

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 20-F

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 **December 31, 2012**

or

Transition Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 000-52145

### **Rainchief Energy Inc.**

(Exact name of Registrant as specified in its charter)

\_\_\_\_\_  
(Translation of Registrant's name into English)

#### **Business Corporations Act (British Columbia)**

(Jurisdiction of incorporation or organization)

**Suite 1110 – 1185 West Georgia Street, Vancouver, BC, Canada, V6E 4E6**

(Address of principal executive offices)

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

#### **Common Stock, without par value**

(Title of Class)

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

\_\_\_\_\_  
(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: 38,157,242 as at December 31, 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

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)  Yes  No; and (2) has been subject to such filing requirements for the past 90 days.  Yes  No.

Indicate which financial statement item the registrant elects to follow:  Item 17  Item 18.

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

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

Rainchief Energy Inc.  
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## PART I

**Introduction.** Rainchief Energy Inc. (referred to as "Rainchief," the "Company"), is a British Columbia corporation incorporated on December 28, 2000. The business endeavor will seek to identify for evaluation undervalued energy assets worldwide for possible development and / or acquisition.

### Item 1. Identity of Directors, Senior Management and Advisors

The President of the Company is Brad Moynes, and the directors of the Company are Brad Moynes and Paul E. Heney of Suite 1110 – 1185 West Georgia Street, Vancouver, BC, Canada, V6E 4E6. Mr. Heney also serves as our Chairman and Chief Executive Officer. See Item 6 for further information.

The Company's registered independent auditors are WDM Chartered Accountants, Suite 420 – 1501 West Broadway, Vancouver, British Columbia, Canada, V6J 4Z6. For further information, see Item 16C and the consolidated financial statements under Item 8.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### A. Selected Financial Data

The following selected information should be read in conjunction with the Company's consolidated financial statements, and notes, filed with this Form 20-F. This information, and all other financial information in this Form 20-F, is stated in Canadian dollars unless otherwise noted.

The financial information is presented on the basis of International Financial Reporting Standards. With respect to the Company's consolidated financial statements, there are no material differences from applying these principles compared to applying United States generally accepted accounting principles.

#### Selected Consolidated Financial and Operating Data

Operating Data	Year Ended December 31,		
	2012	2011	2010
	\$	\$	\$
Sales	-	-	-
Gross Profit, Net of Cost of Sales	-	-	-
Net Loss	(226,261)	(182,323)	(398,327)
Loss per Common Share – Basic & Diluted*	(0.301)	(0.258)	(1.07)
Number of Shares Outstanding*	751,051	707,756	371,206

\* Adjusted to reflect the consolidation of the Company's stock on (i) March 22, 2010 at a ratio of 1 new common share for 10 old common shares and (ii) April 3, 2013 at a ratio of 1 new common share for 50 old common shares.

	\$	\$
Current Assets	40,765	59,408
Current Liabilities	473,071	187,128
Total Assets	150,014	60,805
Share Capital	2,993,514	2,922,923
Accumulated Deficit	(3,592,881)	(3,366,620)
Dividends per Common Share	0.00	0.00

### Exchange Rates

The Company's consolidated financial statements are stated in Canadian dollars. The Company realized losses on foreign exchange of \$783, \$8,454, and \$9,917 for the years ended December 31, 2012, 2011, and 2010 respectively. Foreign exchange gains and losses were due to currency exchange rate fluctuations between the Canadian and United States dollar.

In this FORM 20-F, references to "dollars", "\$" or "Cdn\$" are to Canadian dollars, unless otherwise specified. Reference to "US\$" refers to United States dollars. Since June 1, 1970, the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar as compared to the United States dollar.

The Bank of Canada closing exchange rate on December 31, 2012 was Cdn\$0.9946 per US\$1.00. For the past five fiscal years ended December 31, and for the period between January 1, 2012 and December 31, 2012, the following exchange rates were in effect for Canadian dollars exchanged for United States dollars, expressed in terms of United States dollars (based on the nominal exchange rates provided by the Bank of Canada):

Year Ended	Average per US\$1
December 31, 2008	\$ 1.07
December 31, 2009	\$ 1.14
December 31, 2010	\$ 1.03
December 31, 2011	\$ 0.99
December 31, 2012	\$ 0.99

Month ended	per US\$1	
	High	Low
January 31, 2012	\$ 1.02	\$ 1.01
February 28, 2012	\$ 1.00	\$ 1.00
March 31, 2012	\$ 1.00	\$ 0.99
April 30, 2012	\$ 1.00	\$ 0.99
May 31, 2012	\$ 1.01	\$ 1.00
June 30, 2012	\$ 1.03	\$ 1.02
July 31, 2012	\$ 1.02	\$ 1.01
August 31, 2012	\$ 0.99	\$ 0.99
September 30, 2012	\$ 0.98	\$ 0.98
October 31, 2012	\$ 0.99	\$ 0.98
November 30, 2012	\$ 1.00	\$ 1.00
December 31, 2012	\$ 0.99	\$ 0.99

### B. Capitalization and Indebtedness

The following table sets forth our capitalization as of December 31, 2012, using:

- 38,157,242 shares outstanding on an actual basis; and
- 963,145 shares outstanding on an as-adjusted basis to reflect changes through April 30, 2013.

	December 31, 2012 (audited) \$	As Adjusted April 30, 2013 (unaudited) \$
Cash and cash equivalents	(16)	14,364
Long-term obligations, less current portion	-	-
<b>Shareholders' (deficiency) equity</b>		
Share capital	2,993,514	3,096,399
Share purchase warrants reserve	276,310	276,310
Accumulated deficit	(3,592,881)	(3,627,351)
Shareholders' (deficiency) equity	(323,057)	(254,642)

On January 17, 2012, the Company completed a private placement of 1,330,000 units at US\$0.03 per unit, raising gross proceeds of \$41,064 (US\$39,900).

During the year ended December 31, 2012, the Company issued a total of 2,200,000 common shares upon the exercise of warrants at an exercise price of US\$0.02 per share for total gross proceeds of \$44,137 (US\$44,000).

On March 2, 2012, the Company repurchased 1,100,000 units at US\$0.02 per unit for a total cost of US\$22,000. These units were returned to treasury and cancelled.

On March 21, 2012, the Company issued 200,000 common shares to the President of the Company and a person related to the President. The related parties purchased these shares in the Company in 2002. However, the share certificates evidencing the share subscription were not recorded by the share transfer agent as a result of a clerical oversight. Accordingly, the Directors of the Company authorized the issuance of share certificates to the related parties as evidence of their ownership of the shares and to accurately reflect the number of common shares outstanding.

None of the capitalization referred to above is secured or guaranteed. All amounts in respect of capitalization including long term debt are unsecured and not guaranteed.

### C. Reasons for the Offer and Use of Proceeds

Not applicable.

### D. Forward Looking-Statements and Risk Factors

**Forward-looking Statements.** In this document, we are showing you a picture which is part historical (events which have happened) and part predictive (events which we believe will happen). Except for the historical information, all of the information in this document comprises "forward looking" statements. Specifically, all statements (other than statements of historical fact) regarding our financial position, business strategy and plans and objectives are forward-looking statements. These forward-looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to management. These statements involve known and unknown risks, including the risks resulting from economic and market conditions, accurately forecasting operating and capital expenditures and capital needs, successful anticipation of competition which may not yet be fully developed, and other business conditions. Our use of the words "anticipate", "believe", "estimate", "expect", "may", "will", "continue" and "intend", and similar words or phrases, are intended to identify forward-looking statements (also known as "cautionary statements"). These statements reflect our current views with respect to future events. They are subject to the realization in fact of assumptions, but what we now believe will occur may turn out to be inaccurate or incomplete. We cannot assure you that our expectations will prove to be correct. Actual operating results and financial performance may prove to be very different from what we now predict or anticipate. The "risk factors" below specifically address all of the factors now identifiable by us that may influence future operating results and financial performance.

#### Risk Factors

##### *Risks Related to the Business*

**We have a history of operating losses and need additional capital to implement our business plan.** For the year ended December 31, 2012, we recorded a net loss of \$226,261 from operations compared to a net loss of \$182,323 for the year ended December 31, 2011. The financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. However, as shown in note 1 to the consolidated financial statements, our ability to continue operations is uncertain.

We continue to incur operating losses, and have a consolidated deficit of \$3,592,881 as at December 31, 2012. Operations for the year ended December 31, 2012 have been funded primarily from the issuance of share capital and the continued support of creditors. Historically, we have met working capital needs primarily by selling equity to Canadian residents, and from loans (including loans from relatives of principal shareholders).

We estimate that we will require a minimum of approximately \$500,000 to commence a seismic program to provide the identification and evaluation of drill site locations in pursuit of hydrocarbons. A full implementation of our business plan for these property acquisitions will be delayed until the necessary capital is raised. See Item 5, "Operating and Financial Review and Prospects".

**Our entry into the energy property acquisition business may not be successful and there are risks attendant on these activities.** The energy property acquisition business is highly competitive, and is populated with many companies, large and small, with the capital and expertise to evaluate, purchase, and exploit producing and non-producing opportunities. Even with capital and experience, industry risks are significant. Environmental compliance is an increasingly complex and costly obstacle to many new projects, and often times, and even if permits are obtained, they may be sufficiently restrictive that a property cannot be exploited to its full potential.

We may not be able to locate acquisition opportunities, or finance those we can identify. We offer no assurance that our entry into this business activity will be successful.

##### *Risks Related to Our Stock*

**If we have to raise capital by selling securities in the future, your rights and the value of your investment in the Company could be reduced.** If we issue debt securities, the lenders would have a claim to our assets that would be superior to the stockholder rights. Interest on the debt would increase costs and negatively impact operating results. If we issue more common stock or any preferred stock, your percentage ownership will decrease and your stock may experience additional dilution, and the holders of preferred stock (called preference securities in Canada) may have rights, preferences and privileges which are superior to (more favorable) the rights of holders of the common stock. It is likely the Company will sell securities in the future. The terms of such future transactions presently are not determinable.

**If the market for our common stock is illiquid in the future, you could encounter difficulty if you try to sell your stock.** Our stock trades on the "OTC.BB" but it is not actively traded. If there is no active trading market, you may not be able to resell your shares at any price, if at all. It is possible that the trading market in the future will continue to be "thin" or "illiquid," which could result in increased price volatility. Prices may be influenced by investors' perceptions of us and general economic conditions, as well as the market for energy generally. Until our financial performance indicates substantial success in executing our business plan, it is unlikely that there will be coverage by stock market analysts will be extended. Without such coverage, institutional investors are not likely to buy the stock. Until such time, if ever, as such coverage by analysts and wider market interest develops, the market may have a limited capacity to absorb significant amounts of trading. As the stock is a "penny stock," there are additional constraints on the development of an active trading market – see the next risk factor.

**The penny stock rule operates to limit the range of customers to whom broker-dealers may sell our stock in the market.** In general, "penny stock" (as defined in the SEC's rule 3a51-1 under the Securities Exchange Act of 1934) includes securities of companies which are not listed on the principal stock exchanges, or the Nasdaq National Market or the Nasdaq Capital Market, and which have a bid price in the market of less than \$5.00; and companies with net tangible assets of less than \$2 million (\$5 million if the issuer has been in continuous operation for less than three years), or which has recorded revenues of less than \$6 million in the last three years.

As "penny stock" our stock therefore is subject to the SEC's rule 15g-9, which imposes additional sales practice requirements on broker-dealers which sell such securities to persons other than established customers and "accredited investors" (generally, individuals with net worth in excess of \$1 million or annual incomes exceeding \$200,000, or \$300,000 together with their spouses, or individuals who are the officers or directors of the issuer of the securities). For transactions covered by rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received

the purchaser's written consent to the transaction prior to sale. This rule will adversely affect the ability of broker-dealers to sell our stock, and therefore may adversely affect our stockholders' ability to sell the stock in the public market.

