number of Shares or Units of Share that Have Not Vested (#)	Market or Payout Value of Share-Based Awards That Have Not Vested (\$)
Jeffrey Freedman	100,000	0.50	June 30, 2015	—	—	—
Pat McCarron	112,500	0.50	April 5, 2014	—	—	—
George Orr	230,000	0.50	April 5, 2014	—	—	—

Notes:

- (1) "In-the-money Options" means the excess of the market value of our common shares on April 30, 2012 over the exercise price of the options. Our common shares trade on the Over-the-Counter Pink Sheets in the United States. The last trade on April 30, 2012 was as US\$0.04 per common share. Therefore, these calculations are based upon the trading price of US\$0.04 per common share.
- (2) All options held by Messrs Sampson and Morrison were forfeited 90 days after their resignations.

The following table sets forth information with respect to the outstanding Options granted under the Option Plans to Directors as of April 30, 2012:

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option exercise Price (US\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾	Number of Shares or Units of Share that Have Not Vested (#)	Market or Payout Value of Share-Based Awards That Have Not Vested (\$)
George Orr	230,000	0.50	April 5, 2014	—	—	—
M. Elden Schorn	100,000	0.50	April 5, 2014	—	—	—
Fred Zeidman	150,000	0.50	April 5, 2014	—	—	—

Notes:

- (1) "In-the-money Options" means the excess of the market value of our common shares on April 30, 2012 over the exercise price of the options. Our common shares trade on the Over-the-Counter Pink Sheets in the United States. The last trade on April 30, 2012 was as US\$0.04 per common share. Therefore, these calculations are based upon the trading price of US\$0.04 per common share.
- (2) All options held by Messrs Orr and Schorn will be forfeit 90 days after their resignations unless exercised.

The following table summarizes information regarding the options outstanding under our stock option and equity incentive plans as of April 30, 2012:

Exercise Price	Options Outstanding			Options Exercisable		
	Options	Weighted Avg. Remaining Life	Weighted Avg. Exercise Price	Options	Weighted Avg. Exercise Price	
0.50	757,500	1.96 years	\$ 0.50	650,833	\$ 0.50	
1.50	17,500	.58 years	\$ 1.50	13,125	\$ 1.50	
	775,000	1.9 years	\$ 0.52	663,958	\$ 0.52	

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth information with respect to the value of Options granted pursuant to the Option Plan and cash bonuses awarded pursuant to the annual incentive plan to the Named Executive Officers that vested during the period ending April 30, 2012.

Name	Option-Based Awards - Value Vested During Year (\$)	Share-Based Awards - Value Vested During Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During Year (\$)
Jeffrey Freedman	-	-	-
Pat McCarron	-	-	-

New Equity Compensation Plan

On September 7, 2012, the stockholders of the Company approved the 2012 Equity Compensation Plan ("2012 Plan") for the Company for officers and other valued employees of the Company and its subsidiaries, directors and consultants.

We believe that the 2012 Plan will promote the success, and enhance the value, of the Company by continuing to link the personal interest of participants to those of its stockholders and by providing participants with an incentive for outstanding performance.

The 2012 Plan provides for the grant of stock options, common shares, restricted stock and restricted stock units.

Administration

The 2012 Plan will be administered by the Plan Administrator of the Board or, in the absence of a Plan Administrator, by the Board or a special committee established by the Board for such purpose (the **Plan Administrator**). The Plan Administrator will have the exclusive authority to administer the 2012 Plan, including the power to determine eligibility, the types and sizes of awards, the price and timing of awards, terms of vesting, the acceleration or waiver of any vesting restriction and the timing and manner of settling vested awards.

Eligibility

Persons eligible to participate in the 2012 Plan will include all employees of the Company and its subsidiaries, as determined by the Plan Administrator, and all members of the Board.

Limitation on Awards and Shares Available

An aggregate of 90,000,000 Common Shares will be available for grant pursuant to the 2012 Plan. The common shares covered by the 2012 Plan will be authorized but unissued shares. If any right to acquire common shares under any award under the 2012 Plan expires or is cancelled without having been fully exercised, or is settled in whole or in part for cash as permitted by the 2012 Plan, the number of unexercised shares subject to such cancelled or expired award, and the number of shares with respect to which an award was settled in cash, again may be awarded under the 2012 Plan.

No employee shall be eligible to be granted stock options covering more than five million (5,000,000) Common Shares during any calendar year, and no employee shall be eligible to be granted, in the aggregate, restricted stock and restricted stock units covering more than two million (2,000,000) common shares, during any calendar year.

Awards

The 2012 Plan provides for the grant of stock options, common shares, restricted stock and restricted stock units. No determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2012 Plan.

Restricted stock may be granted pursuant to the 2012 Plan. A restricted stock award is the grant of common shares at a price determined by the Plan Administrator (which price may be no less than par value unless otherwise permitted by applicable law), that is non-transferable and may be subject to substantial risk of forfeiture until specific conditions are met. Conditions may be based on continuing employment or achieving performance goals. During the period of restriction, participants holding common shares of restricted stock will, unless the Plan Administrator determines otherwise, have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions determined by the Plan Administrator.

Restricted stock units also may be granted pursuant to the 2012 Plan. A restricted stock unit has a value equal to one common share and may be settled, in the sole discretion of the Plan Administrator, in cash or by the issuance of such share. The grant of a restricted stock unit does not provide voting or other stockholder rights unless and until the restricted stock unit is settled for a common share. However, to the extent provided in the applicable award agreement, an award of restricted stock units may include dividend equivalents. An award of restricted stock units is non-transferable and may be subject to substantial risk of forfeiture until specific conditions are met. Conditions may be based on continuing employment or achieving performance goals.

Amendment and Termination

The Plan Administrator may terminate, amend, or modify the 2012 Plan at any time; provided, however, that stockholder approval must be obtained for any amendment to the extent required in order to comply with any applicable law, regulation or stock exchange rule, or to increase the maximum number of common shares which may be issued under the 2012 Plan.

In no event may an award be granted pursuant to the 2012 Plan on or after the tenth anniversary of the last date on which the Company's stockholders approved the 2012 Plan.

To date, there have been no grants under the 2012 Plan.

Severance Obligations

At April 30, 2012, pursuant to employment agreements with a senior officer, the Company is obligated to pay up to \$206,080 under certain events around employment termination.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of September 30, 2012, there are no persons known to us to be the beneficial owners of more than 5% of the issued and outstanding shares of our common stock.

B. Related Party Transactions

All related party transactions were in the normal course of operations and measured at fair value, which is the amount agreed upon by the transacting parties. In addition to the transactions disclosed elsewhere in this report, the Company had the following related party transaction:

During the years ended April 30, 2012, 2011 and 2010, the Company paid \$94,142, \$104,406 and \$95,919, respectively, in professional fees to a law firm, where the former Corporate Secretary of the Company is a partner. As at April 30, 2012, accounts payable and accrued liabilities included \$51,937 (2011 - \$522) due to the law firm.

The \$302,536 (April 30, 2011 - \$294,862; April 30, 2010 - \$307,620) long-term receivable is for capital and operating costs owing from MP1 on the Marmaton River and Grassy Creek projects in Missouri. MP1 is controlled by one of the Company's Directors who was appointed a Director of the Company on September 7, 2012. In July 2010, the Company and MP1 entered into an arrangement whereby the Company reacquired the remaining 10% working interest in the projects in exchange for a 2.75% gross overriding royalty ("GOR"). Under this arrangement, the Company will recover the balance owing from 50% of the GOR payments to the partner. During the time the receivable is outstanding, the Company earns interest on the outstanding balance at the U.S bank prime rate plus 3%. Included in the reported amount receivable is \$32,514.29 of interest earned on the outstanding balance (2011- \$15,050; 2010 - \$nil). As of April 30, 2012, the outstanding receivable of \$302,536 was fully reserved for \$302,536. In addition, the Company ceased to record additional interest on the receivable as of April 30, 2012.

Mr. Orr was the Chief Financial Officer from February 14, 2011 to June 30, 2011. Mr. Orr resigned from the Company as a director on June 27, 2012. Mr. Orr's personal holding company was paid \$22,496 for consulting services during the year ended April 30, 2011, and \$83,872 for the year ended April 30, 2012.

C. Interests of experts and counsel.

Not required.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Item 8A.1 See Item 18.

Item 8A.2 See Item 18.

Item 8A.3 See Report of Independent Registered Public Accounting Firm, page F-2.

Item 8A.4 We have complied with this requirement.

Item 8A.5 Not applicable.

Item 8A.6 Not applicable.

Item 8A.7 Legal Proceedings.

Legal Proceedings

Except as noted below, there are no legal actions either in process or pending and the we are not aware of any contemplated, legal, governmental or arbitration proceedings, including those related to bankruptcy, receivership or those involving a third party which have, or may have, significant effects on our financial position or profitability.

(a) In January 2010, the Company experienced a flood in its office premises as a result of a broken water pipe. There was significant damage to the premises rendering them unusable until remediation had been completed by the landlord. Pursuant to the lease contract, the Company has asserted that rent should be abated during the remediation process and accordingly, the Company has not paid rent since December 2009. During the remediation process, the Company engaged an independent environmental testing company to test for air quality and for the existence of other potentially hazardous conditions. The testing revealed the existence of potentially hazardous mold and the consultant provided specific written instructions for the effective remediation of the premises. During the remediation process, the landlord did not follow the consultant's instructions and correct the potentially hazardous mold situation and subsequently in June 2010 gave notice and declared the premises to be ready for occupancy. The Company re-engaged the consultant to re-test the premises and

the testing results again revealed the presence of potentially hazardous mold. The Company has determined that the premises are not fit for re-occupancy and considers the landlord to be in default of the lease and the lease terminated.

The landlord disputes the Company's position and has given notice that it considers the Company to be in default of the lease for failure to re-occupy the premises.

In addition, the landlord has claimed that the Company owes monthly rent for the premises from January 2010 to June 30, 2010 in the amount of \$247,348 and has claimed that, as a result of the alleged default, pursuant to the terms of the lease, the Company owes three months accelerated rent in the amount of \$114,837. The landlord has also asserted that the Company would be liable for an amount up to the full lease obligation of \$1,596,329 which otherwise would have been due as follows:

Year Ended April 30

2011	\$	473,055
2012		473,055
2013		473,055
2014		177,164
Thereafter		-
Total	\$	<u>1,596,329</u>

To date, no legal action has been commenced by the landlord and the cost, if any, to the Company is not determinable. Accordingly, no amounts related to rent or the disputed lease obligation have been recorded in the financial statements.

(b) The Company is a reporting issuer in Alberta, Canada and as such has certain reporting obligations. On September 7, 2011 the Alberta Securities Commission issued a cease trade order pertaining to the trading of the Company's securities in Alberta until it files its April 30, 2011 audited consolidated financial statements and management discussion and analysis and the Alberta Securities Commission revokes or varies this order. The Company filed its April 30, 2011 audited consolidated financial statements and management discussion and analysis and the Alberta Securities Commission rescinded this order.

The Company also is an Over the Counter reporting issuer under British Columbia Instrument 51-509 and as such has certain reporting obligations in British Columbia, Canada. On September 8, 2011 the British Columbia Securities Commission issued a cease trade order pertaining to the trading of the Company's securities in British Columbia until it filed its April 30, 2011 audited consolidated financial statements and management discussion and analysis, an annual information form for the year ended April 30, 2011 and the Executive Director of the British Columbia Securities Commission makes an order revoking the cease trade order. The Company filed its April 30, 2011 audited consolidated financial statements and management discussion and analysis and the British Columbia Securities Commission rescinded this order.

(c) During September 2011 and, again, in August 2012, the Company was cease traded by the Alberta and British Columbia Securities Commissions for failure to file certain financial information. The Company made the required filings with regard to the 2011 cease trade orders and the Alberta and British Columbia cease trade orders were rescinded. The Company intends to make the required filings with regard to the 2012 cease trade orders and believes that the Alberta and British Columbia cease trade orders will be rescinded. However, as of the date of the filing of this report the cease trade orders have not been rescinded and no assurances can be given as to when or if they will be rescinded. Until these cease trade orders are rescinded the Company's ability to raise capital is significantly restricted.

Item 8A.8 Dividend Policy.

Dividend Distribution Policy

We have never paid cash dividends to our common shareholders. We intend to retain future earnings, if any, for use in the operation and expansion of our business and do not intend to pay any cash dividends in the foreseeable future. Holders of our common shares are entitled to receive such dividends as may be declared from time to time by our board, in its discretion, out of funds legally available for that purpose.

B. Significant Changes

Except as described in this annual report, since the date of the annual financial statements included in this annual report, no significant changes have occurred to our financial condition.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our common shares have been quoted on the OTC Bulletin Board since March 28, 2005, initially under the symbol "BCKOF" until March 5, 2007, then "MGWSF" until June 17, 2011 and, most recently, under the symbol "GRAVF". Since October 22, 2012, our common shares have been quoted on the Pink Sheets LLC under the symbol "GRAVF". Our common shares were previously listed on the Canadian Venture Exchange (now the TSX Venture Exchange) from August 27, 2001 to June 16, 2004. In connection with the Continuance and the name change from "Gravis Oil Corporation" to "Petro River Oil Corp" we have applied for a new ticker symbol. FINRA, who is responsible for approving the change to our symbol, has declined to grant approval until we have filed this report and the Alberta and British Columbia cease trade orders have been rescinded.

The transfer agent and registrar of the Company is Computer share Investor Services Inc., 3rd Floor, 510 Burrard St, Vancouver, B.C. V6C 3B9.

The annual high and low market prices for our common shares on the OTC Bulletin Board for the five most recent full fiscal years are as follows:

Fiscal Year Ended	OTC Bulletin Board	
	High	Low
April 30, 2012	US\$0.40	US\$0.0021
April 30, 2011	US\$1.40	US\$0.14
April 30, 2010	US\$1.30	US\$1.00
April 30, 2009	US\$7.10	US\$0.10
April 30, 2008	US\$27.50	US\$4.00

The high and low market prices for our common shares for each full financial quarter for the two most recent full fiscal years and any subsequent period on the OTC Bulletin Board were as follows:

Quarter Ended	OTC Bulletin Board	
	High	Low
July 31, 2012	US\$0.12	US\$0.0021
April 30, 2012	US\$0.06	US\$0.025
January 31, 2012	US\$0.075	US\$0.0102
October 31, 2011	US\$0.20	US\$0.05
July 31, 2011	US\$0.60	US\$0.07
April 30, 2011	US\$0.77	US\$0.28
January 31, 2011	US\$0.45	US\$0.14
October 31, 2010	US\$0.50	US\$0.20
July 31, 2010	US\$0.80	US\$0.80
April 30, 2010	US\$1.30	US\$1.00

The high and low market prices of our common shares for each of the most recent six months on the OTC Bulletin Board were as follows:

Month Ended	OTC Bulletin Board	
	High	Low
September 30, 2012	US\$0.06	US\$0.055
August 31, 2012	US\$0.105	US\$0.041
July 31, 2012	US\$0.12	US\$0.06
June 30, 2012	US\$0.07	US\$0.03
May 31, 2012	US\$0.04	US\$0.0021
April 30, 2012	US\$0.041	US\$0.03

In June 2011, the Company raised \$1.76 million pursuant to the exercise of 17,599 Preferred B Options and issued 15,399,125 Preferred B Warrants exercisable at \$0.20 until June 7, 2016. The remaining 2,400 Preferred B Options expired unexercised..

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares have been quoted on the OTC Bulletin Board under the symbol "GRAVF". Commencing October 22, 2012 the Company's common stock have been quoted on the Pink Sheets LLC under the symbol "GRAVF".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

At April 30, 2012, the Company was authorized to issue an unlimited number of common shares without par value and 100,000,000 preferred shares without par value. Effective September 12, 2012, the Company's authorized capital consisted of 2,250,000,000 shares of common stock, par value \$0.00001 per share, and 5,000,000 shares of preferred stock, par value \$0.00001 per share. At April 30, 2012, there were 14,078,947 shares of common stock and 17,599 shares of preferred stock outstanding.

As we reported on our Current Report on Form 6-K, filed with the Securities and Exchange Commission on July 29, 2012, we have entered into a non-binding letter of intent with Petro River Oil, LLC, a privately held Delaware limited liability company ("Petro LLC") that would result in Petro acquiring Petro LLC for common stock, the name of the Company being changed to Petro River Oil Corp. and the Company domesticated to Delaware (the "Merger Transaction"). The letter of intent also contemplates that our board will consist of 5 members, 4 of which will be nominated by Petro LLC. Currently, it is intended that, post-Merger Transaction, current common shareholders of Petro will own approximately 2% of the issued and outstanding shares of the Company, holders of our preferred shares and notes approximately 18% and holders of shares and notes of Petro LLC approximately 80%. Additionally, in advance of the closing of the Merger Transaction, our stockholders approved, and we completed, the name change to Petro River Oil Corp., our continuation/domestication to Delaware, and the election of the directors nominated by Petro LLC.

On September 7, 2012, our stockholders approved a special resolution granting the Board of Directors of the Company the discretionary authority to amend the Company's organizational documents to effect one or more reverse stock-splits of the issued and outstanding common shares, pursuant to which the common shares would be combined and reclassified into one common share at a ratio within the range from 1-for-2 up to 1-for-250; provided, however, that the Company shall not effect a reverse stock-split that, in the aggregate, exceeds 1-for-250. We do not currently intend to issue fractional shares in connection with the reverse stock-split. Therefore, the Company does not expect to issue certificates representing fractional shares. The Board of Directors will have the discretionary authority to determine whether to arrange for the disposition of fractional interests by stockholders entitled thereto, to pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or to entitle stockholders to receive from the Company's transfer agent, in lieu of any fractional share, the number of shares rounded up to the next whole number. The ownership of a fractional share interest following the reverse stock-split would not give the holder any voting, dividend or other rights, except to receive the cash payment, or, if the Board of Directors so determines, to receive the number of shares rounded up to the next whole number, as described above.

B. Memorandum and Articles of Association

Our company was incorporated under the laws of the Province of British Columbia, Canada on February 8, 2000. At a meeting of the shareholders of our company on October 29, 2007, the shareholders approved the continuance of our company from the Province of British Columbia into the Province of Alberta under the Alberta Business Corporations Act. Effective February 12, 2008, our company continued into the Province of Alberta under the Alberta Business Corporations Act and we ceased to be a company organized under the British Columbia Business Corporations Act.

At a meeting of the shareholders on September 7, 2012, the shareholders approved the name change and the continuance of the Company from the Province of Alberta Canada to the State of Delaware. Effective September 11, 2012, Petro was continued into the State of Delaware as a corporation organized under the Delaware General Corporations Law.

Objects and Purposes

Neither our articles nor by-laws contains a description of our objects and purposes.

Directors

Neither our articles nor by-laws restrict: (i) a director's power to vote on a proposal, arrangement or contract in which the director is materially interested; or (ii) our directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body. Our by-laws provide that our directors may, without shareholder approval, borrow money upon the credit of our company, issue and sell bonds or debentures and provide guarantees. Neither our articles nor by-laws set out a mandatory retirement age for our directors. Our directors are not required to own securities of our company in order to serve as directors.

Authorized Capital

At April 30, 2012, the Company was authorized to issue an unlimited number of common shares without par value and 100,000,000 preferred shares without par value. Our preferred stock may be issued in one or more series and our directors may fix the number of shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series.

Effective September 12, 2012, the Company's authorized capital consisted of 2,250,000,000 shares of common stock, par value \$0.00001 per share, and 5,000,000 shares of preferred stock, par value \$0.00001 per share. At October 12, 2012, there were 14,078,947 shares of common stock and 17,599 shares of preferred stock outstanding.

Rights, Preferences and Restrictions

Pursuant to our articles, holders of our common shares are entitled to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote, receive any dividend declared by our board of directors and, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares, receive the remaining property of our company upon dissolution.

Shares of our preferred stock of each series rank on a parity with our shares of preference stock of any other series and are entitled to a preference over common shares with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of our company. Shares of our preferred stock do not have voting rights.

The provisions in our articles attaching to our common shares and our preference stock may be altered, amended, repealed, suspended or changed by the affirmative vote of the holders of not less than two-thirds of the outstanding common shares and two-thirds of the shares of preferred stock, as applicable.

With the exception of special resolutions (i.e. resolutions in respect of fundamental changes to our company, including: the sale of all or substantially all of our assets, a merger or other arrangement or an alteration to our authorized capital) that require the approval of holders of two-thirds of the outstanding common shares entitled to vote at a meeting, either in person or by proxy, resolutions to approve matters brought before a meeting of our shareholders require approval by a simple majority of the votes cast by shareholders entitled to vote at a meeting, either in person or by proxy.

Shareholder Meetings

The Delaware General Corporation Law (“DGCL”) provides that: meetings of stockholders may be held at such place, either within or without the State as may be designated by or in the manner provided in the certificate of incorporation or bylaws, or if not so designated, as determined by the board of directors, and if, pursuant to the certificate of incorporation or the bylaws of the corporation, the board of directors is authorized to determine the place of a meeting of stockholders, the board of directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication.

Pursuant to our by-laws, the quorum for the transaction of business at a meeting of our shareholders is two shareholder who are present, in person or by proxy, that in the aggregate hold at least 5% of the issued and outstanding shares entitled to be voted at the meeting.

Our Bylaws provide that annual meetings of the stockholders of the Company for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings shall be held on a date and at a time designated by the Board.

The DGCL provides that the certificate of incorporation or bylaws of any corporation shall determine a quorum for, and the votes that shall be necessary for, the transaction of any business at a meeting of stockholders, but in no event shall a quorum consist of less than 1/3 of the shares entitled to vote at the meeting, except that, where a separate vote by a class or series or classes or series is required, a quorum shall consist of no less than 1/3 of the shares of such class or series or classes or series. In the absence of such specification in the certificate of incorporation or bylaws of the corporation: (i) a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders; (ii) in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders; (iii) directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors; and (iv) where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series.

