Terra Nova Energy Ltd.

Condensed Interim Consolidated Financial Statements

Six months ended January 31, 2013

(Unaudited - Expressed in Canadian Dollars)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Terra Nova Energy Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Notes	January 31, 2013 $	July 31, 2012 $
Assets			
Current assets			
Cash		374,284	4,181,307
Cash held-in-trust	4	5,597,435	4,629,037
GST/HST recoverable		232,727	71,677
Recoverable withholding taxes paid on interest earned		13,749	13,795
Funds deposited on account		-	263,400
Prepaid expenses		33,295	2,677
		6,251,490	9,161,893
Equipment		37,709	-
Exploration and evaluation interests	4	5,082,180	1,129,332
		11,371,379	10,291,225
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	862,965	354,378
		862,965	354,378
Equity Attributable to Shareholders			
Share capital	6	23,944,936	23,013,555
Contributed surplus		6,496,349	5,789,878
Accumulated other comprehensive income		307,449	280,800
Deficit		(20,240,320)	(19,147,386)
		10,508,414	9,936,847
		11,371,379	10,291,225

Nature of operations - Note 1
Going concern - Note 2
Commitments and contingencies - Notes 4 and 6

Approved by the Board of Directors on April 1, 2013

"Henry Aldorf" Director   "James Hutton" Director

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

Terra Nova Energy Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended January 31, 2013 and 2012
(Unaudited – Expressed in Canadian Dollars)

		Three months ended January 31,		Six months ended January 31,	
	Notes	2013 $	2012 $	2013 $	2012 $
Audit and accounting	7	105,910	2,854	147,091	15,905
Filing and transfer agent		10,374	696	36,638	3,718
Depreciation		2,725	-	6,655	-
Legal		29,111	330	128,542	3,630
Management	7	225,026	-	339,934	-
Office and miscellaneous	7	53,132	10,664	101,691	21,228
Shareholder communications		1,173	685	38,109	729
Share-based payments	6(c)	77,656	-	111,546	-
Travel and related		2,166	-	37,230	-
Warrant amendment expense	6(d)	224,766	-	224,766	-
Loss before interest income		(732,039)	(15,229)	(1,172,202)	(45,210)
Interest income		44,249	-	79,268	-
Net loss for the period		(687,790)	(15,229)	(1,092,934)	(45,210)
Other comprehensive (loss) income					
Exchange (loss) gain on translation of foreign accounts		(37,136)	-	26,649	-
Comprehensive loss for the period		(724,926)	(15,229)	(1,066,285)	(45,210)
Loss per share – basic and diluted		(0.01)	(0.00)	(0.02)	(0.00)
Weighted average number of shares outstanding – basic and diluted		63,553,393	14,098,897	60,649,317	14,098,897

Terra Nova Energy Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended January 31, 2013 and 2012
(Unaudited – Expressed in Canadian Dollars)

	2013 $	2012 $
Cash Provided From (Used In)		
Operating Activities		
Net loss for the period	(1,092,934)	(45,210)
Items not affecting cash:		
Depreciation	6,655	-
Share-based payments	227,546	-
Warrant amendment expense	224,766	-
	(633,967)	(45,210)
Net change in non-cash working capital items		
GST/HST recoverable	(161,004)	2,517
Prepaid expenses	(30,618)	-
Accounts payable and accrued liabilities	207,506	(8,597)
	(618,083)	(51,290)
Investing Activities		
Equipment	(44,364)	-
Exploration and evaluation interests	(3,400,469)	-
	(3,444,833)	-
Financing Activities		
Proceeds from securities issued	1,290,000	-
Share issuance costs	(104,460)	-
Proceeds on promissory notes issued	300,000	-
Repayment on promissory notes	(300,000)	-
	1,185,540	-
Foreign exchange gain on cash held in foreign currencies	38,751	-
Decrease in cash and cash held-in-trust	(2,838,625)	(51,290)
Cash and cash held-in-trust – beginning of the period	8,810,344	428,200
Cash and cash held-in-trust – end of the period	5,971,719	376,910
Cash paid for interest	-	-
Cash paid for income taxes	-	-

Supplemental cash flow information - Note 8

Terra Nova Energy Ltd.

Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended January 31, 2013 and 2012
(Unaudited – Expressed in Canadian Dollars)

	Common Shares #	Share Capital $	Contributed Surplus $	Deficit $	AOCI $	Total $
Balance – July 31, 2011	14,098,897	17,682,546	1,220,289	(18,448,163)	-	454,672
Comprehensive loss for the period	-	-	-	(45,210)	-	(45,210)
Balance – January 31, 2012	14,098,897	17,682,546	1,220,289	(18,493,373)	-	409,462
Issued during the period:						
Pursuant to PNG interests	1,000,000	250,000	-	-	-	250,000
For cash pursuant to private placement	42,608,300	6,932,116	3,719,959	-	-	10,652,075
Less issue costs					-	
Cash	-	(1,267,395)	-	-	-	(1,267,395)
Agent options	-	(583,712)	583,712	-	-	-
Share-based payments	-	-	265,918	-	-	265,918
Comprehensive loss for the period	-	-	-	(654,013)	280,800	(373,213)
Balance – July 31, 2012	57,707,197	23,013,555	5,789,878	(19,147,386)	280,800	9,936,847
Issued during the period:						
Pursuant to Settlement Agreement	400,000	116,000	-	-	-	116,000
For cash pursuant to private placements	6,450,000	941,278	348,722	-	-	1,290,000
Less issue costs						
Cash	-	(104,460)	-	-	-	(104,460)
Finders' warrants	-	(21,437)	21,437	-	-	-
Share-based payments	-	-	111,546	-	-	111,546
Warrant amendment expense	-	-	224,766	-	-	224,766
Comprehensive loss for the period	-	-	-	(1,092,934)	26,649	(1,066,285)
Balance – January 31, 2013	64,557,197	23,944,936	6,496,349	(20,240,320)	307,449	10,508,414

1. Nature of operations

Terra Nova Energy Ltd. (formerly "Terra Nova Minerals Inc") (the “Company” or "Terra Nova") was incorporated under the British Columbia Business Corporations Act. At a special meeting of shareholders held on August 13, 2012, shareholders voted in favour of a continuation of the Company from the federal jurisdiction into Alberta (the "Continuance") and approved a name change to Terra Nova Energy Ltd. The Continuance did not result in any change in the business of the Company. The Company’s principal business is the acquisition and exploration of petroleum and natural gas properties. The Company’s shares are listed on the TSX Venture Exchange (the "TSX-V") under the symbol “TGC” and the Frankfurt Stock Exchange under the symbol “GLTN”. The Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

2. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At January 31, 2013, the Company had not yet achieved profitable operations, had an accumulated deficit of $20,240,320 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to complete the Farm-in Agreement (Note 4) and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

As at January 31, 2013, the Company had spent approximately A$4,032,000 to complete seismic work and drilling required to earn its interests. The Company's remaining earn-in obligations will require a minimum additional expenditure of another A$9,668,000 exclusive of any drilling cost overruns, completion and equipping costs if warranted. The exact amount of additional funding required to meet these obligations will depend on how the Company is able to address these issues and the outcome of drilling results. As at January 31, 2013, the Company has $5,597,435 (A$5,371,818) deposited in trust that is available to meet these obligations.

3. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2012 which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these interim condensed consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2012.

The notation “A$” represents Australian dollars and “US$” represents US dollars.

(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation interests

Exploration and evaluation ("E&E") interests consist of two components as follows:

	January 31, 2013 $	July 31, 2012 $
Holloman Farm-in Agreement acquisition costs	835,582	941,616
Deferred Seismic Earn-in Obligation expenditures	4,141,522	132,980
Effects of translation of foreign accounts	105,076	54,736
	5,082,180	1,129,332

a) Farm-in Agreement

On May 11, 2012, the Company entered into an oil and gas farm-in agreement to secure the right to earn up to a 55% working interest in petroleum and natural gas rights on certain on-shore Australian Petroleum Exploration Licenses ("PEL"), known as PEL's 112 and 444 (the "Farm-in Agreement"). The purchase price paid for the E&E rights included cash payments that totaled $351,165 (US$350,000), 1,000,000 common shares having a market value of $250,000 and transaction costs including directly attributable due diligence and legal fees of $235,448.