**Your legal recourse as a United States investor could be limited.** The Company is incorporated under the laws of British Columbia. Most of the assets now are located in Canada. Our directors and officers and the audit firm are residents of Canada. As a result, if any of our shareholders were to bring a lawsuit in the United States against the officers, directors or experts in the United States, it may be difficult to effect service of legal process on those people who reside in Canada, based on civil liability under the Securities Act of 1933 or the Securities Exchange Act of 1934. In addition, we have been advised that a judgment of a United States court based solely upon civil liability under these laws would probably be enforceable in Canada, but only if the U.S. court in which the judgment were obtained had a basis for jurisdiction in the matter. We also have been advised that there is substantial doubt whether an action could be brought successfully in Canada in the first instance on the basis of liability predicated solely upon the United States' securities laws.

#### Item 4. Information on the Company

##### A. History and Development of the Company

The Company is a British Columbia corporation (organized on December 28, 2000, incorporation number BC 0619991, which is the incorporation number reflecting transition to the new corporate statute (the British Columbia Business Corporations Act)). The registered office is at Suite 1110 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6. We do not have an agent in the United States.

The Company's legal name is Rainchief Energy Inc. and business is carried on in this name in Canada at this time. On November 21, 2008 the Company changed its corporate name from Black Diamond Brands Corporation to Rainchief Energy Inc.

##### B. Overview

Rainchief Energy Inc. (the "Company") was incorporated on December 28, 2000 under the Company Act of the Province of British Columbia, Canada. We are engaged in the identification, evaluation and financing the development of energy projects in New Mexico, United States. Prior to January 1, 2010, we had operations in oil and gas exploration in Alberta, Canada.

##### The Company's Organization Structure

On September 30, 2009, we disposed of two subsidiaries, Black Diamond Importers Inc., a British Columbia, Canada, corporation and Liberty Valley Wines, LLC., a Delaware, U.S.A., limited liability company. On December 30, 2009, we disposed of our remaining subsidiary, Point Grey Energy Inc., an Alberta, Canada corporation.

On December 22, 2010, we acquired all of the issued and outstanding common shares of Jaydoc Capital Corp ("Jaydoc"), a company incorporated under the Business Corporations Act of the Province of British Columbia, Canada. Jaydoc was acquired to facilitate our business venture in solar energy development. The assets of Jaydoc are its business plan and strategic business relationship with operational partners that offer experience and knowledge in the development, engineering and construction of solar energy projects in Italy and the European Union.

On December 18, 2010 we incorporated a wholly-owned subsidiary, Rainchief Renewable-1 S.R.L under the laws of Italy.

##### Commitments.

In April 2008, we entered into a royalty and licensing agreement with an arm's length party for the exclusive right to use copyrighted photographs for a term of 3 years. In the first quarter of 2009, we were served a Notice of Termination of the licensing agreement citing breach by us as a result of our default on the royalty payment due on January 01, 2009. We are pursuing a resolution to the dispute. As at December 31, 2012, we have recorded a provision of \$60,750 for this contingent liability. The outcome of the legal claim is uncertain, and management is of the opinion that the claim has no merit and seeks to recover all costs.

As at December 31, 2012, we own oil and gas property acquired at a cost of \$108,053, and computer and office furniture and equipment with a depreciated cost of \$1,196. See notes 6 and 7 to the consolidated financial statements.

#### Item 5. Operating and Financial Review

For the years ended December 31, 2012, 2011, and 2010, the Company had net losses of \$226,261, \$182,323 and \$398,327, respectively.

Accounting, Audit and Legal expenses decreased by \$5,014 to \$51,624 for the year ended December 31, 2012 from \$56,638 for the year ended December 31, 2011 as a result of reductions in Accounting and Audit expenses for the period. Accounting, Audit and Legal expenses increased by \$12,613 from \$44,025 for the year ended December 31, 2010 to \$56,638 for the year ended December 31, 2011 as a result of increased legal fees related to corporate activity, offset by a reversal of an over-accrual of accounting fees in the year ended December 31, 2010.

The Company did not incur any expenditure on Advertising, Promotion and Website Development during the year ended December 31, 2012, a decrease of \$6,000 over the year ended December 31, 2011. Advertising, Promotion and Website Development costs during the year ended December 31, 2011 decreased by \$10,500 to \$6,000 from \$16,500 expended in the year ended December 31, 2010 as web development work was completed and only maintenance work was required.

Consulting expense for the year ended December 31, 2012 decreased by \$5,668 to \$75,000 for the year ended December 31, 2012 as compared with \$80,668 in Consulting expense for the year ended December 31, 2011. The decrease resulted from reduced use of consulting services by the Company during the year.

Consulting expense for the year ended December 31, 2011 increased by \$38,435 as compared with \$42,233 for the year ended December 31, 2010 as a result of additional management and administration services procured during the year.

The Company did not incur any Development costs during the year ended December 31, 2012. During the year ended December 31, 2011, the Company incurred Development Costs of \$14,046 in connection with the evaluation of potential oil and gas project acquisition, as compared with \$3,480 in connection with its efforts to enter the solar energy market in Italy during the year ended December 31, 2010

Filing and Transfer Agents Fees for the year ended December 31, 2012 amounted to \$21,283, an increase of \$1,019 from \$20,264 incurred during the year ended December 31, 2011. The increase resulted from additional filings required by the United States Securities and Exchange Commission. Filing and Transfer Agents Fees for the year ended December 31, 2011 decreased by \$2,625 to \$20,264 from \$17,639 for the year ended December 31, 2010 as a result of reduced corporate activity during the year.

Interest and Bank Charges for the year ended December 31, 2012 decreased by \$25 to \$459 from \$484 for the year ended December 31, 2011. Interest and Bank Charges for the year ended December 31, 2011 increased by \$201 to \$484 for the year ended December 31, 2011 from \$283 for the year ended December 31, 2010. The changes are directly related to the levels of corporate activity during the years under review.

Management Fees for the year ended December 31, 2012 were unchanged from those incurred during the year ended December 31, 2011, at \$60,000. Management Fees decreased by \$45,817 from \$105,817 in the year ended December 31, 2010 to \$60,000 during the year ended December 31, 2011 following the termination of the management agreement with the President of the Company during 2010.

Office, rent and telephone expense decreased by \$10,902 to \$632 for the year ended December 31, 2012 as compared with \$11,534 expended on these category of expenses during the year ended December 31, 2011. The decrease resulted from management's decision to share office space with another unrelated company. Office, rent and telephone expense increased by \$5,863 from \$5,671 for the year ended December 31, 2010 to \$11,534 for the year ended December 31, 2011 as a result of the relocation of the Company's office.

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The Company did not incur Property investigation costs during the years ended December 31, 2012 and 2010, respectively. During the year ended December 31, 2011 the Company investigation costs of \$9,487 was incurred in connection with an oil and gas project.

Travel expenses for the year ended December 31, 2012 decreased by \$11,153 to \$649 from \$11,802 during the year ended December 31, 2011 as a result of reduced project evaluation activities during the year. Travel expenses for the year ended December 31, 2011 increased by \$2,625 to \$11,802 from \$9,177 during the year ended December 31, 2010. These expenses were incurred in connection with the Company's evaluation of potential oil and gas property acquisitions.

The Company incurred losses on foreign exchange of \$783, \$8,454 and \$9,917 for the years ended December 31, 2012, 2011 and 2010, respectively. These losses resulted from changes in the foreign currency exchange rate between the Canadian and US Dollars.

During the year ended December 31, 2012, the Company realized a net gain on the settlement of certain debts in the amount of \$6,870. During the year ended December 31, 2010, the Company realized a net loss on the settlement of certain debts in the amount of \$13,332.

During the year ended December 31, 2010 the Company realized a gain of \$97,336 in respect of shares issued in connection with the Jaydoc acquisition and subsequently returned to Treasury in accordance with a Stock Surrender, Settlement and Voluntary Pooling Agreement.

On December 31, 2010, the Company wrote down the intangible asset acquired as a result of the acquisition of Jaydoc, due to the lack of reliable measurement of the future cash flows of the solar energy project and recorded a charge of \$98,600 and incurred acquisition costs of \$25,646.

The Company is the respondent in a lawsuit filed in the Supreme Court of British Columbia. The Plaintiff seeks damages in the amount of \$60,750, claiming breach of a licensing agreement relating to the Company's use of certain photographs, the copyright to which is held by the plaintiff. The Company recorded a contingent liability for this amount as at December 31, 2009. The outcome of this legal claim is uncertain, and management is of the opinion that the claim has no merit.

#### **Financial position**

For the year ended December 31, 2012 the Company had a working capital deficiency of \$432,306 as compared with a working capital deficiency of \$127,720 as at December 31, 2011, an increase of \$304,586.

The increase in working capital deficiency during the year ended December 31, 2012 is due to reductions in Cash of \$34,196, acquisitions of an Oil and Gas Property in the amount of \$108,053 and increases in Accounts Payable and Promissory Notes of \$137,433 and \$155,364, respectively, offset by increase in HST receivable of \$15,537.

#### **Liquidity and Capital Resources**

Cash provided from private placements and the issuance of shares pursuant to the exercise of share purchase warrants in the year ended December 31, 2012 was \$29,124 (2011 - \$98,502). In addition, the issuance of Promissory Notes provided \$155,364 (2011 - \$Nil).

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Changes in working capital accounts during the year ended December 31, 2012 provided \$121,896 (2011 - provided \$45,164).

The uses of cash during the year ended December 31, 2012 were \$88,534 to fund the Company's continuing operations, \$108,053 to acquire an oil and gas property and \$22,097 to repurchase certain common shares.

The uses of cash during the year ended December 31, 2011 were \$234,213 to fund the Company's continuing operations, and \$1,346 to acquire certain fixed assets.

#### **Subsequent events**

##### **a) Debt Settlements**

- i) In January 2013, the Company issued 10,000,000 common shares to a company controlled by the President of the Company to settle outstanding accounts payable of \$10,000.
- ii) In April 2013, the Company entered into a debt settlement agreement with an arm's length party to settle outstanding accounts payable of \$52,262. The Company paid \$15,000 in cash and agreed to issue 250,000 post-April 3, 2013 consolidation common shares.

##### **b) Promissory Notes Payable**

In January and April 2013, the Company received, respectively, US\$8,000 and \$11,982 from a non-arm's length party. The Company issued promissory notes accordingly with the same terms as the other promissory notes.

##### **c) Share Consolidation**

Effective April 3, 2013, the common shares of the Company are consolidated at the ratio of one new common share for every 50 old common shares.

As at December 31, 2012, the number of issued and outstanding common shares of the Company would be 763,144 had the share consolidation been effected as at December 31, 2012. The basic loss per share calculations disclosed in the consolidated statement of comprehensive loss for the years ended December 31, 2012, 2011, and 2010 have been adjusted to reflect the subsequent share consolidation.

#### **C. Research and Development, Patents and Licenses, Etc**

Not applicable

#### **D. Trend Information**

Management is not aware of any trend, commitment, event or uncertainty that is expected to have a material effect on our business, financial condition or results of operations.

#### **E. Off-Balance Sheet Arrangements**

Not applicable.

#### **F. Contractual Obligations**

Not applicable.

## Item 6. Directors, Senior Management and Employees

### A. Directors, Senior Management, and Employees

The following table sets forth the name, positions held and principal occupation of each of our directors, senior management and employees upon whose work the Company is dependent. Information on such persons' share ownership is under Item 7.

Name and Positions Held	Experience and Principal Business Activities
Paul Heney (51) Chairman, Chief Executive Officer and Director	Director of the Company since November 18, 2010.
Bradley J. Moynes (42) President, and Director	President and Director of the Company since December 2000.

### B. Compensation

#### SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid to the executive officers of the Company in each of the years ended December 31, 2011, 2010 and 2009. The table includes compensation paid for service by such persons to subsidiaries. All amounts are stated in US dollars.