Our Bylaws provide that, except in the case of any meeting for the election of directors summarily ordered as provided by law, the holders of record of thirty-three and one-third percent (33.33%) in voting interest of the shares of stock of the Corporation entitled to be voted thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority of the shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the shareholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all stockholders, any officer entitled to preside at, or to act as secretary of such meeting may adjourn such meeting from time to time. The Chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place, of adjourned meetings need be given except as required by law. No business may be transacted at a meeting in the absence of a quorum other than the adjournment of such meeting, except that if a quorum is present at the commencement of a meeting, business may be transacted until the meeting is adjourned even though the withdrawal of stockholders results in less than a quorum.

Limitations on Rights of Non-Canadians

Except as provided in the Investment Canada Act, there are no limitations specific to the rights of non-Canadians to hold or vote our common shares under the laws of Canada or Alberta, or in our charter documents. The following summarizes the principal features of the Investment Canada Act for non-Canadian residents proposing to acquire our common shares.

As a result of the Continuance, the Company no longer is a Canadian company and the Investment Canada Act no longer applies to the rights of non-Canadians holding our common shares. There are no limitations in our charter documents or Delaware law that limits the rights of non-U.S. residents to hold or vote our common shares.

Delay of Change of Control

With the exception of provisions in our articles that limit the number of directors that can be appointed between annual meetings of shareholders and that give our directors the authority to issue blank cheque preferred stock, there are no provisions in our articles or by-laws that would have the effect of delaying, deferring or preventing a change in control of our company, and that would operate only with respect to a merger, acquisition or corporate restructuring involving our company.

Under the DGCL, the affirmative vote of a majority of the outstanding stock of the corporation entitled to vote is required for mergers, consolidations, dissolutions, or sales or all or substantially all of the assets of the corporation, provided that, unless the corporation's certificate of incorporation requires otherwise, no vote is required where either: (i) the corporation's certificate is not amended, the share of stock of the corporation become equivalent shares of the surviving corporation issued in the merger does not exceed 20% of the previously outstanding stock; or (ii) the merger is with another corporation that is a 90% or greater owned subsidiary and the corporation is the surviving corporation (provided certain other requirements are met).

Reporting of Share Ownership

Neither our articles nor our by-laws contain any provisions governing the ownership threshold above. However, the Securities Exchange Act of 1934, as amended, requires us to disclose in our annual reports holders who beneficially own 5% or more of our issued and outstanding common shares.

C. Material Contracts

The following is a summary of the agreements considered material to the Company and should be read together with the full text of such agreements.

- Subscription Agreements dated December 28, 2010, January 31, 2011 and March 7, 2011, related to the issuance of the Senior II Notes. See "General Development of the Business".
- Subscription Agreement dated July 30, 2010 related to the issuance of Senior I Notes. See "General Development of the Business".
- Exchange Agreement dated July 30, 2010 related to conversion of the outstanding Preferred A Shares into junior secured convertible notes and the reacquisition by Gravis of a 10% working interest in the Marmaton River and Grassy Creek projects in exchange for a 2.75% overriding royalty interest on the same properties. See "General Development of the Business".

D. Exchange Controls.

There are presently no governmental laws, decrees or regulations in the U.S. which restrict the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of our common shares, other than The Money Laundering Control Act of 1986, which prohibits individuals from engaging in a financial transaction with proceeds that were generated from certain specific crimes, known as "specified unlawful activities". Additionally, any remittances of dividends to shareholders not resident in the U.S. may be subject to withholding tax in the U.S. (see Item 10E. "Additional Information - Taxation").

E. Taxation.

Pre-Continuance Taxation

The following is a discussion of Canadian and United States tax consequences material to our shareholders, pre-Continuance. To the extent that the discussion is based on tax legislation which has not been subject to judicial or administrative interpretation, the views expressed in the discussion might not be accepted by the tax authorities in question or by court. **The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.**

United States Federal Income Taxation

The following discussion summarizes the material U.S. federal income tax considerations applicable to the purchase, ownership and disposition of our common shares. Unless otherwise stated, this summary deals only with shareholders that are U.S. Holders (as defined below) who hold their common shares as capital assets.

As used in this section, the term "U.S. Holder" means a beneficial owner of a common share who is:

- an individual citizen or resident of the United States or an individual treated as a U.S. citizen or resident for U.S. federal income tax purposes;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any State or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if (A)(i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more United States persons have the authority to control all substantial decisions of the trust, or (B) such trust validly elects to be treated as a United States person.

The term "Non-U.S. Holder" means a beneficial owner of a common share that is an individual, corporation, estate or trust and is not a U.S. Holder. The tax consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder. Certain aspects of U.S. federal income tax relevant to a Non-U.S. Holder are discussed below.

This description is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, and the U.S.-Canada Tax Treaty, each as in effect as of the date of this document. These sources may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax law, including:

- insurance companies;
- dealers in stocks, securities or currencies;
- financial institutions and financial services entities;
- real estate investment trusts;
- regulated investment companies;
- persons that receive common shares in connection with the performance of services;
- tax-exempt organizations;
- persons that hold common shares as part of a straddle or appreciated financial position or as part of a hedging, conversion or other integrated instrument;
- persons who acquire their common shares through the exercise or cancellation of employee stock options or otherwise as consideration for their services;
- individual retirement and other tax-deferred accounts;
- expatriates of the United States and certain former long-term residents of the United States;
- persons liable for the alternative minimum tax;
- persons having a “functional currency” other than the U.S. dollar; and
- direct, indirect or constructive owners of 10% or more, by voting power or value, of our common shares.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns common shares, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns common shares and the partners in such partnership should consult their tax own advisors about the U.S. federal income tax consequences of holding and disposing of common shares.

All investors are urged to consult their own tax advisors as to the particular tax consequences to them of an investment in our common shares, including the effect and applicability of United States federal, state, local and foreign income and other tax laws (including estate and gift tax laws) and tax treaties.

Distributions Paid on the Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” a U.S. Holder generally will be required to include in his or her gross income as ordinary dividend income the amount of any distributions paid on the common shares, including the amount of any Canadian taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Subject to the discussion below under “Passive Foreign Investment Company Considerations,” distributions in excess of our earnings and profits will be applied against and will reduce the U.S. Holder’s tax basis in its common shares and, to the extent they exceed that tax basis, will be treated as gain from a sale or exchange of those common shares. Our dividends will not qualify for the dividends-received deduction applicable in some cases to U.S. corporations.

Dividends that we pay in Canadian dollars, including the amount of any Canadian taxes withheld there from, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received, regardless of whether the payment is in fact converted into U.S. dollars. A U.S. Holder who receives payment in Canadian dollars and converts them into U.S. dollars at an exchange rate other than the rate in effect on such day will have a foreign currency exchange gain or loss that would be treated as ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. tax consequences of acquiring, holding and disposing of Canadian dollars.

Subject to certain limitations, “qualified dividend income” received by a non-corporate U.S. Holder in tax years beginning on or before December 31, 2010 will be subject to tax at a reduced maximum tax rate of 15%. Distributions taxable as dividends paid on the common shares should qualify for the 15% rate provided that we are not a passive foreign investment company (as described below) for U.S. tax purposes and that either: (i) we are entitled to benefits under the income tax treaty between the United States and Canada, referred to as the U.S.-Canada Tax Treaty, or (ii) the common shares are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the U.S.-Canada Tax Treaty and that the common shares currently are readily tradable on an established securities market. However, no assurance can be given that the common shares will remain readily tradable. The rate reduction does not apply unless certain holding period requirements are satisfied. With respect to the common shares, the U.S. Holder must have held such shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The rate reduction also does not apply to dividends received from passive foreign investment companies, see discussion below, or in respect of certain hedged positions or in certain other situations. The legislation enacting the reduced tax rate contains special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to the reduced tax rate. U.S. Holders of common shares should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Subject to the discussion below under “Information Reporting and Back-up Withholding,” a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received on common shares unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, in which case a corporate Non-U.S. Holder may also be subject to the U.S. branch profits tax.

Foreign Tax Credit

Any dividend income resulting from distributions we pay to a U.S. Holder with respect to the common shares generally will be treated as foreign source income for U.S. foreign tax credit limitation purposes. Subject to certain conditions and limitations, Canadian tax withheld on dividends may be deducted from taxable income or (subject to complex limitations) credited against a U.S. Holder’s U.S. federal income tax liability. The rules relating to the determination of foreign source income and the foreign tax credit are complex, and the availability of a foreign tax credit depends on numerous factors. Each investor who is a U.S. Holder should consult with its own tax advisor.

Disposition of Common Shares

Upon the sale or other disposition of common shares, subject to the discussion below under “Passive Foreign Investment Company Considerations,” a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and the holder’s adjusted tax basis in the common shares. U.S. Holders should consult their own advisors with respect to the tax consequences of the receipt of a currency other than U.S. dollars upon such sale or other disposition.

Gain or loss upon the disposition of the common shares will be treated as long-term if, at the time of the sale or disposition, the common shares were held for more than one year. The deductibility of capital losses by a U.S. Holder is subject to limitations. In general, any gain or loss recognized by a U.S. Holder on the sale or other disposition of common shares will be U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their own tax advisors concerning the source of income for U.S. foreign tax credit purposes and the effect of the U.S.-Canada Tax Treaty on the source of income.

Subject to the discussion below under “Information Reporting and Back-up Withholding,” a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of common shares unless:

- that gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, and, if a tax treaty applies, is attributable to a permanent establishment or fixed base of the Non-U.S. Holder in the United States; or
- in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or exchange, and other conditions are met.

Passive Foreign Investment Company Considerations

Investors should note that a non-U.S. corporation such as us may be a passive foreign investment company, or PFIC, as defined in Section 1297 of the Code. For U.S. federal income tax purposes, a foreign company is generally considered a PFIC for any taxable year in which either (i) 75% or more of its gross income is passive income, or (ii) at least 50% of the average value of all of its assets for the taxable year produce or are held for the production of passive income. We do not believe that we have been a PFIC, or will be a PFIC for the current taxable year. However, because the determination of whether we are a PFIC is based upon the composition of our income and assets from time to time, and because of certain legal uncertainties, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year.

If we were classified as a PFIC, a U.S. Holder (other than a U.S. Holder who makes a timely QEF election, as discussed below) would be required to allocate to each day in its holding period with respect to the common shares a pro rata portion of any distributions received (or deemed to be received) on the common shares which are treated as “excess distributions,” as defined under the Code. Generally, an excess distribution is the ratable share of distributions received (or deemed to be received) by a U.S. Holder during the taxable year that is greater than 125% of the average annual distributions received by such U.S. Holder in the three preceding years (or such shorter period as the U.S. Holder may have held such shares). Any amount of the excess distribution treated as allocable to a prior taxable year would be subject to tax at the highest individual or corporate tax rate, as the case may be, applicable for such prior year and an interest charge will be imposed with respect to the resulting tax liability allocated to each such year. Any dividends received would not qualify for the reduced maximum tax rate. In addition, any gain recognized on a disposition or deemed disposition of common shares would be treated in the same manner as an excess distribution. Any such gain would be treated as ordinary income rather than as capital gain.

Under certain circumstances, shares held by a Non-U.S. Holder may be attributed to a United States person owning an interest, directly or indirectly, in the Non-U.S. Holder. In this event, dividends and other transactions in respect of the shares would be attributed to such United States person for purposes of applying the PFIC rules.

Under some conditions, one or more elections (including a “QEF election”) are available that may reduce the adverse effect of the PFIC rules. However, it is highly uncertain whether such conditions will be met in our case. Therefore, such elections would likely not be available.

Information Reporting and Backup Withholding

Payments in respect of common shares may be subject to information reporting to the U.S. Internal Revenue Service and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 28%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories, and demonstrate the fact when so required, or (ii) furnish a correct taxpayer identification number and make any other required certification. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder’s U.S. tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

Any U.S. Holder who holds 10% or more in vote or value of our common shares will be subject to certain additional United States information reporting requirements.

U.S. Gift and Estate Tax

An individual U.S. Holder of common shares will generally be subject to U.S. gift and estate taxes with respect to common shares in the same manner and to the same extent as with respect to other types of personal property.

Certain Canadian Federal Income Tax Consequences

The following summary is a general discussion of material Canadian federal income tax consequences that may apply to holders and prospective holders of common shares that are non-residents of Canada (Non-Canadian Holders). This discussion is based on the Income Tax Act (Canada), the regulations promulgated thereunder, all amendments thereto publicly proposed by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the published administrative practices of the Canada Revenue Agency and on the current provisions Canada-United States Income Tax Convention (1980), as amended (the Canada-US Treaty), any or all of which may materially and adversely change at any time, possibly on a retroactive basis. In addition, this discussion does not consider the potential effects, adverse or beneficial, of any proposed changes in the governing tax law, whether by judicial, executive or legislative action, which, if effected, may be applied, possibly on a retroactive basis. No opinion was requested by us, or has been provided by our counsel or independent registered public accounting firm, with respect to the Canadian income tax consequences described in the following discussion. Accordingly, we urge holders and prospective holders of common shares to consult with, and rely upon, their own tax advisors in analyzing the potential Canadian federal, provincial, local and non-Canadian tax consequences associated with purchasing, owning and disposing of common shares.

As used in this section the term "Non-Canadian Holder" denoted the beneficial owner of one or more common shares who is:

- a non-resident of Canada;
- holds our common shares as capital property;
- deals with us at arm's length; and
- does not use or hold our common shares in or in the course of carrying on business in Canada.

Special rules may apply to a holder of common shares that is an insurer that carries on an insurance business in Canada and elsewhere, which rules are not discussed in this annual report. Such holders of common shares should consult their own advisors.

Dividends

Though we do not anticipate paying any cash dividends in the foreseeable future, should a Non-Canadian Holder of common shares receive dividend distributions, such holder will be subject to a Canadian withholding tax equal to 25%, subject to such lower rate as may be available under an applicable tax treaty, of the gross amount of any distributions paid or deemed to be paid.

In accordance with the Canada-US Treaty the rates of withholding tax applicable to distributions paid to a Non-Canadian Holder who is a resident of the United States and who is entitled to rely on the benefits of the Canada - US tax treaty are:

- to the extent such holder is a company that beneficially owns at least 10% of our voting stock, 5% of the gross amount of such distribution paid; or
- in all other cases, 15% of the gross amount of such distribution paid.

We are required to withhold the applicable amount from each distribution paid and remit the withheld amount directly to the Receiver General for Canada for the account of the Non-Canadian Holder.

In accordance with the Canada-US Treaty, certain tax-exempt entities residing in the United States and entitled to rely on the benefits of the Canada - US tax treaty may be exempt from Canadian withholding taxes, including any withholding taxes levied in respect of dividends received on our common shares.

Sale, Exchange or other Disposition of Common Shares

A Non-Canadian Holder who disposes of common shares, including by deemed disposition upon death, will not be subject to Canadian federal income tax on any capital gain (or capital loss) thereby realized unless the common shares constitute "taxable Canadian property" as defined by the Income Tax Act (Canada) and no relief is afforded under any applicable tax treaty. Generally, our common shares will not constitute taxable Canadian property of a Non-Canadian Holder unless at any time during the 60-month period immediately preceding the disposition, more than 50% of the fair market value of the common shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties.

Our management is of the view that our common shares do not derive their value principally from real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties.

Tax Consequences of the Continuance

Consequences to Stockholders

The Continuance will not result in a disposition by the Stockholders of the common shares for the purposes of the Tax Act, whether the Stockholders are resident in Canada for purposes of the Tax Act and any applicable income tax treaty (a "Resident Stockholder") or are not resident in Canada for purposes of the Tax Act (a "Non-Resident Stockholder").

Consequences to Dissenting Stockholders

The appropriate income tax treatment of an amount received by a Stockholder who exercises the right to dissent in respect of the Continuance is not entirely clear. However, it is the CRA's administrative position that the entire amount received on a redemption or purchase for cancellation of shares of a non-resident corporation is proceeds of disposition. On this basis, and assuming that the Company is not resident in Canada for purposes of the Tax Act at such time as it purchases the common shares held by a dissenting Resident Stockholder, such Resident Stockholder will realize a capital gain (or capital loss) to the extent that the amount received, net of any reasonable costs of disposition, exceed (or are exceeded by) the Resident Stockholder's adjusted cost base of such common shares. On the same basis, and assuming that the Company is not resident in Canada for purposes of the Tax Act at such time as it purchases the common shares held by a dissenting Non-Resident Stockholder, such disposition will generally not give rise to any capital gains subject to tax under the Tax Act provided that the common shares held by the Non-Resident Stockholder are not "taxable Canadian property" for the purposes of the Tax Act or such gains are exempt from Canadian tax pursuant to the provisions of an applicable income tax treaty. See the discussion under the heading "Tax Consequences Following the Continuance - Non-Resident Stockholders" for a discussion whether the Common Shares will be taxable Canadian property to Non-Resident Stockholders. **Resident Stockholders and Non-Resident Stockholders should consult their own tax advisers as to the tax consequences to them of exercising their dissent rights in these circumstances.**

Consequences to the Company

As a result of the Continuance, the Company will be deemed under the provisions of the Canada-United States Income Tax Convention, 1980, as amended, to be resident in the United States, and to no longer be resident in Canada. Under the Tax Act, the change in the Company's residence from Canada to the United States will cause the Company's tax year to end immediately before the Continuance, and a new tax year to begin at the time of the Continuance. Furthermore, the Company will be deemed to have disposed of all of its property immediately before the Continuance for proceeds of disposition equal to the fair market value of the property at that time. This deemed disposition may cause the Company to incur Canadian tax liability on the basis of the resulting deemed capital gains and income.

Furthermore, the Company will be subject to a separate corporate emigration tax imposed by the Tax Act on corporations departing from Canada. The emigration tax will be imposed on the amount by which the fair market value of all of the Company's property immediately before the Continuation exceeds the aggregate of its liabilities at that time and the amount of paid-up capital on all of the issued and outstanding shares of the Company's capital stock. Tax will be imposed at a rate of 25% on the Company's net assets determined under the foregoing formula, which may be reduced to 5% unless one of the main reasons for the Company changing its residence to the United States was to reduce the amount of this corporate emigration tax or the amount of Canadian withholding tax paid by the Company, in which case the rate will be 25%.

The Company's management has reviewed the Company's assets, liabilities, paid-up capital, and tax loss carry forwards, and has advised counsel that no Canadian federal taxes should be payable by the Company as a result of the Continuation. This conclusion is based in part on determinations of factual matters including the fair market value of the Company's property, and counsel expresses no opinion on such matters of factual determination. Furthermore, certain facts underlying the Company's assumptions and conclusions may also change prior to the effective time of the Continuation. The Company has not applied to the CRA for a ruling as to the amount of federal taxes payable by the Company as a result of the Continuation and does not intend to apply for such a ruling given the factual nature of the determinations involved. In addition, the Company has not applied to the CRA for a determination of the Company's past losses, and does not intend to apply for such a determination prior to the Continuation. There can be no assurance that the CRA will accept the valuations or the positions that the Company has adopted in calculating the amount of Canadian tax that will be payable upon the Continuation, including the Company's calculation of the amount of historical tax losses that are available to offset any taxes that would otherwise be payable upon the Continuation. Accordingly, there is no assurance that the CRA will conclude after the effective time of the Continuation that no Canadian federal taxes are due as a result of the Continuation or that the amount of Canadian federal taxes found to be due will not be significant.

Tax Consequences Following the Continuation

Resident Stockholders

Following the Continuation, where a holder of common shares who is, or is deemed to be, resident in Canada (a "Resident Stockholder") subsequently disposes or is deemed to have disposed of the common shares, such disposition will generally result in a capital gain (or capital loss) to the Resident Stockholder to the extent that the proceeds of disposition of such common shares, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares. The adjusted cost base of the common shares following the Continuation will be the same as the adjusted cost base of the common shares prior to the Continuation.

One-half of the capital gain realized by a Resident Stockholder from a disposition or deemed disposition of common shares must be included in computing the Resident Stockholder's income as a taxable capital gain. One-half of a capital loss realized in a taxation year from a disposition or deemed disposition of common shares may be deductible as an allowable capital loss against taxable capital gains realized in that year, and to the extent such allowable capital losses exceed taxable capital gains in the year, may be applied in the three previous taxation years or any subsequent taxation year, subject to certain restrictions contained in the Tax Act.

Resident Stockholders who receive dividends on the common shares will be required to include the amount of such dividends in computing their income and will not be entitled to the preferential treatment generally afforded dividends received from taxable Canadian corporations. Specifically, dividends received by individuals who are resident in Canada will not be eligible for the gross-up and dividend tax credit provided under the Tax Act, and Resident Stockholders that are corporations will not be entitled to the deduction for intercorporate dividends. A Resident Stockholder that is a "Canadian-controlled private corporation" within the meaning of the Tax Act is liable to pay a 6 2/3% refundable tax on its aggregate investment income, including dividends. Foreign withholding tax, if any, will generally be eligible for foreign tax credit or deduction treatment under the Tax Act.

Foreign Property Reporting

Once the Company ceases to be resident in Canada, its securities will constitute foreign property for the purposes of determining whether or not a Resident Stockholder is subject to the special reporting requirements under the Tax Act in respect of foreign property holdings. Such reporting requirements generally arise where the aggregate cost amount of all "specified foreign property" (as defined in the Tax Act) held by a Resident Stockholder, including the Common Shares, exceeds CDN\$100,000. Accordingly, Resident Stockholders should consult their own advisors to determine whether they will be subject to foreign property reporting in respect of the ownership of Common Shares.