The salient terms of the Farm-in Agreement require staged payments into trust against earn-in obligations as follows:

Earn-in Obligation stage	Due date	Trust account payment A$	Working interest earned on completion
Seismic	Paid	4,700,000	20%
Initial 3 – Well Program	Paid	4,500,000	5.8333% per well
Option 3 – Well Program	Later of March 1, 2013 or 45 days after completion of the initial 3 –Well Program	4,500,000	5.8333% per well
Total		13,700,000	Up to 55%

The above referenced working interests cover interests earned in both PEL 112 and 444.

The above referenced trust account payments with respect to each of the Initial and Option Well Programs are to cover estimated total dry-hole costs for each Program. The Company is liable for any dry hole cost overruns incurred pursuant to the Initial 3 - Well Program and up to a maximum of the first A$4,500,000 and 55% thereafter in dry-hole costs incurred pursuant to the Option 3 - Well Program. Completion, equipping and costs to tie into a hydrocarbon gathering system (if available) shall be borne by Terra Nova as to 50% and by the Farmors as to 50%. Under the terms of the Farm-in Agreement, Terra Nova shall be entitled to 80% of the revenues earned from each of the wells drilled under the Initial Well Program and the Option Well Program until such time as it shall have recovered 100% of costs associated with the drilling and testing of each respective well, otherwise known as "payout".

Any trust funds remaining on account at the end of each of the above three phases shall be applied first as to the funding of any succeeding trust obligation and in the event that Terra Nova elects not to proceed with any of the succeeding phases, any unspent trust funds shall be for the account of the Company. Notwithstanding anything in the joint operating agreement, Terra Nova shall act as operator of the PEL's and shall have the exclusive right to propose to carry out all exploration and development work on these properties, including without limitation seismic work area clearance, Seismic Earn-in Obligation, the Initial Well Program, the Option Well Program and the completion and subsequent operation of any wells.

The Farm in Agreement also contains various provisions in clauses for such matters as site restoration and non-participation that are typical in the oil and gas exploration industry.

b) Seismic Projects

On May 11, 2012, the Company paid the initial A$4,700,000 into trust to cover costs to complete a seismic program sufficient to meet the minimum seismic acquisition requirements for each of PEL 112 and 444 and the interpretation of the acquired data. Any amounts incurred pursuant to the Seismic Earn-in Obligation in excess of A$4,700,000 shall be borne by Terra Nova as to 55% and by the Farmors as to 45%. As at January 31, 2013, the balance of seismic funds in trust account amounted to A$869,224 ($905,732) plus recoverable GST expenditures in the order of A$202,086 ($210,574).

c) Initial 3 - Well Program Earn-in Obligation

On October 31, 2012, the Company had made the A$4,500,000 payment due pursuant to the Initial 3 - Well Program Earn-in Obligation against which minimal expenditures had been drawn. As at January 31, 2013, the balance of seismic funds in trust account amounted to A$4,502,594 ($4,691,703).

d) Contingencies and commitments

Although the Company believes that it has title to its E&E interests, and has taken reasonable precautions appropriate in the circumstances, it cannot control or completely protect itself against the risk of title disputes or challenges.

Under South Australian State law, the transfer of E&E interests may be subject to assessment of a 5.5% stamp duty. As at July 31, 2012, the Company had taken a provision of $105,000 (A$100,000) which was included in accounts payable and accrued liabilities. On November 16, 2012, the Company received notice from the South Australia Department of Treasury and Finance that the amount due for stamp duty was $nil. Accordingly, the provision was reversed during the six months ended January 31, 2013.

5. Promissory notes

On October 31, 2012, pursuant to the terms of unsecured 3% demand promissory notes with two Company directors, the Company received a total of $300,000. Proceeds from the notes were used primarily to fund in part the A$4,500,000 Earn-in Obligation that was due and paid on October 31, 2012 to fund dry hole costs associated with the Initial 3-Well Program Earn-in Obligation. As of November 27, 2012, the Company had repaid the 3% demand promissory notes in full.