(a)	(b)	Annual Compensation			Long Term Compensation			
		(c)	(d)	(e)	Awards		Payouts	
					(f)	(g)	(h)	(i)
Name and Current Principal Position	Year	Salary (US\$)	Bonus (US\$)	Other (US\$)	Restricted Stock Awards (US\$)	Options or SAR's (#)	LPIT Payouts (US\$)	All Other Compensation (US\$)
Paul Heney Chairman and CEO	2012	\$ -	\$ -	\$ -	\$ -	7,500	\$ -	\$ -
	2011	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
	2010	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Bradley J. Moynes, President and former CEO	2012	\$ 60,000	\$ -	\$ -	\$ -	7,500	\$ -	\$ -
	2011	\$ 60,000	\$ -	\$ -	\$ -	-	\$ -	\$ -
	2010	\$ 60,000	\$ -	\$ -	\$ -	-	\$ -	\$ -

### Executive Compensation Plans and Employment Agreements

#### Management Agreements

No management agreements were entered into for the period commencing January 1, 2012 to December 31, 2012.

#### Equity Compensation Plans

Effective December 31, 2010, our Board of Directors adopted the 2010 Stock Option Incentive Plan ("the Stock Option Plan"). The purpose of the Stock Option Plan is to enhance the long-term stockholder value of the Company by offering opportunities to directors, officers, key employees and eligible consultants of the Company to acquire and maintain stock ownership in the Company, in order to give these persons the opportunity to participate in the Company's growth and success, and to encourage them to remain in the service of the Company. A maximum of 10% of the issued and outstanding shares of common stock are available for issuance under the Stock Option Plan.

### C. Board Practices

Each director holds office until the next annual general meeting of the Company unless his office is earlier vacated in accordance with the Articles of the Company or the Canada Business Corporations Act.

During the most recently completed fiscal year, there are no arrangements (standard or otherwise) under which directors of the Company were compensated by the Company or its subsidiaries for services rendered in their capacity as directors, nor were any amounts paid to the directors for committee participation or special assignments, other than the granting of stock options. There were no arrangements under which the directors would receive compensation or benefits in the event of the termination of that office.

The Company does not have an audit committee at the present time. Until the resignation of Robin Lecky as a director of the Company on August 9, 2012, the Company had an audit committee comprised of Bradley J. Moynes and Robin Lecky. The Company is currently seeking a suitable individual to replace Mr. Lecky.

The audit committee is responsible for selecting, evaluating and recommending the Company's auditors to the Board of Directors for shareholder approval; evaluating the scope and general extent of the auditors' review; overseeing the work of the auditors; recommending the auditors' compensation to the Board of Directors; and assisting with the resolution of any disputes between management and the auditors regarding financial reporting. The audit committee is also responsible for reviewing the Company's annual and interim financial statements and recommending their approval to the Board of Directors; reviewing the Company's policies and procedures with respect to internal controls and financial reporting; and establishing procedures for dealing with complaints regarding accounting, internal controls or auditing matters.

The Company does not have a compensation or corporate governance committee at the present time. The Company is listed for trading on the OTCBB as a reporting issuer under registration statement Form 20-F (Foreign Private Issuer) and as such it believes that it is not required to have such committees.

### D. Employees

The Company currently has two officers and no employees. Employees will be added as required.

## E. Share Ownership

Our directors and officers own the indicated shares of common stock as at the date hereof; percentages are based on 966,544 shares outstanding on April 30, 2013.

<u>Name</u>	<u>No. of Shares</u>	<u>Percentage of outstanding at April 30, 2013</u>
Paul Heney	25,000	2.59%
Brad Moynes	208,303	21.55%

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## Item 7. Major Shareholders and Related Party Transactions.

### A. Major Shareholders

To our knowledge, other than Brad Moynes, President of the Company who owns 208,303 shares representing 21.55%, no other persons beneficially own, directly or indirectly, or exercise control or direction over, common shares carrying more than 5% of the voting rights attached to the 966,544 shares outstanding at April 30, 2013.

The Company has approximately 150 shareholders of record at April 30, 2013. The number of shareholders holding securities beneficially through street name nominees, as reflected in the record position of Cede & Co. and other intermediaries, is approximately 42.74%. None of the major shareholders, if any, have different voting rights.

To the best of our knowledge, approximately 57.26% of the Company's common shares are owned by residents of Canada or residents of countries other than residents of the United States. The number of shareholders holding securities beneficially through street name nominees, as reflected in the record position of Cede & Co. and other intermediaries, who may be residents of other countries, is approximately 42.74%. These assumptions are based on our shareholder registry issued by Presidents Stock Transfer Company as of April 30, 2013.

To our knowledge, we are not owned or controlled directly or indirectly by another corporation or by any foreign government, nor by any other natural or legal person, nor are there any arrangements which may result in a change of control of the Company. The directors of the Company own approximately 24.14% of the issued and outstanding shares following the March 22, 2010 and April 3, 2013 share consolidations and the subsequent shares issued for debt settlement.

### B. Related Party Transactions

#### Trade and other payables

As at December 31, 2012, the Company has \$67,818 (2011 – \$19,678) in trade and other payables owed to key management personnel. The amounts owed to key management personnel arose from outstanding management fees, and are non-interest bearing, unsecured and have no specified terms of repayment.

#### Promissory Notes

Included in promissory notes as at December 31, 2012 was \$32,102 (including US\$17,000) owed to a company controlled by a Director (also an officer) of the Company. There were no promissory notes issued to related parties in 2011.

The Company incurred management fees and share-based payments for services provided by key management personnel for the years ended December 31, 2012, 2011 and 2010 as described below. All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Management Fees	60,000	60,000	105,817
Share-Based Payments	22,500	-	-
	<u>82,500</u>	<u>60,000</u>	<u>105,817</u>

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### C. Interest of Experts and Counsel

None.

## Item 8. Financial Information

See the consolidated financial statements under Item 18.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

The Company's common shares are traded on the "OTC.QB" under the symbol RCFEF; the shares are not listed on any exchange or traded on any other medium. Trading commenced in the first quarter 2004 on the Pink Sheets and then became a reporting issuer and was listed for trading on the OTC.BB during the second quarter of 2007.

The following table sets forth the high and low closing prices on the OTC Markets and the OTC.QB for the periods indicated, adjusted for the consolidations of the Company's stock on March 22, 2010 and April 3, 2013. See Item 10A below.



By Quarters in 2012, 2011 & 2010	High Sales Price US\$	Low Sales Price US\$
Fourth Quarter 2012	\$1.15	\$0.26
Third Quarter 2012	\$2.10	\$0.75
Second Quarter 2012	\$9.00	\$0.78
First Quarter 2012	\$30.00	\$4.88
Fourth Quarter 2011	\$9.00	\$2.50
Third Quarter 2011	\$8.00	\$2.50
Second Quarter 2011	\$12.50	\$8.00
First Quarter 2011	\$11.25	\$10.00
Fourth Quarter 2010	\$15.00	\$5.00
Third Quarter 2010	\$11.00	\$6.50
Second Quarter 2010	\$10.00	\$10.00
First Quarter 2010	\$35.00	\$5.50

On December 31, 2012, the closing price was US\$0.375 per share, adjusted for the consolidation of the Company's stock on April 3, 2013.

#### B. Plan of Distribution

Not applicable.

#### C. Markets

See "Offer and Listing Details" above.

#### D. Selling Shareholders

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Not applicable.

#### E. Dilution

Not applicable.

#### F. Expenses of the Issue

Not applicable.

#### Item 10. Additional Information

##### A. Share Capital Authorized

Unlimited number of common shares without par value

##### Issued and Outstanding

	Number of Common Shares	Amount \$
<b>Balance, December 31, 2009</b>	27,838,852	2,241,445
Share Consolidation	(25,054,944)	-
<b>Balance, March 22, 2010</b>	2,783,908	2,241,445
Shares Issued for Cash, Net of Share Issue Costs	10,660,000	198,215
Shares Issued for Debt	15,130,000	152,600
Shares Issued for Exercise of Warrants	5,000,000	101,386
Fair Value of Warrants Exercised	-	13,286
Shares Issued for Acquisition of Subsidiary	4,000,000	80,000
<b>Balance, December 31, 2010</b>	37,573,908	2,786,932
Shares Issued for Cash, Net of Issuance Costs	1,703,334	233,327
Shares Surrendered and Cancelled	(4,500,000)	(97,336)
<b>Balance, December 31, 2011</b>	34,777,242	2,922,923
Shares issued for cash	1,330,000	26,051
Shares repurchased and cancelled	(1,100,000)	(22,097)
Shares issued pursuant to the exercise of warrants	2,200,000	44,137
Shares reissued pursuant to a directors resolution	200,000	-
Shares issued for services	750,000	22,500
<b>Balance, December 31, 2012</b>	<b>38,157,242</b>	<b>2,993,514</b>

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#### i) Private Placements in 2010

On March 22, 2010, the Company completed a private placement of 50,000 units at US\$0.10 per unit, raising total gross proceeds of \$5,384 (US\$5,000). Each unit consisted of one common share and one warrant exercisable into one common share at US\$1.00 per share until March 22, 2011. The subscription proceeds were received in 2009.

On May 19, 2010, the Company completed a private placement of 9,110,000 units at US\$0.02 per unit, raising gross proceeds of \$191,505 (US\$182,200). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until March 30, 2015.

On October 5, 2010, the Company completed a private placement of 500,000 units at US\$0.04 per unit, raising gross proceeds of \$20,276 (US\$20,000). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.04 per share until October 15, 2015.

On November 22, 2010, the Company completed a private placement of 1,000,000 units at US\$0.02 per unit, raising gross proceeds of \$20,374 (US\$20,000). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until October 28, 2015. The subscription proceeds owing by a Director of the Company was received subsequently in April 2011.

#### ii) Shares Issued for Debt in 2010

On May 19, 2010, the Company issued 15,000,000 common shares with a fair value of \$150,000 for settlement of debts totaling \$97,710, and accordingly recorded a loss of \$52,290 on debt settlement. These debts were owed, on the date of settlement, to arm's length parties who acquired the debts from related parties of the Company for a nominal consideration of \$10. Concurrent with the debt settlement, the Company wrote off \$5,900 in an amount owed by a related party.

On November 2, 2010, the Company paid \$5,000 in cash and issued 130,000 common shares with a fair value of \$2,600 for settlement of accounts payable totaling \$46,558 owing to arm's length parties. The Company recorded a gain of \$38,958 on debt settlement.

#### iii) Private Placements in 2011

On January 24, 2011, the Company completed a private placement of 1,300,001 shares at US\$0.15 per share, raising gross proceeds of \$196,263 (US\$195,000). The subscription proceeds were received in 2010.

On March 14, 2011, the Company completed a private placement of 403,333 shares at US\$0.15 per share, raising gross proceeds of \$59,356 (US\$60,500).

#### iv) Private Placements in 2012

On January 17, 2012, the Company completed a private placement of 1,330,000 units at US\$0.03 per share, raising gross proceeds of \$41,064 (US\$39,900). Each unit consists of one common share and one share purchase warrant exercisable into one common share at US\$0.03 per share until December 31, 2013.

#### v) Shares repurchased

On March 2, 2012, the Company repurchased 1,100,000 units at US\$0.02 per unit for a total cost of US\$22,000. These units were initially issued in a private placement completed in May 2010 at a subscription price of US\$0.02 per unit for total gross proceeds of \$22,097 (US\$22,000). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until March 30, 2015. These units were returned to treasury and cancelled.

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#### vi) Shares issued pursuant to the exercise of warrants

During the year ended December 31, 2012, the Company issued a total of 2,200,000 common shares upon the exercise of warrants at an exercise price of US\$0.02 per share for total gross proceeds of \$44,137 (US\$44,000).

#### vii) Shares reissued pursuant to a directors resolution

On March 21, 2012, the Company issued 200,000 common shares to the President of the Company and a person related to the President. The related parties purchased these shares in the Company in 2002. However, the share certificates evidencing the share subscription were not recorded by the share transfer agent as a result of a clerical oversight. Accordingly, the Directors of the Company authorized the issuance of share certificates to the related parties as evidence of their ownership of the shares and to accurately reflect the number of common shares outstanding

#### viii) Shares issued for services

On April 17, 2012, the Company issued 750,000 common shares at a fair value of US\$0.03 per share to the Directors of the Company as compensation for services rendered

#### Share Purchase Warrants

The continuity of warrants for the year ended December 31, 2012 is summarized below.