Consequences to RRSPs and other Deferred Plans

Following the Continuation, the common shares will cease to be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings plans ("TFSA") (collectively "Deferred Plans").

Serious penalties, including significant penalty taxes for RRSPs, RRIFs and TFSAs, will result from Deferred Plans holding non-qualified investments. In addition, annuitants or holders of RRSPs, RRIFs or TFSAs, as the case may be, may also be subject to penalty taxes in respect of certain transactions undertaken as between their Deferred Plan and themselves or persons with whom they do not deal at arm's length with. Stockholders who hold their shares through Deferred Plans are encouraged to consult their own tax advisors as to appropriate course of action to affect the disposition of their common shares prior to the Continuation given their particular circumstances .

Non-Resident Stockholders

Following the Continuation, where a holder of common shares is not, or is deemed not to be, resident in Canada for purposes of the Tax Act (a "Non-Resident Stockholder") subsequently disposes of or is deemed to have disposed of the common shares, such disposition will generally not give rise to any capital gains subject to tax under the Tax Act provided that the common shares held by the Non-Resident Stockholder do not constitute "taxable Canadian property" for the purposes of the Tax Act, or if such gains are exempt from Canadian tax pursuant to the provisions of an applicable income tax treaty.

After the Continuation, the common shares will generally not be taxable Canadian property to Non-Resident Stockholders, and therefore will not cause such Stockholders to be subject to taxation in Canada on any subsequent disposition of the common shares, provided that more than 50% of the fair market value of the common shares is not derived directly or indirectly from one or any combination of real property situated in Canada, Canadian resource properties, and timber resource properties.

Non-Resident Stockholders will not be subject to Canadian withholding tax on dividends paid on the common shares after the Continuation.

Consequences to the Company

Due to the Company's change in residence upon the Continuance, the Company will no longer be subject to taxation in Canada on its worldwide income. However, if the Company carries on a business in Canada, subject to the application of the Canada-United States Income Tax Convention, 1980, as amended, it will be subject to Canadian tax on business profits attributable to such business in Canada.

For the purposes of calculating any Canadian tax liability of the Company after the Continuance, the Company will be unable to deduct historic losses incurred prior to becoming a Delaware corporation. The Continuance will therefore eliminate the Company's past Canadian tax losses as a source of future deductions.

Certain Material United States Federal Tax Consequences

As described below, the consummation of the Continuance is contingent upon receipt by the Corporation of a legal opinion from the Company's U.S. legal counsel. The following is a summary of the anticipated material U.S. federal income tax consequences to U.S. Stockholders, as described below, arising from and relating to the Continuance of the Company.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Stockholder as a result of the Continuance. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Stockholder that may affect the U.S. federal income tax consequences of the Continuance to such U.S. Stockholder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Stockholder. U.S. Stockholders should consult their own financial advisor, legal counsel, or accountant regarding the U.S. federal, state, local, and foreign tax consequences of the Continuance.

Scope of this Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS ") rulings, published administrative positions of the IRS, and U.S. court decisions that are applicable as of the date of this Information Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Stockholders

For purposes of this summary, a U.S. Stockholder is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) a citizen or resident of the U.S., (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state thereof, including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of its source, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust. Notwithstanding the foregoing, the term U.S. Stockholder in this summary does not include IDC.

Non-U.S. Stockholders

A non-U.S. Stockholder is a beneficial owner of Common Shares other than a U.S. Stockholder. Subject to the discussion below under "Information Reporting Backup Withholding Tax," a non-U.S. Stockholder generally should not be subject to U.S. federal income tax on gain, if any, recognized pursuant to the Continuance, unless (a) such gain is effectively connected with a U.S. trade or business of the non-U.S. Stockholder (or, if the *Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital*, 1980, as amended, applies, such gain is attributable to a U.S. permanent establishment of the non-U.S. Stockholder) or, (b) in the case of gain recognized by an individual non-U.S. Stockholder, such individual is present in the U.S. for 183 days or more in the taxable year of the Continuance and certain other conditions are satisfied.

Non-U.S. Stockholders should consult their own financial advisor, legal counsel, or accountant regarding the U.S. federal, state, local, and foreign tax consequences (including the potential application and operation of any tax treaties) of the Continuance.

U.S. Stockholders Subject to Special U.S. Federal Income Tax Rules Not Addressed

Except as otherwise specifically stated, this summary does not address the U.S. federal income tax consequences of the Continuance to U.S. Stockholders that are subject to special provisions under the Code, including the following U.S. Stockholders: (a) U.S. Stockholders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Stockholders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers or dealers in securities; (c) U.S. Stockholders that have a "functional currency" other than the U.S. dollar; (d) U.S. Stockholders subject to the alternative minimum tax provisions of the Code; (e) U.S. Stockholders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Stockholders that acquired Common Shares through the exercise of employee stock options or otherwise as compensation for services; (g) partners of partnerships that hold common shares or owners of other entities classified as partnerships or "pass-through" entities for U.S. federal income tax purposes that hold common shares; (h) U.S. Stockholders that own or have previously owned, directly or indirectly (applying the ownership attribution rules of Section 958 of the Code), 10% or more of the total combined voting power of all classes of the common shares entitled to vote; and (i) U.S. Stockholders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code. U.S. Stockholders that are subject to special provisions under the Code, including U.S. Stockholders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Continuance.

Tax Consequences in Other Jurisdictions Not Addressed

This summary does not address the U.S. state or local tax consequences, or the tax consequences in jurisdictions other than the U.S., of the Continuance to U.S. Stockholders. Each U.S. Stockholder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal, state, local, and foreign tax consequences of the Continuance.

Transactions Not Addressed

This summary does not address the U.S. federal income tax consequences to U.S. Stockholders of transactions entered into prior to, concurrently with, or subsequent to the Continuance (regardless of whether any such transaction is undertaken in connection with the Continuance), including, but not limited to, the following transactions: (a) any exercise of any stock option, warrant, or other right or obligation to acquire common shares; (b) any conversion of any note, debenture, or other debt instrument of the Company into common shares; or (c) any conversion of one class of shares of the Company into a different class of shares of the Company.

Certain Material United States Federal Tax Consequences

As described below, the consummation of the Continuance is contingent upon receipt by the Company of a legal opinion from the Company's U.S. legal counsel. The following is a summary of the anticipated material U.S. federal income tax consequences to U.S. Stockholders, as described below, arising from and relating to the Continuance of the Company.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Stockholder as a result of the Continuance. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Stockholder that may affect the U.S. federal income tax consequences of the Continuance to such U.S. Stockholder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Stockholder. U.S. Stockholders should consult their own financial advisor, legal counsel, or accountant regarding the U.S. federal, state, local, and foreign tax consequences of the Continuance.

U.S. Federal Income Tax Consequences of the Continuance

Qualification of the Continuance as a Tax-Deferred Reorganization

It is a condition to the obligation of the Company to complete the Continuance that the Company receive a legal opinion from its U.S. legal counsel to the effect that the Continuance should qualify as a tax-deferred reorganization under Section 368(a) of the Code, which is referred to here as a reorganization. Such legal opinion will be based on certain factual assumptions regarding, and the truth and accuracy of certain factual representations made by, the Company and will be subject to certain limitations. If one or more of such assumptions or representations proves to be untrue or inaccurate, the positions taken in such legal opinion and this summary may not apply, and the actual U.S. federal income tax consequences of the Continuance to U.S. Stockholders may be materially different than the U.S. federal income tax consequences discussed in this summary.

It is anticipated that the Continuance may qualify as a reorganization under either or both of Section 368(a)(1)(F) of the Code (a **Type F Reorganization**) or Section 368(a)(1)(D) of the Code (a **Type D Reorganization**). The Continuance will fail to qualify as a Type F Reorganization if holders of 1% or more of the Common Shares exercise the right to dissent from the Continuance. The Continuance may fail to qualify as a Type D Reorganization if the continued company in Delaware fails to acquire "substantially all" of the assets of the Company in the Continuance. For ruling purposes, the IRS defines "substantially all" as 70% of the gross assets and 90% of the net assets of the Company. In determining if the continued company in Delaware acquires the requisite amount of assets of the Company, payments of cash by us to any holders of common shares that exercise the right to dissent from the Continuance will not be considered as assets acquired by the continued company in Delaware. Accordingly, if Stockholders of a significant number of the Common Shares exercise the right to dissent from the Continuance, the Continuance may fail to qualify as a Type D Reorganization.

The requirements that must be satisfied in order for the Continuance to qualify as either a Type F Reorganization or a Type D Reorganization are complex, and each U.S. Stockholder should consult its own financial advisor, legal counsel, or accountant regarding these requirements.

Assuming that the Continuance qualifies as a reorganization, the following U.S. federal income tax consequences should result to U.S. Stockholders: (a) no gain or loss should be recognized by a U.S. Stockholder that holds shares of our continued company, (b) the aggregate basis of shares of the continued company received by a U.S. Stockholder in the Continuance should be equal to the aggregate basis of the Company common shares exchanged therefor by such U.S. Stockholder, and (c) the holding period of shares of the continued company received by a U.S. Stockholder in the Continuance should include the holding period of the Company common shares exchanged therefor by such U.S. Stockholder.

Application of Section 367(b) may Result in the Recognition of a Deemed Dividend or Gain

Section 367(b) of the Internal Revenue Code and the related Treasury Regulations may require the recognition of a deemed dividend or gain on the Common Shares of certain U.S. Stockholders for various inbound reorganizations. The Continuance of the Company to Delaware should be considered an inbound reorganization subject to the rules of Section 367(b).

Under Section 367(b) and the related Treasury Regulations, a U.S. Stockholder that owns ten percent (10%) or more of a foreign corporation and any foreign corporation with respect to which a U.S. Stockholder is a ten percent (10%) U.S. Stockholder, must include into income as a deemed dividend all earnings and profits of the Company attributable to their stock in an inbound Continuance or reorganization.

Therefore, if the Company had earnings and profits prior to the Continuance, a U.S. Stockholder that owns ten percent (10%) or more of the Company's Common Shares and any foreign corporation with a ten percent (10%) U.S. Stockholder would have to recognize income as a deemed dividend on the earnings and profits attributable to their stock. The Company believes that it does not have any earnings and profits as described in the Internal Revenue Code and therefore the imputation of a deemed dividend should not be applicable for a U.S. Stockholder that owns ten percent (10%) or more of common shares and any foreign corporation with a ten percent (10%) U.S. Stockholder.

Under Section 367(b) and the related Treasury Regulations, a U.S. Stockholder that owns less than ten percent (10%) of a foreign corporation that is involved in an inbound reorganization subject to Section 367(b) will be required to recognize gain on their Common Shares, if any, on the transaction. The U.S. Stockholder is not entitled to recognize a loss on their Common Shares should their cost basis exceed the value of their common shares upon the inbound reorganization. A U.S. Stockholder that owns less than ten percent (10%) may elect to include a deemed dividend amount of all earnings and profits attributable to their common shares or report no deemed dividend should the Company have no earnings and profits, rather than recognize gain on their common shares. If a less than ten percent (10%) wishes to make an election to report the all earnings and profits amount or the fact there are no earnings and profits, rather than recognize gain on their common shares, they must request a Section 367(b) statement related to the earnings and profits of the company to be attached to the U.S. Stockholder's U.S. tax return.

Finally, certain U.S. Stockholders that own less than ten percent (10%) of the Company's stock and whose common shares have a value of less than fifty thousand dollars (\$50,000) on the date of the Continuance are exempt from all deemed dividend income and gain recognition as a result of Section 367(b).

Dissenting U.S. Stockholders

A U.S. Stockholder that exercises the right to dissent from the Continuance should recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received by such U.S. Stockholder in exchange for the common shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (ii) the tax basis of such U.S. Stockholder in the common shares.

Such gain or loss should be capital gain or loss, which will be long-term capital gain or loss if the Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Stockholder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Stockholder that is a corporation. Deductions for capital losses and net capital losses are subject to complex limitations .

Information Reporting Backup Withholding Tax

Taxable payments made pursuant to the Continuance generally will be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Stockholder (a) fails to furnish such U.S. Stockholder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Stockholder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Stockholder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Stockholder that it is subject to backup withholding tax. However, U.S. Stockholders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Stockholder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Stockholder furnishes required information to the IRS.

Each U.S. Stockholder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and backup withholding tax rules.

No IRS Ruling

No ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Continuance to U.S. Stockholders. Neither this summary nor the legal opinion provided by U.S. legal counsel are binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary or such legal opinion. In addition, because the authorities on which this summary and such legal opinion are based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary or such legal opinion.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

This annual report and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the following Securities and Exchange Commission public reference rooms: 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Securities and Exchange Commission's public reference room in Washington, D.C. by calling the Securities and Exchange Commission at 1-800-SEC-0330 or by visiting the Securities and Exchange Commission's website at <http://www.sec.gov>, and may obtain copies of our filings from the public reference room by calling 1-800-SEC-0330. The Exchange Act file number for our Securities and Exchange Commission filings is 000-49760.

The Securities and Exchange Commission maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the Securities and Exchange Commission using its EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system. Certain of our material documents or filings can also be viewed on SEDAR (the System for Electronic Document Analysis and Retrieval of the Canadian securities regulatory authorities) at www.sedar.com.

Documents and agreements concerning our company referred to in this annual report may also be viewed by appointment, during normal business hours, at our principal executive office at 1980 Post Oak Blvd., Suite 2020, Houston, TX 77056.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at April 30, 2012, the maximum credit exposure is the carrying amount of accounts receivable of \$nil and the long-term receivable of \$302,536 (2011 – accounts receivable \$231,316; 2011 long-term receivable \$294,862; 2010 - long term receivable \$307,620) each of which is receivable from a single counterparty. Both counterparties are active in the exploration for and extraction of oil and natural gas, and are therefore largely exposed to the same risks as the Company.

The majority of the Company's cash and cash equivalents are held in US bank deposit accounts and the Company views credit risk on cash and cash equivalents as minimal.

The Company intends to minimize exposure to credit risk by only transacting with reputable counterparties.

There is a risk that the long term receivable will not be realized if the Company's Marmaton and Grassy properties do not produce sufficient oil and thereby result in no gross overriding royalties being owed by the Company from which the receivable is recovered (note 6).

The Company did not provide for any doubtful accounts nor did it write-off any receivables during the years ended April 30, 2012, and 2011. The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in paying obligations as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable consists of invoices payable to trade suppliers for capital expenditures, field operating activities, and general corporate expenses. The Company processes invoices within a normal payment period.

The Company prepares operations and capital expenditure budgets which are regularly monitored and updated. As well, the Company utilizes authorizations for expenditures on projects to manage capital expenditures. As discussed, the Company will have to attract additional financing to be able to meet its obligations.

Commodity Price Risk

Market risk is the risk that changes in commodity prices, will affect the Company's oil sales, cash flows or the value of its financial instruments. The objective of commodity price risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Our future revenue and profitability will be dependent, to a significant extent, upon prevailing market prices for oil and gas. In the past, oil and gas prices have been volatile. Prices are subject to wide fluctuations in response to changes in supply of, and demand for, oil and gas, market uncertainty, and a variety of additional factors that are beyond our control. We currently are in an exploration stage and accordingly, we capitalize all net revenue received against capital costs incurred.

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency fluctuations as it has cash, accounts receivable and accounts payable denominated in Canadian dollars. A 1% change in foreign exchange rates between the US and Canadian dollars would have resulted in a change of approximately \$1,000 in the net loss in 2012 (2011 - \$2,425). There are no exchange rate contracts in place.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal rates and therefore, the Company does not consider interest rate risk to be significant. At the date of this Annual Report, our company has junior and senior notes outstanding that bear fixed rates of interest and accordingly, interest rate risk on these liabilities is not considered to be significant. Interest rate risk on the long-term receivable is not considered significant. There are no interest rate swaps or financial contracts in place.

Share Price Risk

Share price risk is the risk that changes in the market price of the Company's shares will affect the fair value of its derivatives. A 5% change in the market price of the Company's shares would have resulted in a change of approximately \$40,000 in the net loss (2011 - \$1,073,700; 2010 - \$94,000).

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

On July 30, 2010, we issued to various investors senior secured promissory notes and subordinated secured debentures. Between December 28, 2010 and March 7, 2011, we issued to various investors secured promissory notes. In connection with the issuance of these securities, we granted a security interest to the investors substantially all of our assets. Interest on these securities is payable quarterly in arrears. We have not made the required quarterly interest payments and the secured promissory notes issued between December 28, 2010 and March 7, 2011 had a maturity date of June 28, 2012, which have not been repaid, therefore, we are currently in default under the terms of the securities.

Although the investors have not demanded current payment on the amounts outstanding (to the extent the principal is not currently due), the obligations of the Company under the various secured notes may be accelerated upon the occurrence of an event of default. Pursuant to the security interests granted, in the event of a default, the investors have the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements. As of the date of this filing, the investors have not declared a default by the Company, although there can be no assurance that they will not declare a default in the future.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

As disclosed in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 13, 2012, the Company domesticated into the State of Delaware from Canada by filing of a Certificate of Corporate Domestication and Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Continuance"). The Continuance took effect on September 11, 2012. A copy of the Certificate of Domestication and Certificate of Incorporation were filed as exhibits to the Current Report.

Although our Canadian corporation charter documents have been modified materially, in that they have been replaced by our Delaware Certificate of Incorporation and Bylaws, we do not believe that the rights of holders of any class of our securities has been materially affected.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of April 30, 2012. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of April 30, 2012 due to a material weakness in our internal control over financial reporting, as discussed below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable United States securities regulatory requirements. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's chief executive and chief financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. A system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well the system is conceived or operated. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of April 30, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on that evaluation under this framework, our management concluded that as of April 30, 2012, our internal control over financial reporting was not effective because of the following material weaknesses in our internal control over financial reporting:

- We have an insufficient number of personnel that have sufficient knowledge and experience in accounting, including U.S. GAAP.
- Due to our small number of employees and resources, we have limited segregation of duties, as a result of which there is insufficient independent review of duties performed.
- As a result of the limited number of accounting personnel, we rely on outside consultants for the preparation of our financial reports, including financial statements and management discussion and analysis, which could lead to overlooking items requiring disclosure.

This annual report does not include an attestation report by our independent registered public accounting firm regarding internal control over financial reporting. As we are neither a large accelerated filer nor an accelerated filer, our management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Remediation Plan

Our chief executive officer, also is our chief financial officer. The size of the Company and its limited number of employees will make it difficult to remediate all existing weaknesses. If and when the Company is recapitalized, we intend to hire additional accounting staff, and operations and administrative executives and remediate each of the weaknesses in our disclosure controls and internal control over financial reporting.

Changes to Internal Controls and Procedures for Financial Reporting

During the fiscal year ended April 30, 2012, our chief executive officer resigned and was replaced by our chief financial officer who served as an interim chief executive officer. We also moved in 2011 our administrative functions from Calgary to Houston. Owing to the limited number of staff we have relied heavily on the active involvement of our chief executive officer for our internal controls and thus have had limited segregation of duties. During the year ended April 30, 2012 the Company eliminated nearly its entire accounting staff and now completely relies upon outside consultants to do its bookkeeping and prepare its financial reports. Other than as described, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert.

Our board has determined that Mr. Fred Zeidman, a non-independent director, qualifies as an "audit committee financial expert" as defined by rules of the Securities and Exchange Commission. For a brief listing of Mr. Zeidman's relevant experience, see Item 6.A. "Directors, Senior Management and Employees - Directors and Senior Management."

Item 16B. Code of Ethics.

We have adopted a code of ethics that applies to our chief executive officer and all senior financial officers of our company, including the chief financial officer, chief accounting officer or controller, or persons performing similar functions. Our code of ethics has been filed as an exhibit to this annual report. Written copies are available upon request. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, we will disclose the nature of such amendment or waiver on our website.

Item 16C. Principal Accountant Fees and Services.**Independent Public Accountants Fees**

Our board of directors appointed KPMG LLP as our independent registered public accountant to audit our financial statements for the fiscal years ended April 30, 2011.

The aggregate fees billed by KPMG LLP, as our external auditor in each of the last two fiscal years for audit and compliance fees are as follows:

Financial Year Ended April 30,	Audit Fees	Audit Related Fees	Tax Fees⁽¹⁾	All Other Fees
2011 KPMG LLP	\$ 213,145	\$ -	\$ 81,370	-
2010 KPMG LLP	\$ 79,000	\$ -	\$ 53,000	-

Note:

- (1) "Tax Fees" include fees paid to the Company's external auditors for tax compliance and tax planning advice.

The aggregate fees billed by Marcum LLP, as our external auditor for 2012 for audit and compliance fees are as follows:

Financial Year Ended April 30, 2012	Audit Fees	Audit Related Fees	Tax Fees⁽¹⁾	All Other Fees
Marcum LLP	\$ 110,000	\$ -	-	-

Note:

- (1) "Tax Fees" include fees paid to the Company's external auditors for tax compliance and tax planning advice.

Audit Committee Pre-Approved Policies and Procedures

Our audit committee pre-approves all services provided by our independent registered public accounting firm. All of the services and fees described above were reviewed and approved by the audit committee before the respective services were rendered.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There were no purchases of our common shares made by us or on our behalf or by any affiliated purchaser during the fiscal year ended April 30, 2012.

Item 16F. Change in Registrant's Certifying Accountant.

KPMG LLP was previously the principal accountants for Petro River Oil Corp (formerly known as Gravis Oil Corporation). On June 26, 2012, that firm resigned and Marcum LLP was engaged as principal accountants. The decision to change accountants was approved by the board of directors.

During the two fiscal years ended April 30, 2011, and the subsequent interim period through June 26, 2012, there were no: (1) disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events. The audit reports of KPMG LLP on the consolidated financial statements of the Company and subsidiaries as of and for the years ended April 30, 2011 and 2010, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG LLP's report on the consolidated financial statements of the Company and subsidiaries as of and for the years ended April 30, 2011 and 2010, contained a separate paragraph stating that "Gravis Oil Corporation has cash outflows from operating activities, recurring losses, and a working capital deficiency at April 30, 2011. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that cast significant doubt about Gravis Oil Corporation's ability to continue as a going concern."