6. Share capital

a) Authorized:

An unlimited number of common shares without par value.

b) Financings:

During the six months ended January 31, 2013, the Company completed the following financings:

i) On October 31, 2012, the Company completed the first tranche of a non-brokered private placement of 3,500,000 units at a price of $0.20 per unit for gross proceeds of $700,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to October 31, 2014. The Company allocated $186,298 to the share purchase warrants using the relative fair value method. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.18; exercise price of $0.30; expected volatility of 100%; expected life of 2 years; a risk-free interest rate of 1.5%; and an expected dividend rate of nil.

ii) On November 6, 2012, the Company completed the second tranche of a non-brokered private placement of 1,000,000 units at a price of $0.20 per unit for gross proceeds of $200,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to November 6, 2014. The Company allocated $57,610 to the share purchase warrants using the relative fair value method. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.18; exercise price of $0.30; expected volatility of 100%; expected life of 2 years; a risk-free interest rate of 1.5%; and an expected dividend rate of nil.

iii) On November 26, 2012, the Company completed the third tranche of a non-brokered private placement of 1,550,000 units at a price of $0.20 per unit for gross proceeds of $310,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to November 26, 2014. The Company allocated $82,327 to the share purchase warrants using the relative fair value method. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.15; exercise price of $0.30; expected volatility of 100%; expected life of 2 years; a risk-free interest rate of 1.5%; and an expected dividend rate of nil.

iv) On December 5, 2012, the Company completed the fourth tranche of a non-brokered private placement of 400,000 units at a price of $0.20 per unit for gross proceeds of $80,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to December 5, 2014. The Company allocated $22,487 to the share purchase warrants using the relative fair value method. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.17; exercise price of $0.30; expected volatility of 100%; expected life of 2 years; a risk-free interest rate of 1.5%; and an expected dividend rate of nil.

In connection with the October 31, November 6, November 26 and December 5, 2012 private placements, the Company paid cash commissions of $64,500 and incurred $39,960 in legal and filing fees. In addition, the Company issued an aggregate of 322,500 finder's warrants entitling the holder thereof the right to purchase a common share at a price of $0.30 per share up to December 5, 2014. The Company valued the finder's warrants at $21,437 using the Black-Scholes option pricing model. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.17; exercise price of $0.30; expected volatility of 100%; expected life of 2 years; a risk-free interest rate of 1.5%; and an expected dividend rate of nil.

(Unaudited – Expressed in Canadian Dollars)

c) Options:

A summary of the status of the Company's stock option plan as at January 31, 2013 and July 31, 2012 and the changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price $
Balance outstanding – July 31, 2011	760,000	0.53
Granted	2,750,000	0.30
Forfeited	(760,000)	0.53
Balance outstanding – July 31, 2012	2,750,000	0.30
Granted	200,000	0.30
Balance outstanding – January 31, 2013	2,950,000	0.30
Exercisable – January 31, 2013	1,975,000	0.30

At January 31, 2013, stock options outstanding that entitled the holder thereof to acquire one share for each option held are as follows:

Expiry Date	Exercise Price $	Number of Options
June 10, 2014	0.30	200,000
May 16, 2015	0.30	(1) 600,000
May 16, 2022	0.30	(2) 2,150,000
		2,950,000

(1) On January 8, 2013, these stock options were amended such that the options vested immediately and the expiry date was changed to May 16, 2015 from May 16, 2022 (Note 7).
(2) Stock options vest as to 50% on the grant date and 50% on November 16, 2013.

During the six months ended January 31, 2013, the Company recorded share-based payments expense of $111,546 (2012 - $nil). No stock options were granted during the six months ended January 31, 2012. The weighted average fair value of stock options granted during the six months ended January 31, 2013 of $0.065. per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	2013	2012
Average stock price	0.19	N/A
Average exercise price	0.30	N/A
Average risk-free interest rate	0.78%	N/A
Expected life	1.5 years	N/A
Expected volatility	100%	N/A
Expected dividends	$nil	N/A

The expected volatility was calculated in comparison to similar TSX Venture Exchange Companies and the historical stock price of the Company since being listed.