Expiry Date	Exercise Price	December 31, 2011	Issued	Exercised	Expired/Cancelled	December 31, 2012
December 31, 2013	US\$0.03	-	1,330,000	-	-	1,330,000
June 30, 2014	US\$0.80	320,000	-	-	-	320,000
March 30, 2015	US\$0.02	9,110,000	-	(2,200,000)	(1,100,000)	5,810,000
October 15, 2015	US\$0.04	500,000	-	-	-	500,000
October 28, 2015	US\$0.02	1,000,000	-	-	-	1,000,000
<b>Total</b>		<b>10,930,000</b>	<b>1,330,000</b>	<b>(2,200,000)</b>	<b>(1,100,000)</b>	<b>8,960,000</b>
<b>Weighted Average Exercise Price</b>		<b>US\$0.04</b>	<b>US\$0.03</b>	<b>US\$0.02</b>	<b>US\$0.02</b>	<b>US\$0.05</b>

#### B. Memorandum and Articles of Association

The Company is registered under the Canada Business Corporations Act (BC 0619991).

With respect to by-laws, a director who is a party to a material contract or proposed material contract with us, or is a director or officer of or has a material interest in any person who is a party to a material contract or proposed material contract with us, must disclose to us in writing the nature and extent of such interest. An interested director can vote on only a limited number of such matters (securing a loan from the director to the Company, his remuneration, indemnity or insurance, or a contract with an affiliate) provided the interest is disclosed. Otherwise, even with disclosure of the interest, such a director cannot vote on a material contract or proposed material contract. A contract approved by the board of directors is not voidable because one or more directors has a conflict of interest, if the conflict is disclosed and the interested director(s) do not vote on the matter. Subject to the conflict of interest provisions summarized above, there is no restriction in the by-laws on the power of the board of directors to have the Company borrow money, issue debt obligations, or secure debt or other obligations of the Company. The by-laws contain no provision for the retirement or non-retirement of directors under an age limit requirement. A director is not required to hold any shares of the Company in order to be a director.

The Articles of the Company provide for the issuance of unlimited number of shares of common stock, without par value. All holders of common stock have equal voting rights, equal rights to dividends when and if declared, and equal rights to share in assets upon liquidation of the corporation. The common shares are not subject to any redemption or sinking fund provisions. Directors serve from year to year, there being no provision for a staggered board; cumulative voting for directors is not allowed. Between annual general meetings, the existing board can appoint one or more additional directors to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third of the number of directors who held office at the expiration of the last annual meeting. All issued and outstanding shares are fully paid and non-assessable securities.

In order to change the rights of the holders of common stock, the passing of a special resolution by such shareholders is required, being the affirmative vote of not less than 2/3 of the votes cast in person or by proxy at a duly called meeting of shareholders.

An annual meeting of shareholders must be called by the board of directors not later than 15 months after the last annual meeting. The board at any time may call a special meeting of shareholders. Notice of any meeting must be sent not less than 21 and not more than 50 days before the meeting, to every shareholder entitled to vote at the meeting. All shareholders entitled to vote are entitled to be present at a shareholders meeting. A quorum is the presence in person or by proxy of the holders of at least 5% of the issued and outstanding shares of common stock.

Except under the Investment Canada Act, there are no limitations specific to the rights of non-Canadians to hold or vote our shares under the laws of Canada or our charter documents. The Investment Canada Act ("ICA") requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the ICA. The notification procedure involves a brief statement of information about the investment on a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days after implementation of the investment. It is intended that investments requiring only notification will proceed without intervention by government unless the investment is in a specific type of business related to the scope of the ICA. If an investment is reviewable under the ICA, an application for review in the prescribed form normally is required to be filed with Investment Canada before the investment is made and it cannot be implemented until completion of review and Investment Canada has determined that the investment is likely to be of net benefit to Canada. If the agency is not so satisfied, the investment cannot be implemented if not made, or if made, it must be unwound.

#### **C. Material Contracts**

Except as otherwise disclosed in this Form 20-F, we have no material contracts.

#### **D. Exchange Controls**

There are no laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of our shares of common stock.

#### **E. Taxation**

##### ***Canada***

##### **Canadian Federal Income Tax Information for United States Residents**

The following is a discussion of material Canadian federal income tax considerations generally applicable to holders of our common shares who acquire such shares in this offering and who, for purposes of the Income Tax Act (Canada) and the regulations thereunder, or the Canadian Tax Act:

- deal at arm's length and are not affiliated with us;
- hold such shares as capital property;
  
- do not use or hold (and will not use or hold) and are not deemed to use or hold our common shares, in or in the course of carrying on business in Canada;
  
- have not been at any time residents of Canada; and
  
- are, at all relevant times, residents of the United States, or U.S. Residents, under the Canada-United States Income Tax Convention (1980), or the Convention.

**TAX MATTERS ARE VERY COMPLICATED AND THE CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES WILL DEPEND UPON THE STOCKHOLDER'S PARTICULAR SITUATION. THE SUMMARY OF MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INTENDED TO PROVIDE ONLY A GENERAL SUMMARY AND IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES.**

**THIS DISCUSSION DOES NOT INCLUDE A DESCRIPTION OF THE TAX LAWS OF ANY PROVINCE OR TERRITORY WITHIN CANADA. ACCORDINGLY, HOLDERS AND PROSPECTIVE HOLDERS OF OUR COMMON SHARES ARE ENCOURAGED TO CONSULT WITH THEIR OWN TAX ADVISERS ABOUT THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING ANY CONSEQUENCES OF PURCHASING, OWNING OR DISPOSING OF OUR COMMON SHARES ARISING UNDER CANADIAN FEDERAL, CANADIAN PROVINCIAL OR TERRITORIAL, U.S. FEDERAL, U.S. STATE OR LOCAL TAX LAWS OR TAX LAWS OF JURISDICTIONS OUTSIDE THE UNITED STATES OR CANADA.**

This summary is based on the current provisions of the Canadian Income Tax Act, proposed amendments to the Canadian Income Tax Act publicly

announced by the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and the provisions of the Convention as in effect on the date hereof. No assurance can be given that the Proposed Amendments will be entered into law in the manner proposed, or at all. No advance income tax ruling has been requested or obtained from the Canada Revenue Agency to confirm the tax consequences of any of the transactions described herein.

This summary is not exhaustive of all possible Canadian federal income tax consequences for U.S. Residents, and other than the Proposed Amendments, does not take into account or anticipate any changes in law, whether by legislative, administrative, governmental or judicial decision or action, nor does it take into account Canadian provincial, U.S. or foreign tax considerations which may differ significantly from those discussed herein. No assurances can be given that subsequent changes in law or administrative policy will not affect or modify the opinions expressed herein.

A U.S. Resident will not be subject to tax under the Canadian Tax Act in respect of any capital gain on a disposition of our common shares unless such shares constitute "taxable Canadian property", as defined in the Canadian Tax Act, of the U.S. Resident and the U.S. Resident is not eligible for relief pursuant to the Convention. Our common shares will not constitute "taxable Canadian property" if, at any time during the 60-month period immediately preceding the disposition of the common shares, the U.S. Resident, persons with whom the U.S. Resident did not deal at arm's length, or the U.S. Resident together with all such persons, did not own 25% or more of the issued shares of any class or series of shares of our capital stock. In addition, the Convention generally will exempt a U.S. Resident who would otherwise be liable to pay Canadian income tax in respect of any capital gain realized by the U.S. Resident on the disposition of our common shares, from such liability provided that the value of our common shares is not derived principally from real property situated in Canada. The Convention may not be available to a U.S. Resident that is a U.S. LLC which is not subject to tax in the U.S.

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Amounts in respect of our common shares paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends to a U.S. Resident will generally be subject to Canadian non-resident withholding tax at the rate of 25%. Currently, under the Convention the rate of Canadian non-resident withholding tax will generally be reduced to:

- 5% of the gross amount of dividends if the beneficial owner is a company that is resident in the U.S. and that owns at least 10% of our voting shares; or
- 15% of the gross amount of dividends if the beneficial owner is some other resident of the U.S.

#### **United States Federal Income Tax Information for United States Holders.**

The following is a general discussion of material U.S. federal income tax consequences of the ownership and disposition of our common shares by U.S. Holders (as defined below). This discussion is based on the United States Internal Revenue Code of 1986, as amended, Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect at the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion only addresses the tax consequences for U.S. Holders that will hold their common shares as a "capital asset" and does not address U.S. federal income tax consequences that may be relevant to particular U.S. Holders in light of their individual circumstances or U.S. Holders that are subject to special treatment under certain U.S. federal income tax laws, such as:

- tax-exempt organizations and pension plans;
- persons subject to alternative minimum tax;
- banks and other financial institutions;
- insurance companies;
- partnerships and other pass-through entities (as determined for United States federal income tax purposes);
- broker-dealers;
- persons who hold their common shares as a hedge or as part of a straddle, constructive sale, conversion transaction, and other risk management transaction; and
- persons who acquired their common shares through the exercise of employee stock options or otherwise as compensation.

As used herein, the term "U.S. Holder" means a beneficial owner of our common shares that is:

- an individual citizen or resident of the United States;
- a corporation, a partnership or entity treated as a corporation or partnership for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States or any political subdivision thereof;

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- an estate the income of which is subject to U.S. federal income taxation regardless of its source; and
- a trust if both:
  - a United States court is able to exercise primary supervision over the administration of the trust; and
  - one or more United States persons have the authority to control all substantial decisions of the trust.

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**TAX MATTERS ARE VERY COMPLICATED AND THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES WILL DEPEND UPON THE STOCKHOLDER'S PARTICULAR SITUATION. THE SUMMARY OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INTENDED TO PROVIDE ONLY A GENERAL SUMMARY AND IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES.**

**NOTE THAT THIS DISCUSSION DOES NOT INCLUDE A DESCRIPTION OF THE TAX LAWS OF ANY STATE OR LOCAL GOVERNMENT WITHIN THE UNITED STATES. ACCORDINGLY, HOLDERS AND PROSPECTIVE HOLDERS OF OUR COMMON SHARES ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON SHARES.**

### ***Ownership of Shares.***

The gross amount of any distribution received by a U.S. Holder with respect to our common shares generally will be included in the U.S. Holder's gross income as a dividend to the extent attributable to our current and accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's shares, the remainder will be taxed as capital gain (the taxation of capital gain is discussed under the heading "Sale of Shares" below).

For taxable years beginning before January 1, 2009, dividends received by non-corporate U.S. Holders from a qualified foreign corporation are taxed at the same preferential rates that apply to long-term capital gains. A foreign corporation is a "qualified foreign corporation" if it is eligible for the benefits of a comprehensive income tax treaty with the United States (the income tax treaty between Canada and the United States is such a treaty) or the shares with respect to which such dividend is paid is readily tradable on an established securities market in the United States (such as the Nasdaq Capital Market). Notwithstanding satisfaction of one or both of these conditions, a foreign corporation is not a qualified foreign corporation if it is a passive foreign investment company ("PFIC") for the taxable year of the corporation in which the dividend is paid or the preceding taxable year. (Whether a foreign corporation is a PFIC is discussed below under the heading "Passive Foreign Investment Companies"). A foreign corporation that is a PFIC for any taxable year within a U.S. person's holding period generally is treated as a PFIC for all subsequent years in the U.S. person's holding period. Although we have not been, are not now, and do not expect to be a PFIC, and we don't expect to pay dividends, you should be aware of the following matters in the event that we do become a PFIC and do pay dividends.

If we were to become a PFIC, then U.S. Holders who acquire our common shares may be treated as holding shares of a PFIC throughout their holding period for the purpose of determining whether dividends received from us are dividends from a qualified foreign corporation. As a consequence, dividends received by U.S. Holders may not be eligible for taxation at the preferential rates applicable to long-term capital gains.

If a distribution is paid in Canadian dollars, the U.S. dollar value of such distribution on the date of receipt is used to determine the amount of the distribution received by a U.S. Holder. A U.S. Holder who continues to hold such Canadian dollars after the date on which they are received, may recognize gain or loss upon their disposition due to exchange rate fluctuations. Generally such gains and losses will be ordinary income or loss from U.S. sources.