During the two years ended April 30, 2011 and any subsequent interim period prior to engaging Marcum LLP, neither we nor or anyone on our behalf consulted Marcum LLP regarding (i) either: the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that Marcum LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

We requested Marcum LLP to review the substance of the foregoing disclosure before it was filed with the Securities and Exchange Commission and provided KPMG LLP with a copy of the substance of the disclosures and asked them to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us. This letter from KPMG LLP is attached as Exhibit 15.2 to this Form 20-F.

Item 16G. Corporate Governance.

None.

Item 16H. Mine Safety Disclosure.

Not Applicable.

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements

See Financial Statements attached hereto as pages F-1 to F-39.

Item 19. Exhibits

Exhibit Number	Description
1.1	Certificate of Incorporation - British Columbia (1)
1.2	Notice of Articles - British Columbia (2)
1.3	Certificate of Name Change - British Columbia (2)
1.4	Articles - British Columbia (2)
1.5	Certificate of Continuance - Alberta (3)
1.6	Articles of Continuance - Alberta (3)
1.7	By-law No. 1 - Alberta (3)
1.8	Certificate of Name Change – Alberta (8)
1.9	Certificate of Corporate Domestication - Delaware (9)
1.10	Certificate of Incorporation – Delaware (10)
1.11	Bylaws – Delaware (11)
4.1	Canadian Stock Option Plan dated August 24, 2004, amended and restated February 19, 2007 and August 9, 2007 (4)
4.2	U.S. Stock Option Plan dated January 5, 2007 (4)
4.3	Operating and Farm-in Agreement dated October 24, 2007 in respect Loma Area, Montana (Big Sky project) (5)
4.4	Operating and Farm-in Agreement dated October 24, 2007 in respect Teton Area, Montana (Big Sky project) (5)
4.5	Canadian Equity Incentive Plan, amended and restated June 5, 2008 (6)
4.6	U.S. Equity Incentive Plan, amended and restated June 5, 2008 (6)
4.7	Agreement of Purchase and Sale dated August 27, 2009 between MegaWest Energy Missouri Corp. and Mega Partners 1, LLC (6)
4.8	Operating Agreement dated August 27, 2009 between MegaWest Energy Missouri Corp. and Mega Partners 1, LLC (6)
4.9	Side Letter Agreement dated August 27, 2009 between MegaWest Energy Missouri Corp. and Mega Partners 1, LLC (6)
4.10	Form of Subscription Agreement entered into with various subscribers in August, 2009 (6)
4.11	Form of Subscription Agreement dated July 30, 2010, among MegaWest Energy Corp. and certain subscribers for US\$2,500,000 Senior Convertible Notes (7)
4.12	Form of Exchange Agreement dated July 30, 2010, among MegaWest Energy Corp. and the holders of Series A preferred shares to convert the Series A preferred shares into US\$2,501,069 Junior Convertible Notes (7)

4.13	2012 Equity Compensation Plan+
8.1	List of Subsidiaries (7)
8.2	Amended List of Subsidiaries+
11.1	Code of Ethics (7)
12.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended+
13.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+
15.1	Consent of GLJ Petroleum Consultants+
15.2	Letter of KPMG dated October 24, 2012.

+ filed herewith

EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT++
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE++
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE++
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE++
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE++

++ submitted herewith

- (1) Incorporated by reference to our Form 6-K filed with the Securities and Exchange Commission on March 6, 2006.
- (2) Incorporated by reference to our Form 20-F filed with the Securities and Exchange Commission on March 30, 2007.
- (3) Incorporated by reference to our Form F-1/A filed with the Securities and Exchange Commission on February 15, 2008.
- (4) Incorporated by reference to our Form 20-F filed with the Securities and Exchange Commission on August 10, 2007.
- (5) Incorporated by reference to our Form F-1/A filed with the Securities and Exchange Commission on December 31, 2007.
- (6) Incorporated by reference to our Form 6-K filed with the Securities and Exchange Commission on September 4, 2009.
- (7) Incorporated by reference to our Form 20-F filed with the Securities and Exchange Commission on November 16, 2010.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PETRO RIVER OIL CORP.

By: /s/ JEFFREY FREEDMAN
Jeffrey Freedman
Chief Executive Officer and Chief Financial Officer

November 2, 2012

PART III

Item 17. Financial Statements

Consolidated Financial Statements of Petro River Oil Corp (f/k/a Gravis Oil Corporation)	
Reports of Independent Registered Public Accounting Firms	F-2, F-3
Consolidated Balance Sheets as of April 30, 2012 and 2011	F-4
Consolidated Statements of Operations and Comprehensive Loss for the years ended April 30, 2012, 2011 and 2010	F-5
Consolidated Statements of Stockholders' Equity/(Deficiency) for the years ended April 30, 2012, 2011 and 2010	F-6
Consolidated Statements of Cash Flows for the years ended April 30, 2012, 2011 and 2010	F-7
Notes to Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Board of Directors and Stockholders
of Petro River Oil Corp. (formerly known as Gravis Oil Corporation)

We have audited the accompanying consolidated balance sheet of Petro River Oil Corp. (formerly known as Gravis Oil Corporation) and Subsidiaries (the "Company") as of April 30, 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' deficiency and cash flows for the year 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petro River Oil Corp. (formerly known as Gravis Oil Corporation) and Subsidiaries, as of April 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America .

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum llp

New York, NY
November 2, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Shareholders of Petro River Oil Corp (formerly known as Gravis Oil Corporation)

We have audited the accompanying consolidated financial statements of Petro River Oil Corp and its subsidiaries, which comprise the consolidated balance sheet as at April 30, 2011, the consolidated statements of operations and comprehensive loss, stockholders' deficiency and cash flows for each of the years in the two-year period ended April 30, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petro River Oil Corp and its subsidiaries as at April 30, 2011 and their consolidated results of operations and consolidated cash flows for each of the years in the two-year period ended April 30, 2011 in accordance with United States generally accepted accounting principles.

/s/ KPMG LLP
Chartered Accountants

Calgary, Canada
October 12, 2011

Petro River Oil Corp. and Subsidiaries
(formerly known as Gravis Oil Corporation)
Consolidated Balance Sheets
(United States Dollars, except for number of shares)

	As of	
	April 30, 2012	April 30, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 300,274	\$ 1,179,838
Cash in escrow	-	658,000
Accounts receivable	-	231,316
Prepaid expenses and other current assets	71,675	92,196
Total Current Assets	371,949	2,161,350
Oil and gas assets , net	1,125,000	17,975,830
Property, plant and equipments, net of accumulated depreciation of \$300,234, and \$275,931	8,146	19,498
Related party long-term receivable, net	-	294,862
Reclamation deposits	25,000	143,696
Deferred loan fees, net of accumulated amortization of \$272,646 and \$100,357	50,988	223,276
Other assets	15,315	-
	1,224,449	18,657,162
Total Assets	\$ 1,596,398	\$ 20,818,512
Liabilities and Stockholders' Equity Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 303,857	\$ 1,251,214
Related party payable	51,937	522
Accrued interest payable	1,705,897	505,696
Current portion of asset retirement obligations	260,482	205,700
Liability current portion of convertible notes, net	2,529,200	1,626,243
Derivatives, current portion	44,659	332,480
Total Current Liabilities	4,896,032	3,921,855
Long-term liabilities:		
Asset retirement obligations , net of currnet portion	366,590	521,636
Liability long-term portion of convertible notes, net	6,568,433	5,040,020
Derivatives , net of current portion	712,959	14,167,414
Total Long-Term Liabilities	7,647,982	19,729,070
Total Liabilities	12,544,014	23,650,925
Commitments and contingencies		
Stockholders' Deficiency:		
Preferred Shares - 100,000,000 authorized; par value \$0.00001per share		
Preferred B shares - 29,500 authorized; 17,599 issued and outstanding with a \$100 stated value and par value \$0.00001 per share	2,126,904	-
Common shares - 2,250,000,000 authorized; par value \$0.00001 per share; 14,078,947 issued and outstanding	79,016,425	79,016,425
Additional paid-in capital	54,532,191	54,341,320
Accumulated other comprehensive loss	(234,650)	(272,156)
Accumulated deficit	(146,388,486)	(135,918,002)
Total Stockholders' Deficiency	(10,947,616)	(2,832,413)
Total Liabilities and Stockholders' Deficiency	\$ 1,596,398	\$ 20,818,512

The accompanying notes are an integral part of these Consolidated Financial Statements.

Petro River Oil Corp. and Subsidiaries
(formerly known as Gravis Oil Corporation)
Consolidated Statements of Operations and Comprehensive Loss
(United States Dollars, except for number of shares)

	For the Years Ended April 30,		
	2012	2011	2010
<u>Operations</u>			
Revenue and Other Income			
Oil and natural gas sales	\$ 436,386	\$ 1,565,963	\$ 1,575,150
Total Income	436,386	1,565,963	1,575,150
Operating Expenses			
Operating	1,963,969	3,470,746	3,955,084
Impairment of oil and gas assets	16,380,166	12,848,677	1,162,545
General and administrative	1,890,791	3,307,060	3,193,449
Depreciation, depletion and accretion	333,614	844,160	293,113
Total Expenses	20,568,540	20,470,643	8,604,191
Operating loss	(20,132,154)	(18,904,680)	(7,029,041)
Other (income) expenses			
Interest and Other Income	(18,580)	(16,213)	(6,073)
Interest and amortization of debt discount	3,684,545	1,512,443	-
Amortization of deferred financing cost	172,288	-	-
Foreign exchange (gain) loss	6,849	(86,959)	98,225
Extinguishment of debt	(250,000)	-	-
Rent settlement	(50,000)	-	-
Change in fair value of derivatives	(13,573,776)	9,395,435	829,166
Total other (income) expenses	(10,028,674)	10,804,706	921,318
Net Loss	(10,103,480)	(29,709,386)	(7,950,359)
Dividend - Convertible Preferred A Stock	-	82,274	218,795
Dividend - Convertible Preferred B Stock	367,004	-	-
Deemed dividend - Convertible Preferred A Stock	-	537,533	-
Deemed dividend - Convertible Preferred B Stock	5,339,700	-	-
Net loss attributable to common stockholders	(15,810,184)	(30,329,193)	(8,169,154)
<u>Comprehensive Loss</u>			
Net loss	(10,103,480)	(29,709,386)	(7,950,359)
Foreign exchange translation	37,506	(283,771)	4,984,026
Total Comprehensive Loss	\$ (10,065,974)	\$ (29,993,157)	\$ (2,966,333)
Net Loss attributable to common stockholders per Common Share			
- Basic and Diluted	\$ (1.12)	\$ (2.27)	\$ (0.61)
Weighted Average Number of Common Shares Outstanding (-			
Basic and diluted)	14,078,947	13,387,166	13,325,545

The accompanying notes are an integral part of these Consolidated Financial Statements.

Petro River Oil Corp. and Subsidiaries
(formerly known as Gravis Oil Corporation)
Consolidated Statements of Stockholders' Equity/(Deficiency)
(United States Dollars, except number of shares)
For the years ended April 30, 2012, 2011 and 2010

	Preferred A		Preferred B		Common		Additional Paid- in Capital	Accumulated Other	Accumulated Deficit	Total Stockholders' Equity/(Deficiency)
	Shares	Amount	Shares	Amount	Shares	Amount		Income (loss)		
Balance at April 30, 2009	-	\$ -	-	\$ -	13,324,447	\$ 78,828,533	\$ 53,113,182	\$ (4,972,411)	\$ (97,419,655)	\$ 29,549,649
Issuance of convertible preferred A shares at \$100 per share on August 28, 2009, net of costs	2,200	1,662,467	-	-	-	-	-	-	-	1,662,467
Issuance of common stock for services					4,500	7,638				7,638
Dividends - Preferred A Shares		218,795							(218,795)	-
Foreign exchange translation								4,984,026		4,984,026
Stock-based compensation							500,293			500,293
Net loss									(7,950,359)	(7,950,359)
Balance at April 30, 2010	2,200	1,881,262	-	-	13,328,947	78,836,171	53,613,475	11,615	(105,588,809)	28,753,714
Balance at April 30, 2010	2,200	\$ 1,881,262	-	-	13,328,947	\$ 78,836,171	\$ 53,613,475	\$ 11,615	\$ (105,588,809)	\$ 28,753,714
Conversion of Senior I Notes					750,000	180,254				180,254
Dividend Preferred A Shares		82,274							(82,274)	-
Conversion of preferred A shares into Convertible Junior notes on July 30, 2010	(2,200)	(1,963,536)							(537,533)	(2,501,069)
Foreign exchange translation								(283,771)		(283,771)
Stock-based compensation							727,845			727,845
Net loss									(29,709,386)	(29,709,386)
Balance at April 30, 2011	-	-	-	-	14,078,947	79,016,425	54,341,320	(272,156)	(135,918,002)	(2,832,413)
Issuance of convertible preferred B shares at \$100 per share on June 7, 2011			17,599	1,759,900						1,759,900
Reversal of derivative liabilities upon exercise of preferred B option							5,508,200			5,508,200
Dividend Preferred B Shares				367,004					(367,004)	-
Deemed dividend - Preferred B shares							(5,339,700)			(5,339,700)
Stock-based compensation							22,371			22,371
Foreign exchange translation								37,506		37,506
Net loss									(10,103,480)	(10,103,480)
Balance at April 30, 2012	-	\$ -	17,599	\$ 2,126,904	14,078,947	\$ 79,016,425	\$ 54,532,191	\$ (234,650)	\$ (146,388,486)	\$ (10,947,616)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Petro River Oil Corp. and Subsidiaries
(formerly known as Gravis Oil Corporation)
Consolidated Statements of Cash Flows
(United States Dollars)

	For the Years Ended April 30,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (10,103,480)	\$ (29,709,386)	(7,950,359)
Adjustments to reconcile net loss to net cash used in operating activities			
Depletion of oil and gas properties	261,061	720,740	95,815
Impairment of oil and gas assets	16,380,166	12,848,677	1,162,545
Stock-based compensation	22,371	885,160	457,085
Depreciation	24,303	60,465	152,720
Accretion of asset retirement obligation	48,250	60,867	44,578
Allowance for related party long-term receivable	294,862	-	-
Gain on Debt Extinguishment	(250,000)	-	-
Rent settlement	(50,000)	-	-
Amortization of deferred Debt Discount	2,305,458	722,090	-
Amortization of deferred financing costs	172,288	-	-
Foreign currency transaction (gain) or loss	6,849	(36,181)	139,679
Change in fair value of derivatives liabilities	(13,573,776)	9,395,435	829,166
Changes in operating assets and liabilities			
Accounts receivable	231,316	225,755	(392,003)
Prepaid Expenses and other assets	70,521	82,092	264,521
Accounts payable and accrued liabilities	(697,879)	541,260	649,974
Related party payable	51,937	(33,932)	(304,120)
Accrued interest payable	1,326,113	505,696	-
Asset retirement obligations	(148,514)	1,661	(90,746)
Other assets	(15,315)	12,758	-
Net Cash Used in Operating Activities	(3,643,469)	(3,716,843)	(4,941,145)
Cash Flows From Investing Activities:			
Capitalized expenditure on oil and gas properties	(243,409)	(1,361,890)	(941,322)
Cash proceeds from disposition of oil and gas assets	431,989	-	2,391,077
Transfer of restricted cash to operating cash	658,000	-	-
change in reclamation deposits	118,696	(2,881)	33,494
Acquisition of property and equipment	(12,033)	(3,054)	(7,401)
Net Cash Provided by (Used in) Investing Activities	953,243	(1,367,825)	1,475,848
Cash Flows From Financing Activities:			
Proceeds from issuance of convertible notes	-	7,100,000	-
Proceeds from issuance of preferred shares	1,759,900	-	2,136,950
Transaction costs	-	(327,752)	-
Change in cash in escrow	-	(658,000)	-
Net Cash Provided by Financing Activities	1,759,900	6,114,248	2,136,950
Change in cash and cash equivalents	(930,326)	1,029,580	(1,328,347)
Exchange rate fluctuations on cash and cash equivalents	50,762	253	(2,377)
Cash and cash equivalents, beginning of period	1,179,838	150,005	1,480,729
Cash and cash equivalents, end of period	\$ 300,274	\$ 1,179,838	150,005
SUPPLEMENTARY CASH FLOW INFORMATION:			
Cash Paid During the Period for:			
Income taxes	\$ -	\$ -	\$ -
Interest received	\$ -	\$ 1,163	\$ -
Interest paid	\$ -	\$ 50,083	\$ -
Non-cash investing and financing activities:			
Conversion of Preferred Shares into Junior Notes	-	\$ 2,501,069	-

The accompanying notes are an integral part of these Consolidated Financial Statements.

PETRO RIVER OIL CORP

(formerly Gravis Oil Corporation)

Notes to the Consolidated Financial Statements

For the year ended April 30, 2012, 2011 and 2010

(United States dollars unless otherwise indicated)

1. Organization and Going Concern:

Petro River Oil Corp ("Petro" or the "Company") is an enterprise engaged in the exploration and exploitation of heavy oil properties. On September 7, 2012 a shareholder meeting was held to amend the Articles of the Corporation to change the name of the Company from Gravis Oil Corporation to Petro River Oil Corp. The Company's principal administrative office is in Houston, Texas. The Company's principal operations are in Western Missouri. Since November 2006, the Company's activities have included analysis and evaluation of technical data, preparation of geological models, exploration drilling, conceptual engineering, construction and operation of thermal demonstration projects, and securing capital to fund operations. As of May 1, 2011, the Company determined the significant revenue metrics had been obtained in prior fiscal years, and management concluded the Company had exited the development stage.

As of April 30, 2012, the Company has a working capital deficiency of approximately \$4.52 million, recurring losses, net cash outflows from operating activities and an accumulated deficit of approximately \$146.4 million. During 2011, as a result of the Company's financial position, cost factors and market conditions it suspended operations on its Missouri oil and gas assets. The Company will need to raise additional funds within the next 12 months by means of additional equity issuances, debt financing or selling of working interests in order to discharge its liabilities and continue its activities. In the longer term, the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations. These matters raise substantial doubt about the Company's ability to continue as a going concern.

While the outcome of fund raising and exploration activities cannot be determined at this time, these consolidated financial statements are prepared on the basis of a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. While there is substantial doubt about the ability of the Company to continue to use the going concern assumption, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to secure additional funding and attain profitable operations. Management intends to acquire additional assets. On June 27, 2012 the Company entered into a non-binding letter of intent with Petro River Oil, LLC ("Petro River"), a privately held Delaware limited liability company that would result in the Company acquiring Petro River for common stock, the name of the Company changed and the Company re-domiciled to Delaware (the "Merger Transaction"). The letter of intent also contemplates that the board of the Company will consist of 5 members, 4 of which will be nominated by Petro River. Currently it is intended that post- transaction, current common shareholders of the Company will own approximately 2% of the issued and outstanding shares of the Company.

2. Change in Reporting and Functional Currency:

These consolidated financial statements have been prepared using the United States dollar as the reporting currency, as management is of the opinion the use of US dollars to prepare the annual financial statements enhances communication with stockholders and improves comparability of financial information reported with peer group companies. Financial statements in prior to July 31, 2010 years were prepared using a Canadian dollar (Cdn dollar) reporting currency, however, both current year and historical financial information has been translated to US dollars in accordance with the method described in the significant accounting policies. The change in reporting currency resulted in the recognition of a cumulative foreign currency translation adjustment of \$(283,771) and \$37,506 in accumulated other comprehensive income for the years ended April 30, 2011 and 2012, respectively.

Effective July 30, 2010, the Company and its subsidiaries changed functional currency from the Cdn dollar to the US dollar. This change was made as a result of the financing completed in July 2010, causing the Company's primary source of funding to be in US dollars and making the US dollar the currency of the economic environment in which the entity primarily generates and expends cash.

PETRO RIVER OIL CORP

(formerly Gravis Oil Corporation)

Notes to the Consolidated Financial Statements

For the year ended April 30, 2012, 2011 and 2010

(United States dollars unless otherwise indicated)

3. Basis of Preparation:

The consolidated financial statements and accompanying footnotes are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

4. Significant Accounting Policies:

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include volumes of oil and natural gas reserves, abandonment obligations, impairment of oil and natural gas properties, depreciation, depletion and amortization, income taxes, fair value of derivatives liabilities and other financial instruments, and contingencies.

Oil and gas reserve estimates, which are the basis for unit-of-production depletion and the full cost ceiling test, have a number of inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and gas that are ultimately recovered. In addition, reserve estimates are vulnerable to changes in prices of crude oil and gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

PETRO RIVER OIL CORP

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Notes to the Consolidated Financial Statements

For the year ended April 30, 2012 and 2011

(United States dollars unless otherwise indicated)

(b) Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid monetary instruments with original maturities of three months or less when purchased to be cash equivalents. These investments are carried at cost, which approximates fair value. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash deposits. The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Beginning April 30, 2010 through April 30, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to the depositor's other accounts held by a FDIC-insured institution, which are insured for balances up to \$250,000 per depositor until December 31, 2013.

(c) Oil and Gas Operations:

Oil and Gas Properties: The Company uses the full-cost method of accounting for its exploration and development activities. Under this method of accounting, the cost of both successful and unsuccessful exploration and development activities are capitalized as oil and gas property and equipment. Proceeds from the sale or disposition of oil and gas properties are accounted for as a reduction to capitalized costs unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and natural gas attributable to a country, in which case a gain or loss would be recognized in the statement of operations. The Company has defined a cost center by country. Currently, all of the Company's oil and gas properties are located within the continental United States, its sole cost center.