(Unaudited – Expressed in Canadian Dollars)

d) Warrants:

A summary of warrants outstanding as of January 31, 2013 and July 31, 2012 and changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price $
Balance outstanding – July 31, 2011	11,233,000	0.30
Issued	46,016,964	0.30
Balance outstanding – July 31, 2012	57,249,964	0.30
Issued	6,772,500	0.30
Expired	(988,000)	0.30
Balance outstanding – January 31, 2013	63,034,464	0.30

At January 31, 2013, warrants outstanding that entitled the holder thereof to acquire one share for each warrant held are as follows:

Expiry Date	Exercise Price $	Number of Warrants
June 30, 2013	0.30	(1) 10,245,000
May 11, 2014	0.30	42,608,300
May 11, 2014	0.25	3,408,664
October 31, 2014	0.30	3,500,000
November 6, 2014	0.30	1,000,000
November 26, 2014	0.30	1,550,000
December 5, 2014	0.30	722,500
		63,034,464

(1) On November 16, 2012, the expiry date of these warrants was extended from December 30, 2012 to June 30, 2013 and accordingly, the Company recorded warrant amendment expense of $224,766 using the Black-Scholes option pricing model. The assumptions used in the Black-Scholes option pricing model was as follows: share price of $0.17; exercise price of $0.30; expected volatility of 100%; expected life of 0.12 to 0.62 years; a risk-free interest rate of 0.78%; and an expected dividend rate of nil.

7. Related party transactions

During the three and six months ended January 31, 2013 and 2012, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	Three months ended January 31,		Six months ended January 31,	
	2013 $	2012 $	2013 $	2012 $
Non-audit accounting fees	32,000	6,374	32,000	13,425
Management fees	248,500	-	333,500	-
Office and miscellaneous fees	20,300	-	39,800	-
Exploration and evaluation interests	151,787	-	319,839	-
	452,587	6,374	725,139	13,425

(Unaudited – Expressed in Canadian Dollars)

At January 31, 2013, accounts payable and accrued liabilities included $201,616 (July 31, 2012 - $92,548) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

In addition to the related parties disclosed above, the promissory notes (Note 5) are related party transactions.

Key management includes the Chief Executive Officer and the directors of the Company. The compensation paid or payable to key management for services during the three and six months ended January 31, 2013 and 2012 is identical to the table above other than share-based payments expense. During the six months ended January 31, 2013, key management received share-based payments of $95,415 (2012 - $nil).

On January 8, 2013, the Company entered into a Mutual Release and Settlement Agreement with the former Chief Executive Officer (the "Severance Agreement"). In accordance with the Severance Agreement, the Company paid $100,000 and issued 400,000 common shares at the fair value of $116,000. In addition, 600,000 stock options entitling the holder thereof the right to purchase one common share at a price of $0.30 per share up to May 16, 2022 were amended such that the options vested immediately and the expiry date was changed to May 16, 2015.

8. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the six months ended January 31, 2013 the following transactions were excluded from the statement of cash flows:

a) exploration and evaluation interest expenditures of $465,992 included in accounts payable and accrued liabilities at January 31, 2013, less expenditures included in accounts payable at July 31, 2012 of $164,911 (net exclusion of $301,081); and,

b) the issuance by the Company of 322,500 agent warrants at the fair value of $21,437.

During the six ended January 31, 2012 there were no non-cash investing and financing activities.

9. Segmented information

Management has presented segmented information on a geographical basis as this is the basis upon which the chief executive officer makes operating decisions. Geographic segment information of the Company's assets as at January 31, 2013 and July 31, 2012 is as follows:

	January 31, 2013 $	July 31, 2012 $
Canada	233,259	4,222,952
Australia	11,138,120	6,068,273
Total assets	11,371,379	10,291,225

(Unaudited – Expressed in Canadian Dollars)

Geographic segmentation of the Company's net loss during the six months ended January 31, 2013 and 2012 is as follows:

	2013 $	2012 $
Canada	(1,090,865)	(45,210)
Australia	(2,069)	-
Net loss	(1,092,934)	(45,210)

Geographic segmentation of the Company's capital expenditures during the six months ended January 31, 2013 and 2012 is as follows:

	2013 $	2012 $
Canada	-	-
Australia	3,952,848	-
Total capital expenditures	3,952,848	-