U.S. Holders may deduct Canadian tax withheld from distributions they receive for the purpose of computing their U.S. federal taxable income (or alternatively a credit may be claimed against the U.S. Holder's U.S. federal income tax liability as discussed below under the heading "Foreign Tax Credit"). Corporate U.S. Holders generally will not be allowed a dividend received deduction with respect to dividends they receive from us.

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### ***Foreign Tax Credit***

Generally, the dividend portion of a distribution received by a U.S. Holder will be treated as income in the passive income category for foreign tax credit purposes. Subject to a number of limitations, a U.S. Holder may elect to claim a credit against its U.S. federal income tax liability (in lieu of a deduction) for Canadian withholding tax deducted from its distributions. The credit may be claimed only against U.S. federal income tax attributable to a U.S. Holder's passive income that is from foreign sources.

If we were to become a qualified foreign corporation with respect to a non-corporate U.S. Holder, dividends received by such U.S. Holder will qualify for taxation at the same preferential rates that apply to long-term capital gains. In such case, the dividend amount that would otherwise be from foreign sources is reduced by multiplying the dividend amount by a fraction, the numerator of which is the U.S. Holder's preferential capital gains tax rate and the denominator of which is the U.S. Holder's ordinary income tax rate. The effect is to reduce the dividend amount from foreign sources, thereby reducing the U.S. federal income tax attributable to foreign source income against which the credit may be claimed. Canadian withholding taxes that cannot be claimed as a credit in the year paid may be carried back to the preceding year and then forward 10 years and claimed as a credit in those years, subject to the same limitations referred to above.

The rules relating to the determination of the foreign tax credit are very complex. U.S. Holders and prospective U.S. Holders should consult their own tax advisors to determine whether and to what extent they would be entitled to claim a foreign tax credit.

### ***Sale of Shares***

Subject to the discussion of the "passive foreign investment company" rules below, a U.S. Holder generally will recognize capital gain or loss upon the sale of our shares equal to the difference between: (a) the amount of cash plus the fair market value of any property received; and (b) the U.S. Holder's adjusted tax basis in such shares. This gain or loss generally will be capital gain or loss from U.S. sources, and will be long-term capital gain or loss if the U.S. Holder held its shares for more than 12 months. Generally, the net long-term capital gain of a non-corporate U.S. Holder from the sale of shares is subject to taxation at a top marginal rate of 15%. A capital gain that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to certain limitations.

### ***Passive Foreign Investment Companies***

We will be a PFIC if, in any taxable year either: (a) 75% or more of our gross income consists of passive income; or (b) 50% or more of the value of our assets is attributable to assets that produce, or are held for the production of, passive income. Subject to certain limited exceptions, if we meet the gross income test or the asset test for a particular taxable year, our shares held by a U.S. Holder in that year will be treated as shares of a PFIC for that year and all subsequent years in the U.S. Holder's holding period, even if we fail to meet either test in a subsequent year.

If we were a PFIC in the future, gain realized by a U.S. Holder from the sale of PFIC Shares and certain dividends received on such shares would be subject to tax under the excess distribution regime, unless the U.S. Holder made one of the elections discussed below. Under the excess distribution regime, federal income tax on a U.S. Holder's gain from the sale of PFIC Shares would be calculated by allocating the gain ratably to each day the U.S. Holder held its shares. Gain allocated to years preceding the first year in which we were a PFIC in the U.S. Holder's holding period, if any, and gain allocated to the year of disposition would be treated as gain arising in the year of disposition and taxed as ordinary income. Gain allocated to all other years would be taxed at the highest tax rate in effect for each of those years. Interest for the late payment of tax would be calculated and added to the tax due for each of the PFIC Years, as if the tax was due and payable with the tax return filed for that year. A distribution that exceeds 125% of the average distributions received on PFIC Shares by a U.S. Holder during the 3 preceding taxable years (or, if shorter, the portion of the U.S. Holder's holding period before the taxable year) would be taxed in a similar manner.

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A U.S. Holder may avoid taxation under the excess distribution regime by making a qualified electing fund (“QEF”) election. For each year that we would meet the PFIC gross income test or asset test, an electing U.S. Holder would be required to include in gross income, its pro rata share of our net ordinary income and net capital gains, if any. The U.S. Holder’s adjusted tax basis in our shares would be increased by the amount of such income inclusions. An actual distribution to the U.S. Holder out of such income generally would not be treated as a dividend and would decrease the U.S. Holder’s adjusted tax basis in our shares. Gain realized from the sale of our shares covered by a QEF election would be taxed as a capital gain. U.S. Holders will be eligible to make QEF elections, only if we agree to provide to the U.S. Holders, which we do, the information they will need to comply with the QEF rules. Generally, a QEF election should be made by the due date of the U.S. Holder’s tax return for the first taxable year in which the U.S. Holder held our shares that includes the close of our taxable year for which we met the PFIC gross income test or asset test. A QEF election is made on IRS Form 8621.

A U.S. Holder may also avoid taxation under the excess distribution regime by timely making a mark-to-market election. An electing U.S. Holder would include in gross income the increase in the value of its PFIC Shares during each of its taxable years and deduct from gross income the decrease in the value of its PFIC Shares during each of its taxable years. Amounts included in gross income or deducted from gross income by an electing U.S. Holder are treated as ordinary income and ordinary deductions from U.S. sources. Deductions for any year are limited to the amount by which the income inclusions of prior years exceed the income deductions of prior years. Gain from the sale of PFIC Shares covered by an election is treated as ordinary income from U.S. sources while a loss is treated as an ordinary deduction from U.S. sources only to the extent of prior income inclusions. Losses in excess of such prior income inclusions are treated as capital losses from U.S. sources. A mark-to-market election is timely if it is made by the due date of the U.S. Holder’s tax return for the first taxable year in which the U.S. Holder held our shares that includes the close of our taxable year for which we met the PFIC gross income test or asset test. A mark-to-market election is also made on IRS Form 8621.

As noted above, a PFIC is not a qualified foreign corporation and hence dividends received from a PFIC are not eligible for taxation at preferential long-term capital gain tax rates. Similarly, ordinary income included in the gross income of a U.S. Holder who has made a QEF election or a market-to-market election, and dividends received from corporations subject to such election, are not eligible for taxation at preferential long-term capital gain rates. The PFIC rules are extremely complex and could, if they apply, have significant, adverse effects on the taxation of dividends received and gains realized by a U.S. Holder. Accordingly, prospective U.S. Holders are strongly urged to consult their tax adviser concerning the potential application of these rules to their particular circumstances.

### **Controlled Foreign Corporation**

Special rules apply to certain U.S. Holders that own stock in a foreign corporation that is classified as a “controlled foreign corporation” (“CFC”). We do not expect to be classified as a CFC. However, future ownership changes could cause us to become a CFC. Prospective U.S. Holders are urged to consult their tax advisor concerning the potential application of the CFC rules to their particular circumstances.

### **Information Reporting and Backup Withholding**

United States information reporting and backup withholding requirements may apply with respect to distributions to U.S. Holders, or the payment of proceeds from the sale of shares, unless the U.S. Holder: (a) is an exempt recipient (including a corporation); (b) complies with certain requirements, including applicable certification requirements; or (c) is described in certain other categories of persons. The backup withholding tax rate is currently 28%. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules may be credited against any U.S. federal income tax liability of the U.S. Holder and may entitle the U.S. Holder to a refund.

## **F. Dividends and Paying Agents**

Not applicable.

## **G. Statements by Experts**

Not applicable.

## **H. Documents on Display**

Not applicable.

## **I. Subsidiary Information**

See the notes to the financial statements.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

## **Item 12. Description of Securities Other Than Equity Securities**

Not applicable

## **PART II**

## **Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

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

Not applicable.

## **Item 15T. Controls and Procedures**

## Item 15. Controls and Procedures

### Disclosure Controls and Procedures

Under the supervision and participation of the Chief Executive Officer, the Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2012, these disclosure controls and procedures were not effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rule and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, primarily due to the Company's minimal financial staff which prevents us from segregating duties, which management believes is a material weakness in our internal controls and procedures. We intend to address such weakness and work with outside advisors to improve our controls and procedures as and when the circumstances of the Company permit this.

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### Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board, 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 International Financial Reporting Standards.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Forward looking statements regarding the effectiveness of internal controls during 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 and procedures may deteriorate.

Management completed an assessment of the effectiveness of the Company's internal control over financial reporting ("ICFR") as of December 31, 2012, using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework as contemplated by Rule 13a-15(c). Based on this assessment, the Company concluded that it did not have effective internal controls over financial reporting as of December 31, 2012.

The Company's assessment of the effectiveness of the ICFR as at December 31, 2012 identified certain material weaknesses as of that date:

1. Weakness: It is not possible to adequately segregate incompatible duties among the officers of the Company, because the Company has only two officers and one accounting consultant.

Remediation: Appoint a new Chief Financial Officer, in addition to the current officers, to formally segregate the duties of maintaining accounting records and preparing financial statements, from the executive duties of the current officers. Brad Moynes, who has served as Chief Financial Officer from July 2009, will cease to serve in that position upon appointment of a new individual as Chief Financial Officer.

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2. Weakness: The Company is small, with only two officers, thereby creating a risk of override of existing controls by management.

Remediation: Require the new Chief Financial Officer's approval of all expenditures and other dispositions of assets.

3. Weakness: The Company maintains limited audit evidence in documentary form which is used to test the operating effectiveness of control activities.

Remediation: Improve the documentation of expenditures and receipts, under the joint supervision of the new Chief Financial Officer and the Chief Executive Officer, to ensure received goods and third-party services conform to contract terms.

The Company intends to appoint additional levels of executive management and personnel to remediate the weaknesses, in the specific manners described in paragraphs 1 through 3 above, as and when the Company has sufficient financial resources to effect the remediations.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

### Changes in Internal Control over Financial Reporting

As disclosed above, the Company completed its assessment of its ICFR in place for the year ended December 31, 2012, using the COSO framework. There were no changes in ICFR during the 2012 fiscal year that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## Item 16A. Audit Committee Financial Experts

Not applicable.

## Item 16B. Code of Ethics

Not applicable.

## Item 16C. Principal Accountant Fees and Services

Not applicable.

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

Not applicable.

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

None.

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Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Not applicable.

**PART III**

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

See the consolidated financial statements of the Company, the notes thereto, and the auditors' reports thereon, which are filed as Exhibit 99.1 with this FORM 20-F. All of the financial information is presented in accordance with International Financial Reporting Standards.

Item 19. Exhibits

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.(i)	Articles of Incorporation (Notice of Articles and Transition Application)
3.(ii)	By-laws (Schedule "A")
4.(1)	Management Agreement of January 1, 2008 (Bradley James Moynes)
4.(2)	Management Agreement of January 1, 2008 (James Robert Moynes)
4.(3)	<a href="#">Certifications (Paul E. Heney)*</a>
4.(4)	<a href="#">Certifications (Brad J. Moynes)*</a>
4.(5a)	<a href="#">Certification Pursuant 18 USC Section (Paul E. Heney)*</a>
4.(5b)	<a href="#">Certification Pursuant 18 USC Section (Brad J. Moynes)*</a>
4.(6)	Form of Warrant dated May 23, 2007
23.(1)	<a href="#">Consent of Independent Auditors*</a>
99.(1)	<a href="#">Consolidated Financial Statements for the years ended December 31, 2012 and 2011.*</a>

\* Filed herewith

**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.

**Rainchief Energy Inc.**

Date: April 30, 2013

*/s/ Paul E. Heney*  
Paul E. Heney  
Chairman and Chief Executive Officer

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Date: April 30, 2013

*/s/ Bradley J. Moynes*  
Bradley J. Moynes  
President

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I, Paul E. Heney certify that:

- 1) I have reviewed this Annual Report on Form 20-F for Rainchief Energy Inc;
- 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 officer 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 15d-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 the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls 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 Company's board of directors (or persons performing the equivalent function):
  - 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.