Oil and gas properties may include costs that are excluded from costs being depleted. Oil and gas costs excluded represent investments in unproved properties and major development projects in which the Company owns a direct interest. These unproved property costs include nonproducing leasehold, geological and geophysical costs associated with leasehold or drilling interests and in process exploration drilling costs. All costs excluded are reviewed at least quarterly to determine if impairment has occurred.

Proved Oil and Gas Reserves: In accordance with Rule 4-10 of SEC Regulation S-X, proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The price used to establish economic producibility is the average price during the 12-month period preceding the end of the entity's fiscal year and calculated as the un-weighted arithmetic average of the first-day-of-the-month price for each month within such 12-month period.

Ceiling Test: Under the full-cost method of accounting, a ceiling test is performed quarterly. The full-cost ceiling test is an impairment test prescribed by SEC Regulation S-X Rule 4-10. The ceiling test determines a limit on the carrying value of oil and gas properties. The capitalized costs of proved oil and gas properties, net of accumulated depreciation, depletion, amortization, and impairment and the related deferred income taxes, may not exceed the estimated future net cash flows from proved oil and gas reserves, excluding future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, generally using current prices (with consideration of price changes only to the extent provided by contractual arrangements) as of the date of the latest balance sheet presented and including the effect of derivative instruments that qualify as cash flow hedges, discounted at 10%, net of related tax effects, plus the cost of unevaluated properties and major development projects excluded from the costs being amortized. If capitalized costs exceed this limit, the excess is charged to expense and reflected as additional accumulated depreciation, depletion, amortization and impairment. In the application of the full-cost method, the term "current price" means the average price during the 12-month period prior to the end of the entity's fiscal year determined as the un-weighted arithmetical average of the prices on the first day of each month within the 12-month period.

In accordance with SEC Staff Accounting Bulletin ("SAB") No. 103, "Update of Codification of Staff Accounting Bulletins," derivative instruments qualifying as cash flow hedges are to be included in the computation of the limitation on capitalized costs. The Company has not accounted for its derivative contracts as cash flow hedges. Accordingly, the effect of these derivative contracts has not been considered in calculating the full cost ceiling limitation as of April 30, 2012 and 2011.

Depletion, Depreciation and Amortization: Depletion, depreciation and amortization is provided using the unit-of-production method based upon estimates of proved oil and gas reserves with oil and gas production being converted to a common unit of measure based upon their relative energy content. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is deducted from the capitalized costs to be amortized. Once the assessment of unproved properties is complete and when major development projects are evaluated, the costs previously excluded from amortization are transferred to the full cost pool and amortization begins. The amortizable base includes estimated future development costs and where significant, dismantlement, restoration and abandonment costs, net of estimated salvage value.

In arriving at rates under the unit-of-production method, the quantities of recoverable oil and natural gas reserves are established based on estimates made by the Company's geologists and engineers which require significant judgment, as does the projection of future production volumes and levels of future costs, including future development costs. In addition, considerable judgment is necessary in determining when unproved properties

become impaired and in determining the existence of proved reserves once a well has been drilled. All of these judgments may have significant impact on the calculation of depletion expense. There have been no material changes in the methodology used by the Company in calculating depletion of oil and gas properties under the full cost method during the years ended April 30, 2012 and 2011.

As of April 30, 2012, the Company determined it necessary to impair the oil and gas properties by \$16,380,166. Management concluded that an impairment was necessary after analyzing the current capitalization of the Company and analyzing the capital needs of each of the oil and gas projects. Management's assessment was based on its lack of success in raising funds necessary to commercialize its assets. The Company impaired the assets to salvage values.

As of April 30, 2011, the Company performed a ceiling test calculation to assess the ceiling limitation of the proved oil properties in Missouri and determined that its net capitalized costs for the Missouri projects exceeded the ceiling limitation. As a result, the Company recorded an impairment charge of \$9,066,590 (2010 - \$nil) on the Missouri projects.

PETRO RIVER OIL CORP

(formerly Gravis Oil Corporation)

Notes to the Consolidated Financial Statements

For the year ended April 30, 2012, 2011 and 2010

(United States dollars unless otherwise indicated)

(d) Property and Equipment other than Oil and Gas Properties:

Property and equipment are carried at cost, less accumulated depreciation. Depreciation expense (\$24,303 in 2012 and \$60,465 in 2011, and \$152,720 in 2010) is computed using the straight-line method over the estimated useful lives ranging from 3 to 5 years.

Renewals and improvements that significantly extend the useful lives of the assets are capitalized. Capitalized leased assets and leasehold improvements are depreciated over the shorter of their useful lives or the remaining lease term. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related disposals are credited or charged to operations.

(e) Asset Retirement Obligations:

The Company recognizes a liability for the estimated fair value of site restoration and abandonment costs when the obligations are legally incurred and the fair value can be reasonably estimated. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Company's credit adjusted risk-free interest rate. The obligation is recorded as a liability with a corresponding increase in the carrying amount of the oil and gas assets. The capitalized amount will be depleted on a unit-of-production method. The liability is increased each period, or accretes, due to the passage of time and a corresponding amount is recorded in the statement of operations. Revisions to the estimated fair value would result in an adjustment to the liability and the capitalized amount in oil and gas assets.

(f) Foreign Currency Translation:

Commencing July 30, 2010, the US dollar is the functional currency of the Company and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses are translated to US dollars at rates approximating exchange rates in effect at the time of the transactions. Translation exchange gains and losses resulting from the period-end translation of assets and liabilities denominated in foreign currencies are recorded in other comprehensive income or loss, on the statement of equity. Transaction gains or losses are recognized through earnings.

For periods prior to July 30, 2010, the functional currency of the Company and its subsidiaries was Cdn dollar, which was translated into US dollars, the Company's reporting currency, using the current rate method. Under this method, assets and liabilities are translated at the closing rate in effect at the end of the comparative period; revenues, expenses and cash flows are translated at the average rate in effect for the period; and equity transactions are translated at historical rates. Translation adjustments are included in accumulated other comprehensive loss presented in stockholders' equity.

The Company is exposed to foreign currency fluctuations as it has cash, accounts receivable and accounts payable denominated in Canadian dollars. A 1% change in foreign exchange rates between the US and Canadian dollars would have resulted in a change of approximately \$1,000 in the net loss in 2012 (2011-\$2,425; 2010-\$2,570). There are no exchange rate contracts in place.

PETRO RIVER OIL CORP

(formerly Gravis Oil Corporation)

Notes to the Consolidated Financial Statements

For the year ended April 30, 2012, 2011 and 2010

(United States dollars unless otherwise indicated)

(g) Oil Revenue:

Sales of oil, net of any royalties, are recognized when oil has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. We sell oil on a monthly basis. Virtually all of our contracts' pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of the oil, and prevailing supply and demand conditions, so that the price of the oil fluctuates to remain competitive with other available oil supplies.

(h) Stock-Based Compensation:

Generally, all forms of stock-based compensation, including stock option grants, warrants, and restricted stock grants are measured at their fair value utilizing an option pricing model on the awards' grant date, based on the estimated number of awards that are ultimately expected to vest. Share-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from stock-based compensation are recorded in general and administrative expense in the consolidated statement of operations, depending on the nature of the services provided.

(i) Income Taxes:

The Company follows the asset and liability method of tax allocation accounting. This method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between financial accounting bases and tax bases of assets and liabilities. The tax benefits of tax loss carry-forwards and other deferred taxes are recorded as an asset to the extent that management assesses the utilization of such assets to be more likely than not. Deferred tax assets and liabilities are measured using the tax rate in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates of deferred tax assets and liabilities is recognized in income in the year of the enacted rate change. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes interest and penalties related to uncertain tax positions in the statement of operations. During 2012 the Company incurred penalties and interest of approximately \$32,000 with the Canadian Revenue Agency. Through October 15, 2012, the Company has paid \$10,000 of the outstanding penalties and interest. As of April 30, 2011 and 2010 there were no charges for interest and penalties.

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For the year ended April 30, 2012, 2011 and 2010

(United States dollars unless otherwise indicated)

(j) Per Share Amounts:

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. In periods when losses are reported, which is the case for all periods presented in these consolidated financial statements, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. Common share equivalents excluded at April 30, 2012, 2011 and 2010 an aggregate of 117,759,023, 120,309,640 and 81,062,750 shares of common stock, respectively.

There is no difference between the basic and diluted per share amounts as the effects of the convertible notes, derivative warrants, Preferred A Warrants, Preferred B share, Preferred B warrants stock options, consulting and compensation warrants are anti-dilutive.

The Company had the following common stock equivalents at April 30, 2012, 2011 and 2010:

As at	April 30 2012	April 30 2011	April 30, 2010
Preferred A Shares	-	-	34,592,950
Preferred A Warrants	19,250,000	19,250,000	15,400,000
Preferred B Shares	8,799,995	10,000,000	20,000,000
Preferred B Warrants	15,399,125	17,500,000	10,000,000
Senior I Notes	12,646,000	11,750,000	-
Senior I Warrants	12,500,000	12,500,000	-
Senior II Notes	23,000,000	23,000,000	-
Senior II Warrants	9,200,000	9,200,000	-
Junior Notes	12,988,903	12,505,340	-
Consulting Warrants	2,720,000	2,720,000	-
Stock Options	775,000	1,404,300	1,069,800
Compensation Warrants	480,000	480,000	-
	<u>117,759,023</u>	<u>120,309,640</u>	<u>81,062,750</u>

(k) Fair Value of Financial Instruments:

All financial instruments, including derivatives, are to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired.

At each balance sheet date, the Company assesses financial assets for impairment with any impairment recorded in the consolidated statement of operations. To assess loans and receivables for impairment, the Company evaluates the probability of collection of accounts receivable and records an allowance for doubtful accounts, which reduces loans and receivables to the amount management reasonably believes will be collected. In determining the amount of the allowance, the following factors are considered: the length of the time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience.

Market risk is the risk that changes in commodity prices will affect the Company's oil sales, each flows or the value of its financial instruments. The objectives of commodity price risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

The Company is exposed to change in oil prices which impact its revenues and to change in natural gas process which impact its operating expenses.

The Company does not utilize financial derivatives or other contracts to manage commodity price risks.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Fair value measurements are categorized using a valuation hierarchy for disclosure of the inputs used to measure fair value, which prioritized the inputs into three broad levels:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

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Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

(l) Derivatives:

The Company evaluates all financial instruments for freestanding and embedded derivatives. Warrants and conversion features related to convertible notes and preferred shares do not have readily determinable fair values and therefore require significant management judgment and estimation. The Company uses the Binomial pricing model to estimate the fair value of warrant and note conversion feature at the end of each applicable reporting period. Changes in the fair value of these derivatives during each reporting period are included in the statement of operations. Inputs into the Binomial pricing model require estimates, including such items as estimated volatility of the Company's stock risk-free interest rate and the estimated life of the financial instruments being fair valued.

(m) Subsequent Events:

The Company evaluates subsequent events through the date when financial statements are issued. The Company, which files reports with the SEC, considers its consolidated financial statements issued when they are widely distributed to users, such as upon filing of the financial statements on EDGAR, the SEC's Electronic Data Gathering, Analysis and Retrieval system.

(n) Reclassifications

Certain amounts in prior periods have been reclassified to conform to current period presentation. The loss from operations decreased by approximately \$10.8 million and \$921,318 in years 2011 and 2010 respectively. The \$10.8 million and \$921,318 were reclassified to other income and expense with no impact on net loss.

(o) Segment Reporting

In accordance with ASC 280 "*Segment Reporting*", operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Our chief decision maker, as defined under the FASB's guidance, is the Chief Executive Officer. It is determined that the Company operates in one business segment and two geographic segments, Canada and the United States of America.

(p) Recent Accounting Pronouncements:

In July 2012, the FASB issued the Accounting Standards Update or ASU, 2012-02, *Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment*, that allows entities to have the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with ASC 350-30. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company does not expect the adoption of these provisions to have a significant effect on its financial statements.

In December 2011, the FASB issued the ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, that deferred the effective date for amendments to the presentation of reclassifications of items out of other comprehensive income. ASU 2011-12 was issued to allow the FASB time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. During the redeliberation period, entities will continue to report reclassifications out of accumulated other comprehensive income using guidance in effect before ASU 2011-05 was issued. ASU 2011-05 is to be applied retrospectively and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company does not expect the adoption of these provisions to have a material effect on its financial statements.

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5. Oil and Gas Assets:

The following table summarizes the oil and gas assets by project:

Cost	Missouri (a)	Kentucky (b)	Montana (c)	Kansas (d)	Texas (e)	Other (f)	Total
Balance, April 30, 2011	\$ 16,364,000	\$100,000	\$ 75,000	\$98,214	\$ -	\$1,338,616	\$ 17,975,830
Additions	243,409	-	-	-	-	-	243,409
Disposals	(178,339)	-	-	(7100)	-	(246,550)	(431,989)
Depletion	(261,061)	-	-	-	-	-	(261,061)
Impairment	(15,218,009)	(100,000)	-	(91,114)	-	(971,043)	(16,380,166)
Foreign currency translation	-	-	-	-	-	(21,023)	(21,023)
Balance, April 30, 2010	<u>\$ 950,000</u>	<u>\$-</u>	<u>\$ 75,000</u>	<u>\$-</u>	<u>\$ -</u>	<u>\$100,000</u>	<u>\$ 1,125,000</u>

Cost	Missouri (a)	Kentucky (b)	Montana (c)	Kansas (d)	Texas (e)	Other (f)	Total
Balance, May 1, 2010	\$ 24,936,309	\$ 3,215,682	\$ 686,209	\$ 94,613	\$ -	\$1,354,996	\$ 30,287,809
Additions	1,516,465	102,364	-	4,745	-	-	1,623,574
Depletion	(720,740)	-	-	-	-	-	(720,740)
Impairment	(9,066,590)	(3,179,174)	(602,913)	-	-	-	(12,848,677)
Foreign currency translation	(301,444)	(38,872)	(8,296)	(1,144)	-	(16,380)	(366,136)
Balance, April 30, 2011	<u>\$ 16,364,000</u>	<u>\$ 100,000</u>	<u>\$ 75,000</u>	<u>\$ 98,214</u>	<u>\$ -</u>	<u>\$1,338,616</u>	<u>\$ 17,975,830</u>

Cost	Missouri (a)	Kentucky (b)	Montana (c)	Kansas (d)	Texas (e)	Other (f)	Total
Balance, April 30, 2009	\$ 22,462,582	\$ 2,695,991	\$ 1,273,963	\$ 83,803	\$ 251,460	\$1,529,053	\$28,296,852
Additions	714,821	49,223	15,413	-	-	5,557	785,014
Recoveries and transfers	38,311	-	-	(3,200)	(323)	(4,719)	30,069
Disposition	(2,011,529)	-	-	-	-	(379,548)	(2,391,077)
Depletion	(95,815)	-	-	-	-	-	(95,815)
Impairment	-	-	(816,696)	-	(290,237)	(55,612)	(1,162,545)
Foreign currency translation	3,827,939	470,468	213,529	14,010	39,100	260,265	4,825,311
Balance, April 30, 2010	<u>\$ 24,936,309</u>	<u>\$ 3,215,682</u>	<u>\$ 686,209</u>	<u>\$ 94,613</u>	<u>\$ -</u>	<u>\$1,354,996</u>	<u>\$ 30,287,809</u>

During the year ended April 30, 2012, the Company capitalized approximately \$121,000 (2011-\$181,000; 2010 - \$161,000), of administrative costs and \$nil (2011-\$9,945; 2010 - \$50,846), of stock-based compensation costs, which have been included as part of the Missouri project additions.

In conjunction with the Preferred B Option (note 11), for a period which is the latter of the Series B Preferred Shares (or the underlying investment rights to buy Series B Preferred Shares) being outstanding or August 28, 2011, Mega Partners 1, LLC ("MP1"), an entity controlled by a Director of the Company who was elected September 7, 2012, held rights to acquire additional property interests as follows:

- MP1 has the option to acquire up to a 20% proportionate interest in any of the Company's properties outside of the Deerfield Area by paying a proportionate 133% of the Company's costs-to-date in respect of such property.
- MP1 has the option to participate with the Company in any future oil and gas property acquisitions for a proportionate 20% share of any such acquisitions.

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(a) *Missouri*

Effective July 1, 2010, Petro reacquired the 10% working interest in the Company's Marmaton River and Grassy Creek projects it had sold during fiscal 2010 to MP1, in exchange for a 2.75% gross overriding royalty interest on the projects. Following this acquisition, Petro has a 100% working interest in both projects.

MP1 retains the option to acquire up to a 10% interest in future projects within the Deerfield Area, on a project by project basis, by paying up to a US \$300,000 equalization payment per project and thereafter its proportionate share of all future development and operating costs in respect of such project, including a proportionate share of facility costs.

As of April 30, 2012, the Company determined it necessary to impair the oil and gas properties by \$15,218,009. Management concluded that an impairment was necessary after analyzing the current capitalization of the Company and analyzing the capital needs of each of the oil and gas projects. Management's assessment was based on its lack of success in raising funds necessary to commercialize its assets. The Company impaired the assets to salvage values.

As of April 30, 2011 the company performed a ceiling test calculation to assess the ceiling limitation of the proved oil properties in Missouri and determined that its net capitalized costs for the Missouri projects exceeded the ceiling limitation. As a result, the Company recorded an impairment charge of \$9,066,590 (2010 - \$nil) on the Missouri projects.

During 2012, the Company earned an average price of \$76.75 per barrel of oil equivalent (boe) (2011 -\$59; 2010 -\$52.90) and incurred operating expenses of \$351.71 per boe (2011 -\$130.70; 2010 -\$132.80). The Company's 2012 depletion rate was \$46.75 per boe (2011 -\$27.15; 2010 -\$6.02).

(b) *Kentucky*

The Company has a 37.5% working interest in the shallow rights and an additional 37.5% working interest in the deep rights in certain oil and gas leases totaling approximately 29,147 unproved net mineral acres (10,930 net acres).

On September 21, 2010, the Company and its 62.5% working interest partner (together the "Farmor") signed a farm-out agreement for their interest in 5,100 net acres in the Little Muddy Area of Butler County, Kentucky.

On December 4, 2010, this farm-out agreement was expanded to cover the full 29,147 unproved net mineral acres. All acreage leased in Kentucky by the Farmor and the Farmee in Butler, Warren, Edmonson and Muhlenberg counties shall be pooled and be subject to the new agreement, including approximately 1,000 net acres owned by the Farmee which are contiguous with Farmor's leases.

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In 2011, the Farmee, at its sole cost, will drill, test and complete or abandon wells at locations of its choice on the joint lands, test production technologies and construct any production facilities required. Upon Farmee recovering all of its project development costs out of 100% of the working interest revenue attributable to each production project on the joint lands, the working interest in, and revenue from, each such project will be shared 50% by the Farmee and 50% by the Farmor (Petro 18.75%, working interest partner 31.25%). During each year of the 4-year term of this agreement, the Farmee is required to pay all lease rentals attributable to the joint lands and drill a sufficient number of wells to hold a minimum of 15% of the joint lands. The parties will share any sale proceeds from the pooled lands, net of cost recovery, in proportion to their respective working interests.

During the year ended April 30, 2012, the Company recorded an impairment charge of \$100,000 (2011 -\$3,179,174; 2010 - \$nil) on the Kentucky project as a result of the lack of development activity by the Farmee and the curtailment of Company plans to continue exploration on the project due to a lack of available capital. As a result of these factors and to help raise capital for other purposes the Company is seeking to dispose of its interest in this property. To date no offers have been received on the property and the amount that may be ultimately realized is uncertain.

(c) *Montana*

The Montana leasehold is in the Devils Basin prospect and totals 1,175 gross acres (881 net). Petro currently owns a 75% working interest in this prospect. Gravis has no immediate plans to develop this property. On April 17, 2012 the Teton Prospect leases totalling 2,807 gross acres (1137 net) expired.

During the year ended April 30, 2012 the Company recorded an impairment charge of \$nil (2011 -\$602,913; 2010 - \$816,696) on the Montana project. The 2011 impairment was recorded due to the expiry of leases and curtailment of plans to continue exploration on the lands in the near term because of the lack of capital available for this project. The remaining costs represent the Company's estimate of the fair value of the leases as determined by sales in the area for long term leases with farmout potential and related seismic value.

(d) *Kansas*

The Chetopa project consists of a 100% interest in two oil and gas leases covering 385 net mineral acres located two miles south of Chetopa, Kansas. The project was suspended in fiscal 2009. On April 2, 2012, the Company sold its suspended Chetopa pre-commercial heavy oil demonstration project including certain oil and gas equipment and a 100% interest in one oil and gas lease covering 320 net acres for cash consideration of \$7,100 and for a royalty of \$5 per bbl. on future production with a royalty cap of \$1,000,000. One lease of 65 acres expired during the year ended April 30, 2012. During the year ended April 30, 2012 the Company recorded an impairment charge of \$91,114 (2011 -\$nil; 2010 - \$nil).

(e) *Texas*

At April 30, 2012 all the Company's Texas leases are expired. The Company has recorded an abandonment liability of \$260,482 with respect to five remaining wells and leases. During the years ended April 30, 2011 and 2010, the Company recorded an impairment change of \$nil and \$290,237, respectively.

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(f) *Other*

Other property consists primarily of four used steam generators and related equipment that will be assigned to future projects. In March of 2012, the Company sold one of its five steam generators, located in Lloydminster, Alberta for cash consideration of \$219,154. During the year ended April 30, 2012, the Company recorded an impairment charge of \$971,043 (2011 - \$nil; 2010 - \$55,612).