Date: May 3, 2013

/s/ Paul E. Heney  
Paul E. Heney  
Chief Executive Officer

EX-4.4 3 cert4-4.htm CERTIFICATIONS (BRAD J. MOYNES)\*

#### CERTIFICATIONS

I, Brad J. Moynes certify that:

- 1) I have reviewed this Annual Report on Form 20-F for Rainchief Energy Inc;
- 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 officer 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 15d-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 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 the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls 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 Company's board of directors (or persons performing the equivalent function):
  - 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.

Date: May 3, 2013

/s/ Brad J. Moynes  
Brad J. Moynes  
President

EX-4.5A 4 cert4-5a.htm CERTIFICATION PURSUANT 18 USC SECTION (PAUL E. HENEY)\*  
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 for Rainchief Energy Inc. (the "Company") on Form 20-F for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul E. Heney, Chief Executive Officer do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) 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.

By:

/s/ Paul E. Heney  
Paul E. Heney  
Chief Executive Officer  
May 3, 2013

EX-4.5B 5 cert4-5b.htm CERTIFICATION PURSUANT 18 USC SECTION (BRAD J. MOYNES)\*  
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 for Rainchief Energy Inc. (the "Company") on Form 20-F for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Brad J. Moynes, President of the Company do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) 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.

By:

/s/ Brad J. Moynes  
Brad J. Moynes  
President  
May 3, 2013

EX-23.1 6 consent32-1.htm CONSENT OF INDEPENDENT AUDITORS\*



S E R V I C E  
I N T E G R I T Y  
T R U S T

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the use of our report dated April 29, 2012 with respect to the consolidated financial statements of Rainchief Energy Inc. for the years ended December 31, 2012, 2011, and 2010 included in this Annual Report on Form 20-F (filed under the Securities Exchange Act of 1934) for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission.

**“WDM Chartered Accountants”**

Vancouver, British Columbia, Canada  
April 29, 2012



SUITE 420  
1501 WEST BROADWAY  
VANCOUVER, BC  
CANADA V6J 4Z6

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**WDM**

EX-99.1 7 fins.htm CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011.\*

# Rainchief Energy Inc.

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

Consolidated Financial Statements

Consolidated Statements of Financial Position	4
Consolidated Statements of Changes in Shareholders' Deficiency	5
Consolidated Statements of Comprehensive Loss	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8

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## Management's Responsibility for Financial Reporting

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These consolidated financial statements have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments based on currently available information. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The Company maintains an appropriate system of internal controls to provide reasonable assurance that financial information is accurate and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's independent auditors, WDM Chartered Accountants, were appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States) and their report follows.

### "Paul Heney"

Paul E. Heney  
Director

### "Bradley Moynes"

Bradley J. Moynes  
Director

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## Independent Auditors' Report

To the Shareholders of:  
**RAINCHIEF ENERGY INC.**

We have audited the accompanying consolidated financial statements of Rainchief Energy Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, the consolidated statements of changes in shareholders' equity, comprehensive loss, and cash flows for the years ended December 31, 2012, 2011, and 2010, and 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 International Financial Reporting Standards 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 the auditor's 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, the auditor considers 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 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 financial position of Rainchief Energy Inc. and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for the years ended December 31, 2012, 2011, and 2010, in accordance with International Financial Reporting Standards.

### **Emphasis of Matter – Going Concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the consolidated financial statements concerning the ability of Rainchief Energy Inc. and its subsidiaries to continue as a going concern. The company incurred a net loss of \$226,261 during the year ended December 31, 2012, and as of that date, had accumulated losses of \$3,592,881 since inception and a working capital deficiency of \$432,306. These conditions, along with the other matters explained in Note 1 to the consolidated financial statements, indicate the existence of material uncertainties that raise substantial doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Rainchief Energy Inc. and its subsidiaries were unable to continue as a going concern.

### **"WDM Chartered Accountants"**

**RAINCHIEF ENERGY INC.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Note	December 31, 2012 \$	December 31, 2011 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		-	34,180
HST Recoverable		40,765	25,228
		40,765	59,408
<b>NON-CURRENT</b>			
Property and Equipment	6	1,196	1,397
Oil and Gas Property	7	108,053	-
		150,014	60,805
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Bank Indebtedness		16	-
Trade and Other Payables	8	317,691	187,128
Promissory Notes	10	155,364	-
		473,071	187,128
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share Capital		2,993,514	2,922,923
Share Subscription Advance		-	41,064
Share Purchase Warrant Reserve		276,310	276,310
Deficit		(3,592,881)	(3,366,620)
		(323,057)	(126,323)
		150,014	60,805

Nature and Continuance of Operations (Note 1)  
Subsequent Events (Note 17)  
Segmented Information (Note 18)

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

Approved on behalf of the Board:

**"Paul Heney"**  
Paul E. Heney, Director

**"Bradley Moynes"**

**RAINCHIEF ENERGY INC.**  
**Consolidated Statements of Changes in Shareholders' Deficiency**  
For the Years Ended December 31, 2012, 2011, and 2010  
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital \$	Share Subscription Advance \$	Share Purchase Warrant Reserve \$	Deficit \$	Total Shareholders' Deficit \$
<b>Balance, December 31, 2009</b>		27,838,852	2,241,445	5,384	318,651	(2,833,625)	(268,145)
Share Consolidation	11(b)(i)	(25,054,944)	-	-	-	-	-
Shares Issued for Cash, Net of Issuance Costs	11(b)(ii)	10,660,000	198,215	(5,384)	-	-	192,831
Shares Issued for Debt	11(b)(iii)	15,130,000	152,600	-	-	-	152,600
Shares and Warrants Issued for Business Acquisition	5	4,000,000	80,000	-	18,600	-	98,600
Shares Issued for Exercise of Warrants	5	5,000,000	101,386	-	-	-	101,386
Fair Value of Warrants Exercised	5	-	13,286	-	(13,286)	-	-
Fair Value of Expired Warrants		-	-	-	(47,655)	47,655	-
Share Subscriptions Received		-	-	196,263	-	-	196,263

Net Comprehensive Loss		-	-	-	-	(398,327)	(398,327)
<b>Balance, December 31, 2010</b>		37,573,908	2,786,932	196,263	276,310	(3,184,297)	75,208
Shares Issued for Cash, Net of Issuance Costs	11(b)(iv)	1,703,334	233,327	(196,263)	-	-	37,064
Shares Surrendered and Cancelled	5	(4,500,000)	(97,336)	-	-	-	(97,336)
Share Subscriptions Received		-	-	41,064	-	-	41,064
Net Comprehensive Loss		-	-	-	-	(182,323)	(182,323)
<b>Balance, December 31, 2011</b>		34,777,242	2,922,923	41,064	276,310	(3,366,620)	(126,323)
Shares Issued for Cash, Net of Issuance Costs	11(b)(v)	1,330,000	26,051	(41,064)	-	-	(15,013)
Shares Issued for Exercise of Warrants	11(b)(vi)	2,200,000	44,137	-	-	-	44,137
Shares Repurchased and Cancelled	11(b)(vii)	(1,100,000)	(22,097)	-	-	-	(22,097)
Shares Reissued	11(b)(viii)	200,000	-	-	-	-	-
Shares Issued for Services	11(d)	750,000	22,500	-	-	-	22,500
Net Comprehensive Loss		-	-	-	-	(226,261)	(226,261)
<b>Balance, December 31, 2012</b>		38,157,242	2,993,514	-	276,310	(3,592,881)	(323,057)

Share Consolidation (Note 17(a))

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

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## RAINCHIEF ENERGY INC.

### Consolidated Statements of Comprehensive Loss

For the Years Ended December 31, 2012, 2011, and 2010

(Expressed in Canadian Dollars)

	Note	2012 \$	2011 \$	2010 \$
<b>EXPENSES</b>				
Accounting, Audit, and Legal		51,624	56,638	44,025
Advertising, Promotion, and Website Development		-	6,000	16,500
Bad Debt		-	-	5,900
Consulting		75,000	80,668	42,233
Depreciation		201	282	107
Development Costs		-	14,046	3,480
Filing and Transfer Agent Fees		21,283	20,264	17,639
Interest and Bank Charges		459	484	283
Management Fees	13(b)	60,000	60,000	105,817
Office Expenses, Rent, and Telephone		632	11,534	5,671
Property Investigation		-	9,487	-
Share-Based Compensation	11(d)	22,500	-	-
Travel and Automobile		649	11,802	9,177
		232,348	271,205	250,832
<b>LOSS BEFORE OTHER ITEMS</b>		(232,348)	(271,205)	(250,832)
Foreign Exchange Loss		(783)	(8,454)	(9,917)
Gain on Surrender of Shares	5	-	97,336	-
Gain (Loss) on Settlement of Debts		6,870	-	(13,332)
Acquisition-Related Costs	5	-	-	(25,646)
Write-Down Intangible Asset	5	-	-	(98,600)
<b>NET LOSS FOR THE YEAR</b>		(226,261)	(182,323)	(398,327)
Other Comprehensive Income		-	-	-
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>		(226,261)	(182,323)	(398,327)
<b>POST-SHARE CONSOLIDATION</b>				
Basic and Diluted Loss per Share	17(a)	(0.301)	(0.258)	(1.073)
Weighted Average Number of Shares Outstanding		751,051	707,756	371,206

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

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## RAINCHIEF ENERGY INC.

### Consolidated Statements of Cash Flows

For the Years Ended December 31, 2012, 2011, and 2010

(Expressed in Canadian Dollars)

	Note	2012 \$	2011 \$	2010 \$
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net Loss for the Year		(226,261)	(182,323)	(398,327)
Non-Cash Items				
Bad Debt		-	-	5,900
Depreciation		201	282	107
Shares-Based Payments		22,500	-	-
Gain on Surrender of Shares		-	(97,336)	-
(Gain) Loss on Settlement of Debts		(6,870)	-	13,332
Write-Down Intangible Asset		-	-	124,246
		(210,430)	(279,377)	(254,742)
Change in Non-Cash Working Capital Accounts	12(a)	121,896	45,164	(12,879)
		(88,534)	(234,213)	(267,621)
<b>FINANCING ACTIVITIES</b>				
Shares Issued for Cash, Net of Issuance Costs		26,051	37,064	279,227
Share Subscription Receivable		-	20,374	-
Shares Subscription Advance		(41,064)	41,064	196,263
Shares Issued on Exercise of Warrants		44,137	-	-
Repurchase of Common Shares		(22,097)	-	-
Issuance of Promissory Notes		155,364	-	-
		162,391	98,502	475,490
<b>INVESTING ACTIVITIES</b>				
Acquisition of Equipment		-	(1,346)	-
Acquisition of Oil and Gas Property		(108,053)	-	(25,646)
		(108,053)	(1,346)	(25,646)
<b>(DECREASE) INCREASE IN CASH</b>		(34,196)	(137,057)	182,223
Cash (Bank Indebtedness), Beginning of the Year		34,180	171,237	(10,986)
<b>(BANK INDEBTEDNESS) CASH, END OF THE YEAR</b>		(16)	34,180	171,237

Supplemental Cash Flow Information (Note 12)

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

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## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Rainchief Energy Inc. (the “Company”) was incorporated on December 28, 2000 under the Company Act of the Province of British Columbia, Canada. The Company is engaged in identifying, financing, and developing oil and gas energy resource properties in North America, including the development of the Gulf Jensen Oil Prospect in New Mexico, United States (Note 7). Prior to 2012, the Company was engaged in the financing and development of photovoltaic solar energy projects in Europe (Note 5) and had operations in wine and spirit distribution.

The head office, principal address, and records office of the Company are located at Suite 1110 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast uncertainties on the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the financial support from its creditors, shareholders, and related parties, its ability to obtain financing for its development projects, and upon the attainment of future profitable operations.

The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external financing of equity. As at December 31, 2012, the Company has accumulated losses of \$3,592,881 since inception and a working capital deficiency of \$432,306. There is no assurance that the Company will be successful with generating and maintaining profitable operations, or able to secure future debt or equity financing for its working capital and development activities.

These consolidated financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

##### a) Basis of Presentation

**b) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2013.

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## **RAINCHIEF ENERGY INC.**

### **Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the “Company”). Intercompany balances and transactions are eliminated in preparing the consolidated financial statements. The following companies have been consolidated within these consolidated financial statements:

Entity	Country of Incorporation	Holding	Functional Currency
Rainchief Energy Inc.	Canada	Parent Company	Canadian Dollar
Jaydoc Capital Corp. (Note 5)	Canada	100%	Canadian Dollar
Rainchief Renewable-1 S.R.L.	Italy	100%	Canadian Dollar

The Company through its subsidiaries, Jaydoc Capital Corp. and Rainchief Renewable-1 S.R.L., was engaged in the development of photovoltaic solar energy projects in Europe until December 31, 2011.

The financial results of the Company’s reporting segments have been presented in Note 18.

**d) Foreign Currency**

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency (Note 2(c)) and items included in the financial statements of each subsidiary are measured using that functional currency.

**i) Transactions and Balances in Foreign Currencies**

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

**ii) Foreign Operations**

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

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## **RAINCHIEF ENERGY INC.**

### **Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost of the property and equipment less their residual values over their useful lives using the declining balance method at 30% per annum for computer equipment and 20% for furniture and equipment, except in the year of acquisition when one-half of the rate is used. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds



and the carrying amount of the asset and is recognized in profit or loss.

**f) Oil and Gas Property**

The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the acquisition, exploration, and development of oil and gas reserves are capitalized on a property-by-property basis. Such costs include land acquisition costs, geological and geophysical costs, drilling and other costs related to exploration and development activities and do not necessarily reflect present or future values. Proceeds from the disposal of oil and gas properties are applied against the capitalized costs of the related property.

Upon commencement of production, capitalized costs are depleted using the unit-of-production method, based on estimated probable and proven oil and gas reserves determined by independent engineers.

**g) Impairment of Non-Current Assets**

The carrying amounts of non-current assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. An impairment loss exists if the asset's or cash generating unit's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

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## **RAINCHIEF ENERGY INC.**

### **Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Provision for Restoration and Rehabilitation**

A provision for restoration and rehabilitation is recognized when there is a present legal or constructive obligation as a result of exploration and development activities undertaken, it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligation includes the cost of removing facilities, abandoning sites, and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. The estimated cost is capitalized into the cost of the related asset and amortized on the same basis as the related assets. The liability is increased over time to reflect an accretion to the amount ultimately payable on the date it is paid.

As at December 31, 2012 and 2011, the Company has no material restoration and rehabilitation obligations.

**i) Share Capital**

The Company records proceeds from share issuances, net of commissions and issuance costs. Shares issued for other than cash consideration are valued at the quoted price on the Over-the-Counter Bulletin Board in the United States based on the earliest of: (i) the date the shares are issued, and (ii) the date the agreement to issue the shares is reached.

**j) Share-Based Payments**

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. The fair value of unexercised equity instruments are transferred from reserve to retained earnings upon expiry.

**k) Loss per Share**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

**l) Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

**i) Current Income Tax**

Current income tax assets and liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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# RAINCHIEF ENERGY INC.

## Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Income Taxes (Continued)

##### ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### m) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

##### i) Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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# RAINCHIEF ENERGY INC.

## Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial Instruments (Continued)

##### i) Financial Assets (Continued)

- **Financial assets at fair value through profit or loss** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial instruments.
- **Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company currently does not hold financial assets in this category.
- **Held-to-maturity investments** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired as determined by reference to external credit ratings, then the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

- **Available-for-sale financial assets** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as a reclassification adjustment within other comprehensive income.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale financial assets, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the revaluation reserve.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial Instruments (Continued)

###### ii) Financial Liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's bank indebtedness falls into this category of financial instruments.
- **Other financial liabilities** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's bank indebtedness, trade and other payables, and promissory notes payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

###### n) Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year. These reclassifications have no effect on the consolidated net comprehensive loss for the years ended December 31, 2012 and 2011.

#### NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

###### a) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

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## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

**b) Oil and Gas Reserves and Resources**

Measurements of depletion, depreciation, impairment, and rehabilitation and restoration obligations are determined in part based on the Company's estimate of oil and gas reserves and resources. The estimation of reserves and resources is an inherently complex process and involves the exercise of professional judgment.

Oil and gas reserves and resources estimates are based on a range of geological, technical and economic factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves.

**c) Provision for Legal Claim**

On December 31, 2009, the Company recorded a provision of \$60,750 in connection with a claim relating to certain royalty payments owed by the Company under a licensing agreement (Note 9). The provision represents the Company's estimated maximum potential liability. The outcome of the claim is uncertain.

**d) Provision for Restoration and Rehabilitation**

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the restoration and rehabilitation obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

**NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new accounting standards, amendments to standards, and interpretations are issued but not yet effective up to the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective. These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet determined the impact of these standards on its consolidated financial statements.

**a) IFRS 9 – Financial Instruments**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

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## **RAINCHIEF ENERGY INC.**

### **Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

**NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)**

**b) IFRS 10 – Consolidated Financial Statements**

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors' return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 10 supersedes International Accounting Standards ("IAS") 27 "Consolidated and Separate Financial Statements" and Standing Interpretations Committee ("SIC") 12 "Consolidation – Special Purpose Entities."

**c) IFRS 11 – Joint Arrangements**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers."

**d) IFRS 12 – Disclosure of Interest in Other Entities**

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. IFRS 12 also requires that an entity disclose the significant judgments and assumptions it has made.

**e) IFRS 13 – Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.

**f) IAS 28 – Investments in Associates and Joint Ventures**

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

## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 5 – ACQUISITION OF JAYDOC CAPITAL CORP.

On December 22, 2010, the Company acquired all of the issued and outstanding common shares of Jaydoc Capital Corp. (“Jaydoc”), a company incorporated under the Business Corporations Act of the Province of British Columbia, Canada. Jaydoc was acquired to facilitate the Company’s business venture in solar energy development. The purchase price of \$98,600 was satisfied by the issuance of 4,000,000 common shares with a fair value of \$80,000 and 7,000,000 share purchase warrants with a fair value of \$18,600. The Company incurred legal fees of \$25,646 in connection with the acquisition.

On November 22, 2010, the former shareholders of Jaydoc (the “vendors”) subscribed to 5,000,000 common shares of the Company upon the exercise of warrants for gross proceeds totaling \$101,386 (US\$100,000) at an exercise price of US\$0.02 per share. The fair value of these warrants in the amount of \$13,286 was transferred from reserve to share capital accordingly. The remaining 2,000,000 warrants expired unexercised.

On December 31, 2010, the Company wrote down the intangible asset due to the lack of reliable measurement of the future cash flows of the solar energy project.

On March 4, 2011, the Company entered into a Stock Surrender, Settlement and Voluntary Pooling Agreement with the vendors who agreed to surrender 50% of the common shares received for the sale of Jaydoc and 50% of the common shares received upon the exercise of warrants. Accordingly, a total of 4,500,000 common shares were returned to the treasury of the Company as final settlement of deficiencies identified by the Company in certain representations arising out of the Jaydoc acquisition. The Company recorded the book value of the shares surrendered in the amount of \$97,336 as a gain in 2011.

#### NOTE 6 – PROPERTY AND EQUIPMENT

	Computer Equipment \$	Furniture and Equipment \$	Total \$
<b>COST</b>			
At December 31, 2010	3,890	1,656	5,546
Additions	1,346	-	1,346
At December 31, 2011	5,236	1,656	6,892
Additions	-	-	-
At December 31, 2012	5,236	1,656	6,892
<b>ACCUMULATED DEPRECIATION</b>			
At December 31, 2010	3,757	1,456	5,213
Depreciation	242	40	282
At December 31, 2011	3,999	1,496	5,495
Depreciation	169	32	201
At December 31, 2012	4,168	1,528	5,696
<b>NET BOOK VALUE</b>			
At December 31, 2011	1,237	160	1,397
At December 31, 2012	1,068	128	1,196

## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 7 – OIL AND GAS PROPERTY

On February 10, 2012, the Company entered into an agreement with Nueva Oil and Gas Corporation (“Nueva”) for a farm-in interest in certain oil and gas leases in Curry County, New Mexico, United States (the “Gulf Jensen Oil Prospect”). Nueva is an arm’s length private oil company based in Calgary, Canada.

Pursuant to the terms of the agreement, the Company agreed to pay US\$33,400 (CDN\$34,140) upon execution of the agreement and undertook to fund 100% of the cost of an initial seismic program. In addition, the Company was granted an option to acquire a 90% working interest in the Gulf Jensen Oil Prospect which the Company exercised on April 4, 2012 and paid Nueva US\$75,000 (CDN\$73,913). The Company’s net revenue interest is 80.0% inclusive of the lessor royalties and the over-riding royalties.

As of December 31, 2012, capitalized acquisition costs of the Gulf Jensen Oil Prospect totalled \$108,053.

**NOTE 8 – TRADE AND OTHER PAYABLES**

	2012	2011
	\$	\$
Trade Payables	169,123	88,700
Accrued Liability	20,000	18,000
Legal Claim Provision (Note 9)	60,750	60,750
Related Party Payable (Note 13(a)(i))	67,818	19,678
	317,691	187,128

**NOTE 9 – LEGAL CLAIM**

In March 2009, the Company was served with a Notice of Termination citing breach of a licensing agreement by the Company as a result of its default on certain royalty payments. On December 31, 2009, the Company recorded a provision for the total amount of claim against the Company of \$60,750.

The outcome of this legal claim is uncertain, and management is of the opinion that the claim has no merit and seeks to recover all costs. Any recovery resulting from the resolution of this claim will be accounted for in the period of settlement.

**NOTE 10 – PROMISSORY NOTES**

During 2012, the Company issued promissory notes totalling \$155,364. The notes are non-interest bearing, unsecured, and have a maturity date of December 31, 2013.

The notes may be convertible into common shares of the Company in whole or in part at the option of the holder upon terms to be determined by the Company either 10 days prior to repayment of the notes or the maturity date, whichever shall occur first.

The notes shall become immediately payable should the Company complete financing in excess of US\$5,000,000 prior to December 31, 2013, and shall bear interest at 3% per annum compounded annually should the Company default on the notes.

As at December 31, 2012, the notes included \$32,102 owed to a related company controlled by a Director (also an officer) of the Company.

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**RAINCHIEF ENERGY INC.****Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

**NOTE 11 – SHARE CAPITAL****a) Authorized Capital**

Unlimited number of common shares without par value.

**b) Issued and Outstanding Common Shares**

i) Effective March 22, 2010, the Company consolidated its common shares on the basis of 10 old common shares for one new common share.

ii) On March 22, 2010, the Company completed a private placement of 50,000 units at US\$0.10 per unit, raising total gross proceeds of US\$5,000 (\$5,384). Each unit consisted of one common share and one warrant exercisable into one common share at US\$1.00 per share until March 22, 2011. The subscription proceeds were received in 2009.

On May 19, 2010, the Company completed a private placement of 9,110,000 units at US\$0.02 per unit, raising gross proceeds of US\$182,200 (\$191,505). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until March 30, 2015.

On October 5, 2010, the Company completed a private placement of 500,000 units at US\$0.04 per unit, raising gross proceeds of US\$20,000 (\$20,276). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.04 per share until October 15, 2015.

On November 22, 2010, the Company completed a private placement of 1,000,000 units at US\$0.02 per unit, raising gross proceeds of US\$20,000 (\$20,374). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until October 28, 2015. The subscription proceeds owing by a Director of the Company was received subsequently in April 2011.

iii) On May 19, 2010, the Company issued 15,000,000 common shares with a fair value of \$150,000 for settlement of debts totaling \$97,710, and accordingly recorded a loss of \$52,290 on debt settlement. These debts were owed, on the date of settlement, to arm's length parties who acquired the debts from related parties of the Company for a nominal consideration of \$10. Concurrent with the debt settlement, the Company wrote off \$5,900 in an amount owed by a related party.