6. Related Party Long-term Receivable:

The \$302,536 (April 30, 2011 - \$294,862; April 30, 2010) long-term receivable is for capital and operating costs owing from MP1 on the Marmaton River and Grassy Creek projects in Missouri. MP1 is controlled by one of the Company's Directors who was appointed a Director of the Company on September 7, 2012. In July 2010, the Company and MP1 entered into an arrangement whereby the Company reacquired the remaining 10% working interest in the projects in exchange for a 2.75% gross overriding royalty ("GOR"). Under this arrangement, the Company will recover the balance owing from 50% of the GOR payments to the partner. During the time the receivable is outstanding, the Company earns interest on the outstanding balance at the U.S bank prime rate plus 3%. Included in the reported amount receivable is \$32,514.29 of interest earned on the outstanding balance (2011- \$15,050; 2010 - \$nil). As of April 30, 2012, the outstanding receivable of \$302,536 was fully reserved for \$302,536. In addition, the Company ceased to record additional interest on the receivable as of April 30, 2012.

7. Natural Gas Purchase Line of Credit Agreement:

The Company had a natural gas purchase line of credit agreement for the sole purpose of buying natural gas to fuel the steam generators on its Marmaton River and Grassy Creek projects. The line of credit was repaid in February 2011 and then terminated.

8. Asset Retirement Obligations:

The total future asset retirement obligation was estimated based on the Company's ownership interest in all wells and facilities, the estimated legal obligations required to retire, dismantle, abandon and reclaim the wells and facilities and the estimated timing of such payments. The Company estimated the present value of its asset retirement obligations at April 30, 2012 and 2011 based on a future undiscounted liability of \$952,292 and \$1,208,293, respectively. These costs are expected to be incurred within one to 24 years. A credit-adjusted risk-free discount rate of 10% and an inflation rate of 2% were used to calculate the present value.

Changes to the asset retirement obligation were as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 727,336	\$ 767,540
Additions	-	42,197
Disposition	(165,325)	-
Revisions	-	(143,268)
Accretion	65,061	60,867
	<u>627,072</u>	<u>727,336</u>
Current portion for cash flows expected to be incurred within one year	(260,482)	(205,700)
Long-term portion, end of year	<u>\$ 366,590</u>	<u>\$ 521,636</u>

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As at April 30, 2012, the Company has \$25,000 (2011 -\$143,696) of reclamation deposits with authorities to secure certain abandonment liabilities in Missouri.

Expected timing of asset retirement obligations:

	Year Ended April 30	
2013		260,482
2014		122,222
2015		135,556
2016		75,556
Thereafter		358,476
		952,292
Effect of discount		(325,220)
Total		<u>\$ 627,072</u>

9. Convertible Notes:

In July 2010, the Company closed a financing with a group of its existing shareholders for US \$2.5 million of funding. The transactions included the issuance of \$2.5 million in senior secured convertible notes ("Senior I Notes"), the conversion of the outstanding Preferred A Shares into approximately \$2.5 million junior secured convertible notes ("Junior Notes") and the reacquisition of a 10% working interest in the Marmaton River and Grassy Creek projects from MPI in exchange for a 2.75% gross overriding royalty on these properties.

On December 28, 2010, January 31, 2011 and March 7, 2011, the Company issued an aggregate of \$4.6 million senior secured convertible notes ("Senior II Notes").

The Senior I and Senior II Notes are senior obligations of the Company secured by the oil and gas assets in the state of Missouri. The Junior Notes are secured by the same assets, but rank behind the Senior I and II Notes in priority.

The investors in the Senior I Notes and the Junior Notes were extended full anti-dilution protection on all convertible securities, including notes and warrants.

For a period of one year following the closing date of each note, the investors in the notes have a right to participate in future financings of the Company.

In the event the Company issues common shares or securities convertible into or exercisable for common shares at a price per share or conversion or exercise price less than the conversion or exercise prices agreed to for each note, the conversion price of the notes and the exercise price of the warrants automatically reduce to such lower prices. The number of warrants outstanding will be increased such that the expected exercise proceeds remain unchanged.

The Company incurred \$327,752 of loan fees for the issuance of Senior and Junior Notes which are presented as a deferred asset on the balance sheet and recognized as an expense over the term of the respective notes. During the years ended 2012, 2011 and 2010, the Company recognized \$172,288, \$100,357 and \$nil as expense.

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The table details the amounts recognized for the Senior and Junior Notes at the date of issuance:

	Face value of the Notes	Carrying amount of the Notes	Conversion feature	Senior warrants
Senior I Notes	\$ 2,500,000	\$ 1,245,490	\$ 327,790	\$ 926,720
Senior II Notes	4,600,000	3,090,820	627,830	881,350
	<u>7,100,000</u>	<u>4,336,310</u>	<u>955,620</u>	<u>1,808,070</u>
Junior Notes	2,501,069	1,573,489	927,580	-
	<u>\$ 9,601,069</u>	<u>\$ 5,909,799</u>	<u>\$ 1,883,200</u>	<u>\$ 1,808,070</u>

The conversion feature and senior warrants amounts recognized are the fair values of the derivative components at issuance date, with the remainder of the proceeds being attributed to the liability components of the notes.

The table details the continuity of convertible notes for the years ended April 30, 2012 and 2011:

	Face Value of the Notes	Carrying amount of the Notes
Balance, May 1, 2010	\$ -	\$ -
Issued	9,601,069	5,909,799
Interest and accretion	-	856,307
Conversion of Senior I Notes	(150,000)	(99,843)
Balance, April 30, 2011	<u>9,451,069</u>	<u>6,666,263</u>
Issued		
Interest and accretion	-	2,155,459
Accrued interest applied to principal	275,911	275,911
Balance, April 30, 2012	<u>9,726,980</u>	<u>9,097,633</u>
Senior I Note current portion	(2,529,200)	(2,529,200)
Long-term portion	<u>\$ 7,197,781</u>	<u>\$ 6,568,433</u>

(a) *Senior I Notes*

The Senior I Notes pay interest quarterly at an annual rate of 8% in cash or 12% in additional Senior I Notes at the Company's option until January 30, 2011 and at the holder's option thereafter. The Senior I Notes mature on January 30, 2012 (currently in default) and are convertible at any time at the holder's option at a conversion price of \$0.50 per common share. The Senior I Notes are also redeemable in cash at any time at the Company's option or convertible into common shares at the Company's option if certain conditions have been met. In the event of redemption before the end of the term, there will be a 5% repayment premium. Note holders may elect to receive the redemption amount in common shares at the conversion price.

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In addition, one warrant was issued to the Senior I Note holders for each \$0.50 principal amount of the Senior I Notes for a total of 5,000,000 Senior I Warrants ("Senior I Warrants"). The Senior I Warrants were initially exercisable at \$0.50 per share until July 29, 2013. On December 28, 2010, upon the issuance of Senior II notes and Senior II warrants, the conversion price of the Senior I Notes was reduced to \$0.20 per share and the number of Senior I Warrants was increased to 12,500,000 and the exercise price reduced to \$0.20 per share.

The fair values of the conversion feature and Senior I Warrants were estimated using the Black-Scholes pricing model based on a risk-free rate of 0.29% - 0.84%, expected volatility of 75% - 100%, and an expected life of 18 months to 3 years.

In March and April 2011, the Company issued 750,000 common shares on the conversion of \$150,000 principal amount of Senior I Notes for which \$184,373 was credited to share capital (note 12) comprised of a \$99,843 pro-rata portion of the liability and \$84,530 of the conversion feature.

During the years ended April 30, 2012, 2011 and 2010, the Company accreted the debt discount in the amount of \$773,914, \$480,596 and \$nil respectively. The Company recorded 15% default interest during the years ended April 30, 2012 and 2011.

(b) *Senior II Notes*

The Senior II Notes pay interest quarterly at an annual rate of 8% in cash or 12% in additional Senior II Notes at the Company's option for the first six months after closing and at the holder's option thereafter. The Senior II Notes mature on June 28, 2012 and are convertible at any time at the holder's option at a conversion price of \$0.20 per common share. The Senior II Notes are also redeemable in cash at any time at the Company's option or convertible into common shares at the Company's option if certain conditions have been met. In the event of redemption before the end of the term, there will be a 15% premium due on the investment amount. Note holders may elect to receive the redemption in common shares at the conversion price.

In addition, one warrant has been issued to the Senior II Note holders for each \$0.50 principal amount of the Senior Notes for a total of 9,200,000 Senior II Warrants ("Senior II Warrants"). The Senior II Warrants have an exercise price of \$0.25 per share, of which 2,400,000 are exercisable until December 28, 2013, 5,600,000 are exercisable until January 31, 2014 and 1,200,000 are exercisable until March 7, 2014.

The fair values of the conversion feature and Senior II Warrants were estimated using the Black-Scholes pricing model based on a risk-free rate of 0.28% - 1.15%, expected volatility of 120% - 130%, and an expected life of 18 months to 3 years.

As at April 30, 2011, \$658,000 of Senior II Note proceeds were held in an escrow account. This amount is made available to the Company upon written request by the board of directors. The escrow was released during the year ended April 30, 2012.

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During the years ended April 30, 2012, 2011 and 2010, the Company accreted the debt discount in the amount of \$972,222, \$243,382 and \$nil, respectively. The Company recorded 15% default interest during the years ended April 30, 2012 and 2011.

(c) Junior Notes

The Junior Notes pay interest quarterly at an annual rate of 5% in cash or 7.5% in additional Junior Notes at the Company's option until January 30, 2011 and at the holder's option thereafter. The Junior Notes mature on July 30, 2013 and are convertible at any time at the holder's option at a conversion price of \$0.50 per common share. The Junior Notes are redeemable in cash at any time at the Company's option or convertible into common shares at the Company's option if certain conditions have been met. In the event of redemption before the end of the term, there will be a 5% premium due on the investment amount. Note holders may elect to receive the redemption amount in common shares at the conversion price.

On December 28, 2010, the conversion price of the Junior Notes was reduced to \$0.20 per share pursuant to the terms described above.

The fair value of the conversion feature was estimated using the Black-Scholes pricing model (equivalent value to utilizing binomial models) based on a risk-free rate of 0.84%, expected volatility of 100%, and an expected life of 3 years.

During the years ended April 30, 2012, 2011 and 2010, the Company accreted the debt discount in the amount of \$409,324, \$132,329 and \$nil, respectively. The Company recorded 15% default interest during the years ended April 30, 2012 and 2011.

10. Derivatives

The table summarizes the Company's derivative instruments:

	Preferred A Warrants	Preferred B Shares	Preferred B Option/Warrants	Note conversion features	Warrants	Consulting warrants	Total
Balance, May 1, 2010	\$ 740,269	\$ -	\$ 590,640	\$ -	\$ -	\$ -	\$ 1,330,909
Preferred B Option (b)	-	-	10,894	-	-	-	10,894
Consulting Warrants (c)	-	-	-	-	-	166,810	166,810
Senior I Notes (note 10)	-	-	-	327,790	926,720	-	1,254,510
Senior II Notes (note 10)	-	-	-	627,830	881,350	-	1,509,180
Junior Notes (note 10)	-	-	-	927,580	-	-	927,580
Conversion of Senior I Notes	-	-	-	(84,530)	-	-	(84,530)
Change in fair value	2,479,431	-	4,520,760	1,070,960	988,820	324,570	9,384,541
Balance, April 30, 2011	3,219,700	-	5,122,294	2,869,630	2,796,890	491,380	14,499,894
Exercise of Preferred B Options (b)	-	-	(4,846,941)	-	-	-	(4,846,941)
Expiry of Preferred B Options (b)	-	-	(661,259)	-	-	-	(661,259)
Issuance of Preferred B shares and warrants (b)	-	1,662,100	3,677,600	-	-	-	5,339,700
Change in fair value	(3,038,040)	(1,635,701)	(3,014,510)	(2,697,876)	(2,707,058)	(480,591)	(13,573,776)
Balance, April 30, 2012	<u>\$ 181,660</u>	<u>26,399</u>	<u>\$ 277,184</u>	<u>\$ 171,754</u>	<u>\$ 89,832</u>	<u>\$ 10,789</u>	<u>\$ 757,618</u>

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The fair values of derivative instruments were estimated using the Binomial pricing model based on the following weighted-average assumptions:

	Preferred A Warrants	Preferred B Option/Shares/Warrants	Conversion Feature Derivative	Senior Warrants	Consulting Warrants
Risk-free rate	0.27%-1.01%	0.34%-1.01%	0.32%-0.38%	0.20%-0.78%	0.20%-0.90%
Expected volatility	100%-104%	100%-104%	104%	104%-113%	104%-122%
Expected life	2.3-3.3 years	2.0-5 years	1.2-1.4 years	1.2-2.5 years	1.2-2.6 years

The following table summarizes derivative warrants outstanding and exercisable as at April 30, 2012:

Issuance	Number of Warrants	Weighted Avg. Exercise Price	Weighted Avg. Life Remaining
Preferred A Warrants	19,250,000	\$ 0.20	2.33 years
Preferred B Warrants	15,399,125	0.20	4.10 years
Senior I Warrants	12,500,000	0.20	1.25 years
Senior II Warrants	9,200,000	0.25	1.75 years
Consulting Warrants	2,720,000	0.25	1.56 years
	<u>59,069,125</u>	<u>\$ 0.21</u>	2.50 years

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(a) *Preferred A Warrants:*

In conjunction with the Preferred A Shares issuance in August 2009, the Company issued 15,400,000 warrants (the "Preferred A Warrants") to the Series A investors. Each Preferred A Warrant allows the holder to purchase a common share at \$0.25 per share until August 28, 2014. After May 28, 2010 a cashless conversion option was available only with respect to Preferred A Warrant shares not included for unrestricted public resale in an effective registration statement on the date notice of exercise is given to the Company. All of the Preferred A Warrants are outstanding as at April 30, 2012 and the Company has no effective registration statement in effect related to the Preferred A Warrant shares.

The Preferred A Warrants have similar round-down provisions as the Senior warrants, as a result of which the number of Preferred A Warrants was increased to 19,250,000 at an exercise price of \$0.20 on December 28, 2010.

(b) *Preferred B Option:*

On August 28, 2009, in conjunction with the Preferred A Share issuance, the Junior Note holders (then holders of Preferred A Shares) received an option to purchase up to 20,000 Series B convertible preferred shares ("Preferred B Shares") for a stated value of \$100 each until November 24, 2010 (extended until June 7, 2011). Each Preferred B Share is convertible into common shares without payment of additional consideration on the basis of 500 common shares for each Preferred B Share converted. (the "Preferred B Option").

On June 7, 2011, 17,599 Preferred B Options were exercised for gross proceeds of \$1,759,900 (convertible into 8,799,995 common shares) and the remaining 2,401 Preferred B Options expired. On June 7, 2011, the date of exercise of Preferred B option, the Company revalued the fair value of Preferred B Option and change in fair value of Preferred B option of \$(385,906) was recorded in earning. The fair value of exercised and expired portion of Preferred B option of \$5,508,200 and proceeds of \$1,759,900 were recorded as additional paid in capital

In conjunction with the exercise of the Preferred B Options, the Company issued 15,399,125 common share purchase warrants ("Preferred B Warrants") on the basis of 875 Preferred B Warrants for each Preferred B Share purchased. Each warrant allows the holder to purchase a common share at \$0.20 per share until June 7, 2016. After nine months from the date of issuance, a cashless conversion option is provided only with respect to warrant shares not included for unrestricted public resale in an effective registration statement on the date notice of exercise is given to the Company.

The Preferred B Shares and the Preferred B Warrants contained full ratchet provisions in which the conversion prices could be reset in the event of a subsequent down round issuance. In accordance with ASC 815-40-55, these ratchet provisions were bifurcated from the host instrument, valued utilizing a Binomial pricing model and recorded as a derivative liability.

The fair value of Preferred B Shares and Warrants was estimated on the date of issuance at \$5,339,700 using a Binomial pricing model based on a risk-free rate of 1.59%, expected volatility of 100%, and an expected life of 2-5 years.

(c) *Consulting Warrants:*

During 2010, the Company issued the warrants to consultants for professional services:

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Date of Issue	Number of Warrants	Exercise Price	Expiry Date	Fair Value	
				Issue Date	April 30 012
July 30, 2010	720,000	\$ 0.25(1)	July 30, 2013	\$ 81,510	\$ 1,731
December 28, 2010	2,000,000	\$ 0.25	December 28, 2013	85,300	9,053
	<u>2,720,000</u>			<u>\$ 166,810</u>	<u>\$ 10,789</u>

(1) On December 28, 2010, the number of warrants was increased from 360,000 to 720,000 and the exercise price was reduced from \$0.50 to \$0.25 per share pursuant to the ratchet terms in the consulting warrants. As of April 30, 2012, the warrant holder was also due \$250,000. The warrant holder is no longer in business and the debt has been extinguished.

11. Stockholders' Deficiency:

The authorized capital of the Company consists of 2,250,000,000 common shares par value \$0.00001 per share and 5,000,000 preferred shares par value \$0.00001 per share. Effective June 20, 2011, the Company's equity was reverse-split on a one-for-ten basis. All common share, preferred share, warrant and stock option figures disclosed herein are reported on a post reverse-split basis.

Preferred A Shares

On August 28, 2009, the Company issued 2,200 Series A convertible preferred shares (the "Preferred A Shares"), with a stated value of \$100 for gross proceeds of \$2,200,000 and convertible into common shares at \$0.07 per common share.

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The Preferred A Shares carried a cumulative quarterly dividend of 5% payable in cash or, at the Company's discretion, of 7.5% payable in additional Preferred A Shares. At July 30, 2010, the Company had declared a total of \$301,069 (April 30, 2010 - \$218,795) of accumulated dividends. On July 30, 2010, the Company exchanged 2,200 Preferred A Shares and \$301,069 of accumulated dividends for \$2,501,069 of Junior Notes through a transaction with existing shareholders. Dividends were calculated at 15% pursuant to the Preferred Share Subscription Agreement as the Company was in default on paying dividends as they came due on a quarterly basis. In conjunction with the exchange, the Company recorded a deemed dividend of \$537,533 to shareholders for the difference between the \$1,963,536 carrying value of the preferred shares and the \$2,501,069 fair value of the convertible note on the exchange date.

(c) Preferred B Shares:

The Company has 29,500 Preferred B Shares authorized.

On June 7, 2011, the Company issued 17,599 Series B convertible preferred shares (the "Preferred B Shares"), with a stated value of \$100 for gross cash proceeds of \$1,759,900 and convertible into common shares at \$0.20 per common share.

The Preferred B Shares carried a cumulative quarterly dividend of 5% payable in cash or, at the Company's discretion, of 150% of the 5% dividend payable in additional Preferred B Shares. As at April 30, 2012, 2011 and 2010, the Company had declared a total of \$367,004, \$nil and \$nil, respectively, of accumulated dividends. A portion of the dividends were calculated at 15% (instead of 5%) pursuant to the Preferred B Share Subscription Agreement as the Company did not make the dividend payment when it became due on a quarterly basis.

12. Stock Based Compensation:

Petro has two equity incentive plans. The number of shares reserved for issuance in aggregate under both plans is limited to 10% of the issued and outstanding common shares of Petro. The exercise price, term and vesting schedule of stock options granted are set by the board of directors at the time of grant. Stock options granted under the plans can be exercised on a cashless basis, whereby the employee receives a lesser amount of shares in lieu of paying the exercise price based on the quoted market price of the shares on the exercise date.

The following table summarizes the changes in stock options:

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	Number of Options	Weighted Avg. Exercise Price
Outstanding May 1, 2009	747,850	\$ 4.10
Granted	413,200	1.40
Forfeited	(91,250)	(4.90)
Outstanding, April 30, 2010	1,069,800	3.00
Granted	1,302,000	0.50
Expired	(213,500)	(4.90)
Forfeited	(304,000)	(2.50)
Cancelled	(450,000)	(2.80)
Outstanding, April 30, 2011	1,404,300	0.60
Granted	100,000	0.50
Expired	(52,950)	0.15
Forfeited	-	-
Cancelled	(676,350)	(0.55)
Outstanding, April 30, 2012	<u>775,000</u>	<u>\$ 0.52</u>

During fiscal 2010, the Company granted 413,200 stock options to certain employees, consultants and directors with a three-year term at exercise prices ranging from \$1.00 to \$1.80 per share. These options vest 25% six months from the grant date and 25% on each of the first, second and third anniversaries of the grant date.

On January 1, 2011, the Company granted 500,000 stock options exercisable at \$0.50 per share. These options vest in three equal tranches on the first, second and third anniversaries of the grant date and expire on January 1, 2015.

On April 5, 2011, the Company granted 802,000 stock options exercisable at \$0.50 per share of which 772,500 options vest immediately and 29,500 options vest in three equal tranches on the first, second and third anniversaries of the grant date. These options expire on April 5, 2014.

On June 30, 2011, the Company granted 100,000 stock options to the interim chief executive officer exercisable at \$0.50 per share. The options vest in three equal tranches on the first, second and third anniversaries of the grant date. These options expire on June 30, 2015.

As at April 30, 2012, total compensation cost related to non-vested stock options not yet recognized is \$31,571 which will be recognized over a weighted average period of 2.00 years.

The fair value of options granted was determined using the Binomial pricing model with the weighted average following assumptions:

	2012	2011	2010
Fair value per option	\$ 0.34	\$ 0.27	\$ 1.58
Expected volatility	130%	130%	214%
Risk-free rate	0.81%	1.41%	2.57%
Forfeiture rate	0%	15%	10%
Dividend rate	0%	0%	0%
Expected life	4.0 years	3.4 years	3 years

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The following table summarizes information about the options outstanding and exercisable at April 30, 2012:

Exercise Price	Options Outstanding			Options Exercisable		
	Options	Weighted Avg. Life Remaining	Weighted Avg. Exercise Price	Options	Weighted Avg. Exercise Price	
\$ 0.50	757,500	1.96 years	\$ 0.50	650,833	\$ 0.50	0.50
\$ 1.50	17,500	0.58 years	\$ 1.50	13,125	\$ 1.50	1.50
	<u>775,000</u>	<u>1.90 years</u>	<u>\$ 0.52</u>	<u>663,958</u>	<u>\$ 0.52</u>	<u>0.52</u>
Aggregate Intrinsic Value	<u>\$ -</u>			<u>\$ -</u>		

Intrinsic value is the Company's current per share fair value as quoted on the Over the Counter Bulletin Board on the balance sheet date less the current exercise price.