On November 2, 2010, the Company paid \$5,000 in cash and issued 130,000 common shares with a fair value of \$2,600 for settlement of accounts payable totaling \$46,558 owing to arm's length parties. The Company recorded a gain of \$38,958 on debt settlement.

iv) On January 24, 2011, the Company completed a private placement of 1,300,001 shares at US\$0.15 per share, raising gross proceeds of US\$195,000 (\$196,263).

On March 14, 2011, the Company completed a private placement of 403,333 shares at US\$0.15 per share, raising gross proceeds of US\$60,500 (\$59,356).

v) On January 17, 2012, the Company completed a private placement of 1,330,000 units at US\$0.03 per unit, raising gross proceeds of US\$39,900 (\$41,064). Each unit consists of one common share and one share purchase warrant exercisable into one common share at US\$0.03 per share until December 31, 2013.

vi) During the year ended December 31, 2012, the Company issued a total of 2,200,000 common shares upon the exercise of warrants at an exercise price of US\$0.02 per share for total gross proceeds of US\$44,000 (\$44,137).

# RAINCHIEF ENERGY INC.

## Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

### NOTE 11 – SHARE CAPITAL (Continued)

#### b) Issued and Outstanding Common Shares (Continued)

vii) On March 2, 2012, the Company repurchased 1,100,000 units at US\$0.02 per unit for a total cost of US\$22,000 (\$22,097). These units were initially issued in a private placement completed in May 2010 at a subscription price of US\$0.02 per unit for total gross proceeds of US\$22,000 (\$22,097). Each unit consisted of one common share and one warrant exercisable into one common share at US\$0.02 per share until March 30, 2015. These units were returned to treasury and cancelled.

viii) On March 21, 2012, the Company issued 200,000 common shares to the President of the Company and a person related to the President. The related parties purchased these shares in the Company in 2002. However, the share certificates evidencing the share subscription were not recorded by the share transfer agent as a result of a clerical oversight. Accordingly, the Directors of the Company authorized the issuance of share certificates to the related parties as evidence of their ownership of the shares and to accurately reflect the number of common shares outstanding.

#### c) Share Purchase Warrants

The continuity of warrants for the years ended December 31, 2012 is summarized below.

Expiry Date	Exercise Price	December 31, 2011	Issued	Exercised	Expired/ Cancelled	December 31, 2012
December 31, 2013	US\$0.03	-	1,330,000	-	-	1,330,000
June 30, 2014	US\$0.80	320,000	-	-	-	320,000
March 30, 2015	US\$0.02	9,110,000	-	(2,200,000)	(1,100,000)	5,810,000
October 15, 2015	US\$0.04	500,000	-	-	-	500,000
October 28, 2015	US\$0.02	1,000,000	-	-	-	1,000,000
<b>Total</b>		<b>10,930,000</b>	<b>1,330,000</b>	<b>(2,200,000)</b>	<b>(1,100,000)</b>	<b>8,960,000</b>
<b>Weighted Average Exercise Price</b>		<b>US\$0.04</b>	<b>US\$0.03</b>	<b>US\$0.02</b>	<b>US\$0.02</b>	<b>US\$0.05</b>

The continuity of warrants for the years ended December 31, 2011 is summarized below.

Expiry Date	Exercise Price	December 31, 2010	Issued	Exercised	Expired/ Cancelled	December 31, 2011
March 22, 2011	US\$1.00	50,000	-	-	(50,000)	-
June 30, 2014	US\$0.80	320,000	-	-	-	320,000
March 30, 2015	US\$0.02	9,110,000	-	-	-	9,110,000
October 15, 2015	US\$0.04	500,000	-	-	-	500,000
October 28, 2015	US\$0.02	1,000,000	-	-	-	1,000,000
<b>Total</b>		<b>10,980,000</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>10,930,000</b>
<b>Weighted Average Exercise Price</b>		<b>US\$0.05</b>	<b>-</b>	<b>-</b>	<b>US\$1.00</b>	<b>US\$0.04</b>

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# RAINCHIEF ENERGY INC.

## Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

### NOTE 11 – SHARE CAPITAL (Continued)

#### c) Share Purchase Warrants (Continued)

The continuity of warrants for the years ended December 31, 2010 is summarized below. . The quantity and exercise price of warrants have been restated to reflect the share consolidation which took effect on March 22, 2010 (Note 11(b)(i)).

Expiry Date	Exercise Price	December 31, 2009	Issued	Exercised	Expired/ Cancelled	December 31, 2010
March 27, 2010	US\$1.00	10,000	-	-	(10,000)	-
March 31, 2010	US\$1.00	48,000	-	-	(48,000)	-
April 30, 2010	US\$1.00	150,000	-	-	(150,000)	-
May 29, 2010	US\$1.00	189,000	-	-	(189,000)	-
August 5, 2010	US\$1.00	5,000	-	-	(5,000)	-
October 31, 2010	US\$1.00	50,000	-	-	(50,000)	-
November 22, 2010	US\$0.02	-	7,000,000	(5,000,000)	(2,000,000)	-
March 22, 2011	US\$1.00	-	50,000	-	-	50,000
June 30, 2014	US\$0.80	320,000	-	-	-	320,000
March 30, 2015	US\$0.02	-	9,110,000	-	-	9,110,000

October 15, 2015	US\$0.04	-	500,000	-	-	500,000
October 28, 2015	US\$0.02	-	1,000,000	-	-	1,000,000
<b>Total</b>		<b>772,000</b>	<b>17,660,000</b>	<b>(5,000,000)</b>	<b>(2,452,000)</b>	<b>10,980,000</b>
Weighted Average Exercise Price		US\$0.92	US\$0.02	US\$0.02	US\$0.20	US\$0.05

#### d) Share-Based Payments

On April 17, 2012, the Company issued 750,000 common shares at a fair value of US\$0.03 per share to the Directors of the Company as compensation for services rendered. Accordingly, share-based compensation of \$22,500 was recorded.

During the year ended December 31, 2011, the Company did not issue any share-based payments.

During the year ended December 31, 2010, the Company issued 7,000,000 warrants with a fair value of \$18,600 for the acquisition of a subsidiary (Note 5). This share-based payment was included in the acquisition cost of the subsidiary. The fair value of these warrants was estimated at the date of issuance based on the Black-Scholes option pricing model with the following assumptions:

Risk-Free Annual Interest Rate	0.89%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	98%
Expected Life of Warrants	0.1 years

Option pricing models require the input of highly subjective assumptions. The volatility assumption is based on an analysis of historical volatility over a period equivalent to the expected life of the warrants. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of warrants.

#### e) Escrow Shares

As at December 31, 2012, the Company had 562,500 shares held in escrow (2011 – 2,812,500).

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## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

	2012	2011	2010
	\$	\$	\$
<b>a) Change in Non-Cash Working Capital Accounts</b>			
HST Recoverable	(15,537)	(12,024)	640
Trade and Other Payables	137,433	57,188	(13,519)
	<b>121,896</b>	<b>45,164</b>	<b>(12,879)</b>
<b>b) Significant Non-Cash Financing Activity</b>			
Shares Issued for Business Acquisition	-	-	80,000
Warrants Issued for Business Acquisition	-	-	18,600
Shares Issued for Settlement of Debts	-	-	152,600
Shares Issued for Services	22,500	-	-
	<b>22,500</b>	<b>-</b>	<b>251,200</b>
<b>c) Other Information</b>			
Interest Paid	40	-	1,787
Income Taxes Paid	-	-	-

#### NOTE 13 – RELATED PARTIES TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

##### a) Related Party Balances

###### (i) Trade and other payables

As at December 31, 2012, the Company has \$67,818 (2011 – \$19,678) in trade and other payables owed to key management personnel. The amounts owed to key management personnel arose from outstanding management fees, and are non-interest bearing, unsecured and have no specified terms of repayment.

###### (ii) Promissory Notes

Included in promissory notes as at December 31, 2012 was \$32,102 (including US\$17,000) owed to a company controlled by a Director (also an officer) of the Company. There were no promissory notes issued to related parties in 2011.



## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 13 – RELATED PARTIES TRANSACTIONS (Continued)

##### b) Compensation of Key Management Personnel

The Company incurred management fees and share-based payments for services provided by key management personnel for the years ended December 31, 2012 and 2011 as described below. All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	2012	2011	2010
	\$	\$	\$
Management Fees	60,000	60,000	105,817
Share-Based Payments (Note 11(d))	22,500	-	-
	<u>82,500</u>	<u>60,000</u>	<u>105,817</u>

#### NOTE 14 – INCOME TAX

##### a) Deferred Tax Assets and Liabilities

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	December 31, 2012	December 31, 2011
	\$	\$
Non-Capital Losses	3,299,209	3,073,059
Capital Losses	2,718	2,718
Property and Equipment	28,956	28,755
Share Issuance Costs	45,303	52,879
	<u>3,376,186</u>	<u>3,157,411</u>

As at December 31, 2012, the Company has non-capital losses of approximately \$3,299,100 which may be applied to reduce Canadian taxable income of future years. The non-capital losses expire as follows:

2014	17,300
2015	86,300
2026	313,100
2027	515,300
2028	367,400
2029	1,157,900
2030	307,400
2031	301,400
2032	233,000
	<u>3,299,100</u>

## RAINCHIEF ENERGY INC.

### Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

#### NOTE 14 – INCOME TAX (Continued)

##### b) Income Tax Expense

The income tax expense of the Company is reconciled to the net loss for the year as reported in the consolidated statement of comprehensive loss as follows:

	2012	2011	2010
	\$	\$	\$
Recovery of Income Tax Calculated at the Statutory Rate of 13.5%	(30,545)	(24,614)	(53,774)
Permanent Differences	3,038	-	-
Deferred Tax Assets Not Recognized	29,534	34,193	45,845
Effect of Change in Tax Rates	-	(6,570)	8,387
Expiration of Non-Capital Losses and Other	(2,027)	(3,009)	(458)

**NOTE 15 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 2(m). The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

**a) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$432,306 as at December 31, 2012. There can be no assurance that such financing will be available on terms acceptable to the Company.

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

**c) Credit risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company is in the exploration and development stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

**d) Commodity Price Risk**

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The ability of the Company to develop its oil and gas properties and the future profitability of the Company are directly related to the market price of oil. The Company has not hedged any of its future sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors commodity prices to determine the appropriate course of action.

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**RAINCHIEF ENERGY INC.****Notes to the Consolidated Financial Statements**

December 31, 2012 and 2011

(Expressed in Canadian Dollars)

**NOTE 15 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****e) Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk to the extent it incurs mineral exploration expenditures and operating costs in foreign currencies including the U.S. Dollar. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

As at December 31, 2012, the Company's financial instruments denominated in U.S. dollars included bank indebtedness in the amount of US\$13.

**f) Fair Values**

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's financial instruments were measured at fair value use Level 1 valuation technique during the years ended December 31, 2012 and 2011. The carrying values of the Company's financial assets and liabilities approximate their fair values.

**NOTE 16 – CAPITAL MANAGEMENT**

The Company's objective for managing its capital structure is to safeguard the Company's ability to continue as a going concern and to ensure it has the financial capacity, liquidity and flexibility to fund its on-going operations and capital expenditures including investment in resource properties it has or may acquire.

The Company manages its share capital as capital, which as at December 31, 2012 was \$2,993,514. At this time, the Company's access to the debt market is limited and it relies on equity issuances and the support of shareholders to fund its investments in capital assets and development of oil and gas properties. The Company monitors capital to maintain a sufficient working capital position to fund annualized administrative expenses and capital investments.

As at December 31, 2012, the Company had a working capital deficiency of \$432,306. The Company will issue shares and may from time to time adjust its capital spending to maintain or adjust the capital structure. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Company's approach to capital management during the year ended December 31, 2012.



**WDM**  
CHARTERED ACCOUNTANTS

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the use of our report dated April 29, 2012 with respect to the consolidated financial statements of Rainchief Energy Inc. for the years ended December 31, 2012, 2011, and 2010 included in this Annual Report on Form 20-F (filed under the Securities Exchange Act of 1934) for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission.

**“WDM Chartered Accountants”**

Vancouver, British Columbia, Canada  
April 29, 2012

S E R V I C E

I N T E G R I T Y

T R U S T



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