In April 2011, the Company granted 480,000 warrants to certain officers and directors as recognition of past service contributions for which the \$152,010 estimated fair value was recognized on the date of issuance. The warrants are exercisable at \$0.50 per share until April 5, 2014

	Number of Warrants	Weighted Avg. Exercise Price	Weighted Avg. Life Remaining At April 30, 2012
Outstanding, May 1, 2010	-	\$ -	-
Granted	480,000	0.50	2.9 years
Outstanding and exercisable, April 30, 2011	480,000	0.50	2.9 years
Granted	-	-	-
Outstanding and exercisable, April 30, 2012	<u>480,000</u>	<u>\$ 0.50</u>	<u>1.9 years</u>
Aggregate Intrinsic Value	<u>\$ -</u>	<u>-</u>	<u>-</u>

The fair value of compensation warrants was estimated using the Black-Scholes pricing model with the following assumptions: 0% dividends, 130% expected volatility, 15% forfeiture rate, 1.33% risk-free interest rate and an expected life of 3 years.

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13. Income Taxes:

The Company files federal and provincial income tax returns in Canada, and federal and state and local income tax returns in the U.S. The Company may be subject to a reassessment of federal and provincial income taxes by Canadian tax authorities for a period of four years from the date of the original notice of assessment in respect of any particular taxation year. For Canadian income tax returns, the open tax years range from 2008 to 2012. The U.S. federal statute of limitations for assessment of income tax is closed for the tax years ending on or prior to April 30, 2008. In certain circumstances, the U.S. federal statute of limitations can reach beyond the standard three-year period. U.S. state statutes of limitations for income tax assessment vary from state to state. Tax authorities of Canada and U.S. have not audited any of the Company's, or its subsidiaries', income tax returns for the open tax years noted above.

The Company determines its income tax benefits and net deferred income tax asset (liability) based on the Canadian federal and provincial statutory income tax rates as the parent company is a Canadian corporation.

The income tax expense (benefit) consists of the following:

	Years Ended		
	April 30, 2012	April 30, 2011	April 30, 2010
Foreign			
Current	\$ -	\$ -	\$ -
Deferred	3,714,646	(388,258)	567,902
U.S. Federal			
Current	-	-	-
Deferred	(4,804,126)	(5,921,439)	(5,255,419)
U.S. State & Local			
Current	-	-	-
Deferred	(1,110,683)	-	-
Change in valuation allowance	2,200,163	6,309,697	4,687,517
Income tax provision (benefit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Income tax benefits differ from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates to the loss for the year as follows:

	Years Ended		
	April 30, 2012	April 30, 2011	April 30, 2010
Loss for the year			
Canada	\$ (921,009)	\$ (13,027,198)	\$ (4,355,736)
U.S.	(9,182,308)	(16,682,188)	(3,594,623)
	(10,103,317)	(29,709,386)	(7,950,359)
Statutory tax rate	26.00%	27.50%	28.00%
Expected income tax benefit	(2,626,862)	(8,170,081)	(2,226,101)
Increase (decrease) resulting from:			
Non-deductible stock-based compensation	5,816	243,419	127,915
Change in fair market value derivative	(5,175,053)	-	-
Accretion of debt discount for derivatives and warrants	560,419	-	-
Other non-deductible expenses	(109,970)	2,602,228	16,906
Effect of changes in tax rates	(3,145,174)	(1,182,836)	(76,387)
U.S. rate differential	(1,113,355)	-	-
Effect of U.S. operations	9,752	197,573	(2,529,850)
Deferred tax true-up	9,394,264	-	-
Change in valuation allowance	2,200,163	6,309,697	4,687,517
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The components of the April 30 net deferred income tax asset (liability), after applying corporate income tax rates, are as follows:

	2012	2011	2010
Net deferred income tax asset:			
Oil and gas and administrative assets - Canada	\$ (346,795)	\$ (337,824)	\$ (356,868)
Oil and gas and administrative assets - U.S.	15,264,612	20,524,918	16,230,207
Operating losses - Canada	-	3,654,294	3,250,256
Operating losses - U.S.	26,682,497	15,507,383	13,880,655
Share issue costs	161,815	198,663	211,746
Unrealized loss on marketable securities	535,947	515,333	515,333
Unrealized foreign exchange (gain) loss	(913,786)	(878,640)	(856,899)
	41,384,290	39,184,127	32,874,430
Less: valuation allowance	(41,384,290)	(39,184,127)	(32,874,430)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the years ended April 30, 2012, the Company had U.S. federal net operating loss carryovers (“Nol’s”) of approximately \$70,000,000, that are available to offset future taxable income. These loss carryovers expire beginning in 2027. The U.S. net operating loss carryovers may be subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. No such change has occurred to date.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and taxing strategies in making this assessment. Based on this assessment management has established a full valuation allowance against all of the deferred tax assets for every period, since it is more likely than not that all of the deferred tax assets will not be realized.

Under ASC 740, tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. A liability for “unrecognized tax benefits” is recorded for any tax benefits claimed in the Company’s tax returns that do not meet these recognition and measurement standards.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s financial statements as of April 30, 2012, April 30, 2011 and April 30, 2010. The Company does not expect any significant changes in its unrecognized tax benefits within the next twelve months. The Company’s federal and state income tax returns for the years ended April 30, 2008 through April 30, 2011 are subject to examination by the applicable taxing authority.

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14. Related Party Transactions:

The \$302,536 (April 30, 2011 - \$294,862; April 30, 2010) long-term receivable is for capital and operating costs owing from MP1 on the Marmaton River and Grassy Creek projects in Missouri. MP1 is controlled by one of the Company's Directors who was appointed a Director of the Company on September 7, 2012. In July 2010, the Company and MP1 entered into an arrangement whereby the Company reacquired the remaining 10% working interest in the projects in exchange for a 2.75% gross overriding royalty ("GOR"). Under this arrangement, the Company will recover the balance owing from 50% of the GOR payments to the partner. During the time the receivable is outstanding, the Company earns interest on the outstanding balance at the U.S bank prime rate plus 3%. Included in the reported amount receivable is \$32,514.29 of interest earned on the outstanding balance (2011- \$15,050; 2010 - \$nil). As of April 30, 2012, the outstanding receivable of \$302,536 was fully reserved for \$302,536. In addition, the Company ceased to record additional interest on the receivable as of April 30, 2012.

During the year ended April 30, 2012, the Company paid \$94,142 (2011 - \$104,406; 2010 - \$95,919) in professional fees to a law firm, where the former corporate secretary of the Company is a partner.

15. Segment Information:

Petro presently has one reportable business segment, that being oil and gas exploration and exploitation. Petro's corporate and administrative operations are conducted in both Canada and the United States, while all of the oil and gas properties and operations are located in the United States.

	Year ended April 30, 2012		
	Canada	USA	Consolidated
Revenue	\$ -	\$ 436,386	\$ 436,386
Expenses	921,009	9,618,857	10,539,866
Loss	(921,009)	(9,182,471)	(10,103,480)
Oil and gas assets	100,000	1,025,000	1,125,000
Property and equipment	-	8,146	8,146
Oil and gas asset additions	-	243,409	243,409
Oil and gas asset impairment	(971,043)	(15,409,123)	(16,380,166)
Property and equipment additions	-	12,033	12,033

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	Year ended April 30, 2011		
	Canada	USA	Consolidated
Revenue	\$ -	\$ 1,565,963	\$ 1,565,463
Expenses	13,027,198	18,248,151	31,275,349
Loss	(13,027,198)	(16,682,188)	(29,709,386)
Oil and gas assets	1,303,158	16,672,672	17,975,830
Property and equipment	8,333	11,165	19,498
Oil and gas asset additions	-	1,623,574	1,623,574
Oil and gas asset impairment	-	(12,848,677)	(12,848,677)
Property and equipment additions	3,054	-	3,054

	Year ended April 30, 2010		
	Canada	USA	Consolidated
Revenue	\$ 4,224	\$ 1,576,999	\$ 1,581,223
Expenses	4,359,960	5,171,622	9,531,582
Loss	(4,355,736)	(3,594,623)	(7,950,359)
Oil and gas assets	1,319,538	28,968,271	30,287,809
Property and equipment	65,077	14,886	79,963
Oil and gas asset additions	1,515	783,499	785,014
Oil and gas dispositions and recoveries	(384,267)	(1,976,741)	(2,361,008)
Oil and gas asset impairment	(55,612)	(1,106,933)	(1,162,545)
Property and equipment additions	-	7,401	7,401

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16. Fair Value Measurements:

The carrying values of cash and cash equivalents, cash in escrow, restricted cash, accounts payable and accrued liabilities approximate fair values due to their short terms to maturity. The long-term receivable is reported at amortized cost which approximates fair value.

Petro's financial liabilities are reported at fair value as presented in the following tables:

	Carrying Amount	Total Fair Value	Fair Value Measurements Using:		
			Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
April 30, 2012					
Liability portion of convertible notes:					
Current portion	\$ 2,529,200	\$ 2,529,200	\$ -	\$ 2,529,200	\$ -
Long-term portion	6,568,433	7,197,781	-	7,197,781	-
	<u>\$ 9,097,633</u>	<u>\$ 9,726,981</u>	<u>\$ -</u>	<u>\$ 9,726,981</u>	<u>\$ -</u>

April 30, 2012					
Derivatives:					
Consulting warrants	\$ 10,789	\$ 10,789	\$ -	\$ -	\$ 10,789
Junior and Senior Notes and Warrants	261,586	261,586	-	-	261,586
Preferred A Warrants	181,660	181,660	-	-	181,660
Preferred B Option and Shares	303,583	303,583	-	-	303,583
	<u>\$ 757,618</u>	<u>\$ 757,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,618</u>

	Carrying Amount	Total Fair Value	Fair Value Measurements Using:		
			Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
April 30, 2011					
Liability portion of convertible notes:					
Current portion	\$ 1,626,243	\$ 2,049,760	\$ -	\$ 2,049,760	\$ -
Long-term portion	5,040,020	4,464,990	-	4,464,990	-
	<u>\$ 6,666,263</u>	<u>\$ 6,514,750</u>	<u>\$ -</u>	<u>\$ 6,514,750</u>	<u>\$ -</u>

April 30, 2011					
Derivatives:					
Consulting warrants	\$ 491,380	\$ 491,380	\$ -	\$ -	\$ 491,380
Junior and Senior Notes and Warrants	5,666,520	5,666,520	-	-	5,666,520
Preferred A Warrants	3,219,700	3,219,700	-	-	3,219,700
Preferred B Option	5,122,294	5,122,294	-	-	5,122,294
	<u>\$ 14,499,894</u>	<u>\$ 14,499,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,499,894</u>

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended April 30, 2012 and 2011:

	Fair Value Measurement Using Level 3 Inputs	
	Derivative Liabilities	Total
Balance, May 1, 2011	\$ 14,499,894	\$ 14,499,894
Purchases, issuances and settlements	5,339,700	5,339,700
Derivative ceases to exist due to conversion and expiration	(5,508,200)	(5,508,200)
Change in fair value of derivative liability included in net loss	(13,573,776)	(13,573,776)

Transfers in and/or out of Level 3		-	-
Balance, April 30, 2012	\$	<u>757,618</u>	\$ <u>757,618</u>
		Fair Value Measurement Using Level 3 Inputs	
		<u>Derivative Liabilities</u>	<u>Total</u>
Balance, May 1, 2010	\$	1,330,909	\$ 1,330,909
Purchases, issuances and settlements		3,855,824	3,855,824
Derivative ceases to exist due to conversion and expiration		(82,274)	(82,274)
Change in fair value of derivative liability included in net loss		9,395,435	9,395,435
Transfers in and/or out of Level 3		-	-
Balance, April 30, 2011	\$	<u>14,499,894</u>	\$ <u>14,499,894</u>

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The effect of changes in the fair value of the derivatives is included in note 10.

17. Contingency and Contractual Obligations:

(a) Contingency:

In January 2010, the Company experienced a flood in its office premises as a result of a broken water pipe. There was significant damage to the premises rendering them unusable until remediation had been completed by the landlord. Pursuant to the lease contract, the Company has asserted that rent should be abated during the remediation process and accordingly, the Company has not paid rent since December 2009. During the remediation process, the Company engaged an independent environmental testing company to test for air quality and for the existence of other potentially hazardous conditions. The testing revealed the existence of potentially hazardous mold and the consultant provided specific written instructions for the effective remediation of the premises. During the remediation process, the landlord did not follow the consultant's instructions and correct the potentially hazardous mold situation and subsequently in June 2010 gave notice and declared the premises to be ready for occupancy. The Company re-engaged the consultant to re-test the premises and the testing results again revealed the presence of potentially hazardous mold. The Company has determined that the premises are not fit for re-occupancy and considers the landlord to be in default of the lease and the lease terminated.

The landlord disputes the Company's position and has given notice that it considers the Company to be in default of the lease for failure to re-occupy the premises.

In addition, the landlord has claimed that the Company owes monthly rent for the premises from January 2010 to June 30, 2010 in the amount of \$247,348 and has claimed that, as a result of the alleged default, pursuant to the terms of the lease, the Company owes three months accelerated rent in the amount of \$114,837. The landlord has also asserted that the Company would be liable for an amount up to the full lease obligation of \$1,596,329 which otherwise would have been due as follows:

Year Ended April 30	
2011	\$ 473,055
2012	473,055
2013	473,055
2014	177,164
Thereafter	-
Total	<u>\$ 1,596,329</u>

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To date, no legal action has been commenced by the landlord and the cost, if any, to the Company is not determinable. Accordingly, no amounts related to rent or the disputed lease obligation have been recorded in these financial statements.

(b) Severance Obligation:

At April 30, 2012 pursuant to employment agreements with a senior officer, the Company is obligated to pay up to \$206,080 under certain events around employment termination.

18. Subsequent Events:

On June 27, 2012 the Company entered into a non-binding letter of intent with Petro River Oil, LLC ("Petro River"), a privately held Delaware limited liability company that would result in Gravis acquiring Petro River for common stock, the name of the Company changed and the Company re-domiciled to Delaware (the "Merger Transaction"). The letter of intent also contemplates that the board of the Company will consist of 5 members, 4 of which will be nominated by Petro River. It is intended that post- transaction, current common shareholders of the Company will own approximately 2.5% of the issued and outstanding shares of the Company.

On July 16, 2012, the Company entered into a \$250,000 Demand Promissory Note ("Note") with Petro River Oil, LLC. The Note bore interest at 8% per annum and is due two business days after receipt of demand for payment. In an event of default, the Note bears a default rate of 15% per annum. The Note is unsecured.

On September 6, 2012, the Company entered into a \$125,000 Demand Promissory Note ("Note") with Petro River Oil, LLC. The Note bore interest at 8% per annum and is due two business days after receipt of demand for payment. In an event of default, the Note bears a default rate of 15% per annum. The Note is unsecured.

On October 3, 2012, the Company entered into a \$100,000 Demand Promissory Note ("Note") with Petro River Oil, LLC. The Note bore interest at 8% per annum and is due two business days after receipt of demand for payment. In an event of default, the Note bears a default rate of 15% per annum. The Note is unsecured.

During September 2011 and, again, in August 2012, the Company was cease traded by the Alberta and British Columbia Securities Commissions for failure to file certain financial information. The Company made the required filings with regard to the 2011 cease trade orders and the Alberta and British Columbia cease trade orders were rescinded. The Company intends to make the required filings with regard to the 2012 cease trade orders and believes that the Alberta and British Columbia cease trade orders will be rescinded. However, as of the date of the filing of this report the cease trade orders have not been rescinded and no assurances can be given as to when or if they will be rescinded. Until these cease trade orders are rescinded the Company's ability to raise capital is significantly restricted.

Effective September 12, 2012, the Company's authorized capital consisted of 2,250,000,000 shares of common stock, par value \$0.00001 per share, and 5,000,000 shares of preferred stock, par value \$0.00001 per share. The shares of preferred and common stock are retrospectively restated on the accompanying consolidated financial statements.

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On September 11, 2012, the Company re-organized under the laws of the State of Delaware. Prior to September 11, 2012, and at April 30, 2012, we were organized under the laws of Alberta, Canada.

In September of 2011, Petro shut in all operations in Missouri, having been unable to secure sufficient funding on commercially acceptable terms to follow through to commercially successful exploitation of its Missouri reserves. Since that time, the Corporation has actively sought sources of financing, joint ventures, partnerships or other arrangements to allow it to follow through to commercially successful exploitation of its Missouri reserves. In October 2012, as part of a production sharing agreement with Houston based company, hot gas injection has been initiated in one seven well pattern at Petro's Grassy Creek project. For the six month period of the test, Petro assigned to the consulting firm exclusive access to its wells and facilities on the 320 acre Grassy Geek lease for purposes of the test.

Subsequent to the preparation of our Reserves Evaluation Report by GLJ Petroleum Consultants on August 2, 2012, the Corporation held a special meeting of shareholders on September 7, 2012. At that meeting shareholders elected a five member Board of Directors of which four were new to the Board and one was a member of the previous Board. At that meeting shareholders approved the continuance of the Corporation from Alberta to Delaware, as well as a change of name from Gravis Oil Corporation to Petro River Oil Corporation. During the fall of 2011, the Company determined that it did not have sufficient capital to continue development of operation so it suspended all such operations at that time. The Corporation determined that in the absence of a definite source of funds to re-start the Missouri projects in the foreseeable future, it would record an impairment of value of the Missouri properties of US \$15,218,209 resulting in a remaining book value of US \$950,000. It is the Corporation's view and that the Reserves Report prepared by GJL is valid as at April 30, 2012, but that in light of subsequent events and if sufficient financing is not arranged to restart operations at full scale by April 30, 2013, a further downward revision of reserves may be recorded as at April 30, 2013.

19. Supplemental Information on Oil and Gas Operations (Unaudited):

This supplementary oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board ("FASB") Topic 932 - "Extractive Activities - Oil and Gas".

Future development, abandonment and production costs were computed by estimating the expenditures to be incurred in developing, producing, and abandoning proved oil and gas reserves at the end of the year, based on year-end costs. Future income taxes were computed by applying statutory tax rates to the estimated net pre-tax cash flows after consideration of tax basis and tax credits and carry forwards. All of the Company's reserves are located in the United States. For information about the Company's results of operations from oil and gas producing activities, see the accompanying consolidated statements of operations.

There are numerous uncertainties inherent in estimating quantities of proved reserves, projecting future rates of production and projecting the timing of development expenditures, including many factors beyond our control. The reserve data represents only estimates. Reservoir engineering is a subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretations and judgment. All estimates of proved reserves are determined according to the rules prescribed by the SEC. These rules indicate that the standard of "reasonable certainty" be applied to the proved reserve estimates.

This concept of reasonable certainty implies that as more technical data becomes available, a positive, or upward, revision is more likely than a negative, or downward, revision. Estimates are subject to revision based upon a number of factors, including reservoir performance, prices, economic conditions and government restrictions. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of that estimate.

Reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The meaningfulness of reserve estimates is highly dependent on the accuracy of the assumptions on which they were based. In general, the volume of production from oil and natural gas properties we own declines as reserves are depleted. Except to the extent we conduct successful development activities or acquire additional properties containing proved reserves, or both, our proved reserves will decline as reserves are produced. There have been no major discoveries or other events, favorable or adverse, that may be considered to have caused a significant change in the estimated proved reserves as of April 30, 2012. The Company emphasizes that reserve estimates are inherently imprecise. Accordingly, the estimates are expected to change as more current information becomes available. In addition, a portion of the Company's proved reserves are proved developed non-producing and proved undeveloped, which increases the imprecision inherent in estimating reserves which may ultimately be produced.

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The Company retains qualified independent reserves evaluators to evaluate the Company's proved oil reserves. The Company does not have any natural gas reserves. For the years ended April 30, 2012 and 2011 the reports by GLJ Petroleum Consultants ("GLJ") covered 100% of the Company's oil reserves.

Proved oil and natural gas reserves, as defined within the SEC Rule 4-10(a)(22) of Regulation S-X, are those quantities of oil and gas, which, by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether determinable or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Developed oil and natural gas reserves are reserves that can be expected to be recovered from existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and through installed extraction equipment and infrastructure operational at the time of the reserves estimate is the extraction is by means not involving a well. Estimates of the Company's oil reserves are subject to uncertainty and will change as additional information regarding producing fields and technology becomes available and as future economic and operating conditions change.

The following table summarizes the Company's proved developed and undeveloped reserves (all oil) within the United States, net of royalties, as at April 30, 2012, 2011 and 2010:

Oil (MBbls)	2012	2011	2010
Proved reserves as at May 1	463	445	79
Extensions and discoveries	-	46	-
Dispositions	(45)	-	(3)
Production	(6)	(28)	(32)
Revisions of prior estimates	1	-	401
Total Proved reserves as at April 30	<u>413</u>	<u>463</u>	<u>445</u>
Oil (MBbls)	2012	2011	2010
Proved developed producing	-	191	191
Non-producing	203	-	-
Proved undeveloped	210	272	254
Total Proved reserves as at April 30	<u>413</u>	<u>463</u>	<u>445</u>

Note:

(1) This supplementary oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board Topic 932 – "Extractive Activities – Oil and Gas".

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Capitalized Costs Related to Oil and Gas Assets	2012	2011	2010
Proved properties	\$ 10,532,021	\$ 10,474,051	\$ 9,630,780
Unproved properties	105,123,129	105,123,129	104,692,582
	115,655,150	115,597,180	114,323,362
Less: amount impaired	(113,552,534)	(98,143,411)	(85,294,734)
Capitalized cost, net of impairment	2,102,616	17,453,796	29,028,628
Less: accumulated depletion	(1,077,616)	(816,555)	(95,815)
	<u>\$ 1,025,000</u>	<u>\$ 16,637,214</u>	<u>28,932,813</u>
Costs incurred in Oil and Gas Activities:	2012	2011	2010
Development	\$ 243,409	\$ 1,361,890	941,332
Exploration	-	-	-
	<u>\$ 243,409</u>	<u>\$ 1,623,574</u>	<u>779,457</u>

Note:

(1) This supplementary oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board Topic 932 – “Extractive Activities – Oil and Gas”.

Standardized Measure of Discounted Future Net Cash Flows From Proved Oil Reserves and Changes Therein:

The following standardized measure of discounted future net cash flows from proved oil reserves has been computed using the average first-day-of-the-month price during the previous 12-month period, costs as at the balance sheet date and year-end statutory income tax rates. A discount factor of 10% has been applied in determining the standardized measure of discounted future net cash flows. The Company does not believe that the standardized measure of discounted future net cash flows will be representative of actual future net cash flows and should not be considered to represent the fair value of the oil properties. Actual net cash flows will differ from the presented estimated future net cash flows due to several factors including:

- Future production will include production not only from proved properties, but may also include production from probable and possible reserves;
- Future production of oil and natural gas from proved properties may differ from reserves estimated;
- Future production rates may vary from those estimated;
- Future rather than average first-day-of-the-month prices during the previous 12-month period and costs as at the balance sheet date will apply;

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- Economic factors such as changes to interest rates, income tax rates, regulatory and fiscal environments and operating conditions cannot be determined with certainty;
- Future estimated income taxes do not take into account the effects of future exploration expenditures; and
- Future development and asset retirement obligations may differ from those estimated.

Future cash flows relating to proved reserves:	2012	2011	2010
Future cash inflows	\$ 27,858,000	\$ 26,338,000	\$ 26,291,000
Future operating costs	(12,203,000)	(9,686,000)	(10,672,000)
Future development costs	(1,994,000)	(3,345,000)	(3,488,000)
Future asset retirement costs	(146,000)	(141,000)	(139,000)
Future income taxes	-	-	-
Future net cash flows	13,515,000	13,166,000	11,992,000
10% discount factor	(4,168,000)	(3,225,000)	(3,286,000)
Standardized measure	<u>\$ 9,347,000</u>	<u>\$ 9,941,000</u>	<u>\$ 8,706,000</u>

Future net revenues, development, production and restoration costs have been based upon the estimates referred to above. The following tables summarize the Company's future net cash flows relating to proved oil reserves based on the standardized measure as prescribed in FASB Topic 932 - "Extractive Activities - Oil and Gas":

Note:

(1) This supplementary oil and natural gas information is provided in accordance with the United States Financial Accounting Standards Board Topic 932 - "Extractive Activities - Oil and Gas".

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Reconciliation of future cash flows relating to proved reserves:	2012	2011	2010
Undiscounted value as of May 1	\$ 13,166,000	\$ 11,992,000	\$ 472,000
Extensions and discoveries	-	1,308,100	-
Dispositions	(815,000)	-	(17,924)
Production	(166,068)	(1,904,800)	(2,379,900)
Revisions of prior volume estimates	28,436	-	10,806,300
Revisions of pricing	1,301,632	1,770,700	3,111,524
Undiscounted value as at April 30	13,515,000	13,166,000	11,992,000
10% discount factor	(4,168,000)	(3,225,000)	(3,286,000)
Standardized measure	\$ 9,347,000	\$ 9,941,000	\$ 8,706,000

Results of Operations for Oil and Gas Producing Activities

Under full-cost accounting rules, the Company reviews the carrying value of its proved oil and gas properties each quarter. Under these rules, capitalized costs of proved oil and gas properties, net of accumulated DD&A and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and gas reserve, discounted at 10%, plus the lower of cost or fair value of unproved properties included in the costs being amortized, net of related tax effects (the "ceiling"). The rules generally required pricing future oil and gas production at the unescalated average of oil and gas prices, calculated as the un-weighted arithmetical average of the first day of the month realized price for the preceding 12 months. A write-down is required if the "ceiling" is exceeded.

PETRO RIVER OIL CORP.

2012 Equity Compensation Plan

1. Purposes.

- (a) **Eligible Stock Award Recipients.** The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.
- (b) **Available Stock Awards.** The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Stock Options, (iii) Common Stock, (iv) Restricted Stock, and (v) Restricted Stock Units.
- (c) **General Purpose.** The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. Definitions.

(a) “*Affiliate*” means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) “*Board*” means the Board of Directors of the Company.

(c) “*Cause*” for termination of Continuous Service means there exists (i) a reasonable and good faith finding by the Company as determined by it in its sole discretion, of a material and repeated failure of the Participant to provide his or her full business time and attention to his reasonably assigned duties for the Company (including, without limitation, unexcused failure to report for work) for reasons other than the Participant’s death or disability, or the Participant’s gross negligence or willful misconduct; which failure or deficiency remains uncured (if curable) for a period of thirty (30) days following written notice by the Company to the Participant which specifies the reasons for the potential cause determination; (ii) the material breach by the Participant of any of the provisions of his or her employment agreement (if the Participant has an employment agreement with the Company) for reasons other than the Participant’s death or disability, which breach remains uncured (if curable) for a period of thirty (30) days following written notice by the Company to the Participant which specifies the reasons for the potential cause determination; (iii) the conviction of the Participant of, or the entry of a pleading of guilty or nolocontendere by the Participant to, any felony; (iv) the Participant having committed any theft, embezzlement, fraud or other intentional act of dishonesty involving the business of the Company; or (v) any adjudication in any civil suit, or written acknowledgment by the Participant in any agreement or stipulation of the commission of any theft, embezzlement, fraud or other intentional act of dishonesty involving any other person.

(d) “*Change of Control*” an event or series of events resulting in the current holders of more than 50% of the Common Stock of the Company (inclusive of their affiliates) thereafter holding less than 50% of the Common Stock of the Company.

(e) “*Code*” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(f) “*Committee*” means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(g) “**Common Stock**” means the common stock of the Company.

(h) “**Company**” means Petro River Oil Corp, a Delaware corporation.

(i) “**Consultant**” means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or(ii) who is a member of the Board of Directors of an Affiliate. However, the term “Consultant” shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director’s fee by the Company for their services as Directors.

(j) “**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(k) “**Covered Employee**” means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(l) “**Director**” means a member of the Board of Directors of the Company.

(m) “**Disability**” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(n) “**Employee**” means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

(o) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(p) “**Fair Market Value**” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on a NASDAQMarket or quoted on the Over the Counter Bulletin Board, the Fair Market Value of a share of Common Stock shall be the closing sales price (last trade) for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(q) **“Good Reason”** means, without the written consent of the Participant, (i) a material reduction by the Company in the Participant’s duties or position, (ii) a reduction of the Participant’s compensation or benefits as set forth in the Company’s benefits policies as of the date hereof or in Participant’s employment agreement, (iii) the relocation of the Participant’s principal place of employment by more than 50 miles, or (iv) any material breach by the Company of the Participant’s employment agreement, if any. Prior to a termination of Continuous Service with good reason, the Company shall have thirty (30) days to cure the deficiency or deficiencies related to the potential good reason determination.

(r) **Not used.**

(s) **“Non-Employee Director”** means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(t) **“Non-statutory Stock Option”** means an Option not intended to qualify as an Incentive Stock Option.

(u) **“Officer”** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(v) **“Option”** means a Stock Option granted pursuant to the Plan.

(w) **“Option Agreement”** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(x) **“Optionholder”** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(y) **“Outside Director”** means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” receiving compensation for prior services (other than benefits under a tax-qualified pension plan), was not an officer of the Company or an “affiliated corporation” at any time and is not currently receiving direct or indirect remuneration from the Company or an “affiliated corporation” for services in any capacity other than as a Director or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(z) **“Participant”** means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(aa) **“Plan”** means this Petro River Oil Corp. 2012 Equity Compensation Plan.

(bb) **“Restricted Stock”** means shares of Common Stock issued pursuant to a Restricted Stock award under Section 7(b) of the Plan.

(cc) **“Restricted Stock Unit”** means a bookkeeping entry representing an amount equal to the Fair Market Value of one share of Common Stock, granted pursuant to Section 7(c). Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(dd) “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(ee) “*Securities Act*” means the Securities Act of 1933, as amended.

(ff) “*Stock Award*” means any equity grant under the Plan, including any grant of an Option, a Restricted Stock Unit, Common Stock, or Restricted Stock.

(gg) “*Stock Award Agreement*” means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan. In the case of a Stock Award consisting of Restricted Stock, it shall mean a written agreement between the Company and a Participant evidencing the terms and restrictions applying to an individual grant of Restricted Stock, and in the case of a Stock Award consisting of Restricted Stock Units, it shall mean a written agreement between the Company and a Participant evidencing the terms and restrictions applying to an individual grant of Restricted Stock Units.

(hh) “*Stock Award Transfer Program*” means any program instituted by the Board which would permit Participants the opportunity to transfer any outstanding Stock Awards to a financial institution or other person or entity approved by the Board.

(ii) “*Ten Percent Stockholder*” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. Administration.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine the Fair Market Value;

(ii) To select the persons to whom Stock Awards may be granted hereunder;

(iii) To determine the number of shares of Common Stock to be covered by each Stock Award granted hereunder;

(iv) To approve forms of Stock Award Agreements for use under the Plan;

(v) To determine the terms and conditions, not inconsistent with the terms of the Plan, of any Stock Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Stock Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Stock Award or the shares of Common Stock relating thereto, based in each case on such factors as the Board will determine;

(vi) To determine the terms and conditions of any, and to institute any, Stock Award Transfer Program in accordance with Section 10(b);

(vii) To construe and interpret the terms of the Plan and Stock Awards granted pursuant to the Plan;

(viii) To prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws;

(ix) To modify or amend each Stock Award (subject to Section 13(e) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Stock Awards and to extend the maximum term of an Option (subject to Section 6(a) regarding Incentive Stock Options);

(x) To allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 11(f);

(xi) To authorize any person to execute on behalf of the Company any instrument required to effect the grant of a Stock Award previously granted by the Board;

(xii) To allow a Participant to defer the receipt of the payment of cash or the delivery of shares of Common Stock that would otherwise be due to such Participant under a Stock Award pursuant to such procedures as the Board may determine; and

(xiii) To make all other determinations deemed necessary or advisable for administering the Plan.

(c) **Delegation to Committee.**

(i) **General.** The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(ii) **Committee Composition.** In the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) **Effect of Board’s and/or Committee’s Decision.** All determinations, interpretations and constructions made by the Board or the Committee in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares Subject To The Plan.

(a) **Share Reserve.** Subject to the provisions of Section 12 relating to adjustments upon changes in Common Stock, the total number of shares of Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate of 90 million shares (the “**Reserved Shares**”).

(b) Reversion of Shares to the Share Reserve. Subject to the provisions of 4(a) above, if any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(c) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. Eligibility.

(a) Not used.

(b) Not used

(c) Section 162(m) Limitation. Subject to the provisions of Section 12 relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options covering more than five million (5,000,000) shares of Common Stock during any calendar year, and no Employee shall be eligible to be granted, in the aggregate, Restricted Stock and Restricted Stock Units covering more than two million (2,000,000) shares of Common Stock, during any calendar year. This subsection 5(c) shall not apply until (i) the earliest of: (1) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4); (2) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (3) the expiration of the Plan; or (4) the first meeting of stockholders at which Directors are to be elected that occurs after the close of the first calendar year following the calendar year in which occurred the first registration of an equity security under Section 12 of the Exchange Act or the date the Company becomes publicly held in accordance with Section 162(m) of the Code and the rules and regulations promulgated thereunder; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

(d) Consultants.

(i) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 of the Securities Act ("Rule 701") because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

(ii) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (e.g., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(iii) Rule 701 and Form S-8 generally are available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be non-statutory Stock Options at the time of grant. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Stock Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Not used.

(c) Exercise Price of a Stock Option. The exercise price of each Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Non-statutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board (which includes a cashless exercise election). Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the market rate of interest necessary to avoid a charge to earnings for financial accounting purposes.

In the case of a cashless exercise, the following formula will be used:

If elected by the Holder, the Holder shall be entitled to receive a certificate for the number of Option Shares equal to the quotient obtained by dividing $[(A-B) (X)]$ by (A), where:

(A) = the closing stock price (trade) on the Trading Day immediately preceding the date of such election;

(B) = the Exercise Price of the Option, as adjusted; and

(X) = the number of Option Shares issuable upon exercise of the Option in accordance with the terms of the Option by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Termination Date, unexercised vested Options shall be automatically exercised via cashless exercise pursuant to this Section 6(d).

(e) Vesting. (i) The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates, the Optionholder (or the Optionholder's heirs, executor or successors) may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date six (6) months following the termination of the Optionholder's Continuous Service (or such longer period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall be exercised on a cashless basis per section 6(d) or terminate.

(g) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Employment and/or Continuous Service would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in Section 6(a) or (ii) the expiration of a period of six (6) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(h) Not used.

(i) Not used.

(j) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option.

7. Provisions of Stock Awards other than Options.

(a) Stock Awards. Each Stock Award Agreement with regard to Common Stock shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Stock Award Agreements for Common Stock may change from time to time, and the terms and conditions of separate Stock Award Agreements for Common Stock need not be identical, but each Stock Award Agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Stock Award of Common Stock may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) Vesting. Stock Awards other than Options shall vest in accordance with the schedule determined by the Board, which shall be set forth in the applicable Stock Award Agreement.

(iii) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Stock Award Agreement.

(b) Restricted Stock Awards. Each Stock Award Agreement with regard to Restricted Stock shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the Stock Award Agreement may change from time to time, and the terms and conditions of separate Stock Award Agreement for Restricted Stock need not be identical, but each Stock Award Agreement regarding Restricted Stock shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Transferability. Except as provided in this Section 7(b) or Section 10, shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until such time as the shares of Restricted Stock have vested.

(ii) Other Restrictions. The Board, in its sole discretion, may impose such other restrictions on shares of Restricted Stock as it may deem advisable or appropriate.

(iii) Removal of Restrictions. Except as otherwise provided in this Section 7(b), shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the date the shares of Restricted Stock vest or at such other time as the Board may determine. The Board, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(iv) **Voting Rights.** During the period in which the shares of Restricted Stock are not transferable, Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Board determines otherwise.

(v) **Dividends and Other Distributions .** During the period in which the shares of Restricted Stock are not transferable, Participants holding shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such shares, unless the Board provides otherwise. If any such dividends or distributions are paid in shares, the shares will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

(vi) **Return of Restricted Stock to the Company .** On the date set forth in the Stock Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

(c) **Restricted Stock Units.** Restricted Stock Units may be granted at any time and from time to time as determined by the Board. After the Board determines that it will grant Restricted Stock Units under the Plan, it shall advise the Participant in a Stock Award Agreement for Restricted Stock Units of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(i) **Vesting Criteria and Other Terms.** The Board shall set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Board may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Board in its discretion.

(ii) **Settlement of Restricted Stock Units .** Restricted Stock Units shall be settled within 10 business days after vesting, either by delivery to the Participant of shares of Common Stock (with appropriate Securities Act restrictive legends) or, at the election of the Company, by delivery to the Participant of a cash payment based upon the Fair Market Value of the Company's Common Stock on the date of vesting for each Restricted Stock Unit vested.

8. Covenants of the Company.

(a) **Availability of Shares.** During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) **Securities Law Compliance.** The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. Use of Proceeds from Stock

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. Transferability of Awards.

(a) **General.** Unless determined otherwise by the Board, a Stock Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will, by the laws of descent or distribution, to a revocable trust, or as permitted by Rule 701, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Board makes a Stock Award transferable, such Stock Award will contain such additional terms and conditions as the Board deems appropriate.

(b) Stock Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Board shall have all discretion and authority to determine and implement the terms and conditions of any Stock Award Transfer Program instituted pursuant to this Section 10(b) and shall have the authority to amend the terms of any Stock Award participating, or otherwise eligible to participate in, the Stock Award Transfer Program, including (but not limited to) the authority to (i) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Stock Award, (ii) amend or remove any provisions of the Stock Award relating to the Stock Award holder's continued service to the Company, (iii) amend the permissible payment methods with respect to the exercise or purchase of any such Stock Award, (iv) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Stock Award, and (v) make such other changes to the terms of such Stock Award as the Board deems necessary or appropriate in its sole discretion.

11. Miscellaneous.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Stockholder Rights. Except to the limited extent provided in Section 7(b), no Participant (nor any beneficiary) shall have any of the rights or privileges of a stockholder of the Company with respect to any shares of Common Stock issuable pursuant to a Stock Award (or exercise thereof), unless and until certificates representing such shares shall have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant (or beneficiary).

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Not used.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

(g) Information Obligation. To the extent required by applicable state law, the Company shall deliver financial statements to Participants at least annually. This subsection 10(g) shall not apply to key Employees whose duties in connection with the Company assure them access to equivalent information.

12. Adjustments upon Changes in Stock.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Section 4(a) and the maximum number of securities subject to award to any person pursuant to Section 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (individually, a "Corporate Transaction"), then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the Corporate Transaction) for those outstanding under the Plan. In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to the Corporate Transaction. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to the Corporate Transaction. Notwithstanding the foregoing provisions of this paragraph, Participants shall be allowed not less than six (6) months to exercise Stock Awards so vested.

13. Amendment of the Plan and Stock Awards.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any NASDAQ or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

14. Termination or Suspension of the Plan.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

15. Effective Date of Plan.

The Plan shall become effective as of the date of approval by the Board.

16. Choice of Law.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has executed this Plan on the date indicated below.

PETRO RIVER OIL CORP.

Dated: August 10, 2012

/s/ Jeffrey Freedman

Name: Jeffrey Freedman

Title: Chief Executive Officer

Adopted: By the Board of Directors on August 10, 2012

Approved By Stockholders: September 7, 2012

Termination Date: August 10, 2022

Amended List of Subsidiaries

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Incorporation / Acquisition Date</u>
MegaWest Energy Kentucky Corp. (formerly Kentucky Reserves, LLC)	Ohio	April 2, 2007
MegaWest Energy Missouri Corp. (formerly Deerfield Energy LLC)	Delaware	April 5, 2007
MegaWest Energy Kansas Corp. (formerly Deerfield Energy Kansas Corp.)	Delaware	April 5, 2007
MegaWest Energy Texas Corp. (formerly Trinity Sands Energy LLC)	Delaware	April 25, 2007
MegaWest Energy Montana Corp.	Delaware	October 19, 2007

CERTIFICATION

I, Jeffrey Freedman, the Chief Executive Officer and Chief Financial Officer of Petro River Oil Corp., certify that:

- (1) I have reviewed this Annual Report on Form 20-F of Petro River Oil Corp. for the fiscal year ended April 30, 2012;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- (4) The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15a-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- (5) The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: November 2, 2012

/s/ Jeffrey Freedman

Jeffrey Freedman, Chief Financial Officer
And Chief Financial Officer

Certification
Pursuant to 18 U.S.C. Section 1350,
As Adopted
Pursuant to Section 906 of the
Sarbanes - Oxley Act of 2002

In connection with the Annual Report on Form 20-F of Petro River Oil Corp. (the "Company"), for the fiscal year ended April 30, 2012, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), the undersigned, certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Dated: November 2, 2012

/s/ Jeffrey Freedman

Jeffrey Freedman, Chief Financial Officer
And Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and will be furnished to the SEC or its staff upon request. This exhibit is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the SEC.

Consent of GLJ Petroleum Consultants

Mr. Jeffrey Freedman
Chief Executive Officer
Petro River Oil Corp.
1980 Post Oak Blvd., Suite 2020
Houston, TX 77056

Re: Petro River Oil Corp.

Gentlemen:

You have informed us that you intend to file with the U.S. Securities and Exchange Commission an annual report for the year ended April 30, 2012 (the "Annual Report") and are seeking our written consent to include references to our report on the oil reserves of Petro River Oil Corp, (f/k/a Gravis Oil Corporation) dated September 15, 2011, effective as of April 30, 2012 (the "GLJ Report") that we prepared at your request.

We confirm that we consent to the inclusion of our name in the Annual Report and to references to the GLJ Report in the Annual Report.

This consent is given only with respect to the Annual Report, and is not intended to be, and should not be construed as, a consent to use the GLJ Report for any other purpose without our prior written consent.

Yours truly,

GLJ PETROLEUM CONSULTANTS LTD.

ORIGINALLY SIGNED BY

/s/ Jodi L. Anhorn

Jodi L. Anhorn, M. Sc., P. Eng.

Vice-President

November 2, 2012
Calgary, Alberta Canada

4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4H2 • (403) 266-9500 • Fax (403) 262-1855 • GLJPC.com

October 24, 2012

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for Petro River Oil Corp (formerly known as Gravis Oil Corporation) and, under the date of October 12, 2011, we reported on the consolidated financial statements of Petro River Oil Corp as of and for the years ended April 30, 2011 and 2010. On June 26, 2012, we resigned. We have read Petro River Oil Corp's statements included under Item 16F of its Form 20-F as to which this letter is filed as Exhibit 15.2, and we agree with such statements, except that we are not in a position to agree or disagree with Petro River Oil Corp's statement that Marcum LLP was not engaged regarding the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on Petro River Oil Corp's consolidated financial statements.

Very truly yours,

(Signed) KPMG LLP
