CANADIAN OIL RECOVERY & REMEDIATION ENTERPRISES LTD.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(In Canadian Dollars)

CANADIAN OIL RECOVERY & REMEDIATION ENTERPRISES LTD.

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NOTICE TO READER

The accompanying consolidated interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these consolidated financial statements.

Toronto, Canada

November 27, 2012

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(In Canadian Dollars) 2

	September 30, 2012	December 31, 2011
	$	$
Current Assets		
Cash and cash equivalents *(Note 3)*	883,765	2,683,934
Accounts and other receivables *(Note 4 and 16)*	222,755	213,218
Prepaid and sundry *(Note 16)*	65,792	69,044
Loan receivable *(Note 16)*	-	250,000
Assets of Discontinued Operations *(Note 5)*	817	1,225
	1,173,129	3,217,421
Furniture and Equipment *(Note 6)*	49,988	56,600
Oil Recovery Equipment *(Note 7)*	9,493,100	9,878,394
Intangibles *(Note 8)*	735,658	851,920
	11,451,875	14,004,335
Current Liabilities		
Accounts payable and accrued liabilities *(Note 16)*	284,957	174,777
ARES I operational optimization costs payable *(Note 9)*	368,869	400,585
	653,826	575,362
Due to Related Parties *(Note 16)*	296,805	-
	950,631	575,362
Shareholders' Equity		
Capital stock *(Note 10)*	25,029,285	25,011,785
Equity reserves		
Warrants *(Note 12)*	244,435	412,495
Contributed surplus *(Note 13)*	2,450,646	1,719,609
Deficit *(Note 12)*	(17,223,122)	(13,714,916)
	10,501,244	13,428,973
	11,451,875	14,004,335

Commitments and Contingencies *(Note 18)*

ON BEHALF OF THE BOARD

Signed "John Lorenzo", Director

Signed "Alex Gress", Director

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Revenue *(Note 15)*	288,988	-	837,230	-
Cost of sales *(Note 15)*	143,478	-	608,341	-
Gross profit	145,510	-	228,889	-
Expenses				
Office management & administrative *(Note 15 and 16)*	646,396	357,588	1,428,378	960,182
Share-based payments *(Note 11 and 16)*	603	80,602	731,037	582,776
Travel expenses	204,597	65,022	502,466	265,375
Consulting services *(Note 16)*	75,523	69,603	222,650	195,118
Professional fees	310,395	90,125	471,646	204,512
Rent & occupancy	59,797	40,108	145,329	117,536
Depreciation	179,817	42,988	538,672	128,964
Foreign exchange	(6,510)	824	(12,287)	8,301
	1,470,618	746,860	4,027,891	2,462,764
Loss before financing income	1,325,108	746,860	3,799,002	2,462,764
Interest income	(4,485)	(2,526)	(33,174)	(6,153)
Net loss from continuing operations	1,320,623	744,334	3,765,828	2,456,611
Loss from discontinued operations	(89,650)	28	(89,562)	159
Net loss and comprehensive loss for the period	1,230,973	744,362	3,676,266	2,456,770
Deficit - beginning of period	16,160,209	11,655,914	13,714,916	9,943,506
Warrants expired *(Note 12)*	168,060	-	168,060	-
Deficit - end of period	17,223,122	12,400,276	17,223,122	12,400,276
Basic and diluted loss per share *(Note 14)*				
- from continuing operations	0.01	0.01	0.04	0.03
- from discontinued operations	(0.01)	0.00	(0.01)	0.00
- total	0.01	0.01	0.03	0.03
Weighted average number of shares outstanding - basic and diluted	106,113,246	105,496,832	106,106,434	90,407,052

	Share Capital	Equity Reserve	Deficit	Total Equity
	$	$	$	$
Balance - January 1, 2011	19,822,989	1,017,241	(9,749,812)	11,090,418
Net loss and comprehensive loss			(2,456,770)	(2,456,770)
Private placement	1,195,104			1,195,104
Value of warrants granted on private placement	(244,435)	244,435		-
Options exercised	7,433			7,433
Warrants exercised	4,625,000			4,625,000
Valuation allocation of warrants exercised	198,860	(198,860)		-
Share issuance costs	(590,228)			(590,228)
Stock based compensation		582,775		582,775
Balance - September 30, 2011	25,014,723	1,645,591	(12,206,582)	14,453,732
Balance - January 1, 2012	25,011,785	2,132,104	(13,714,916)	13,428,973
Net loss and comprehensive loss			(3,676,266)	(3,676,266)
Options exercised	17,500			17,500
Warrants expired		(168,060)	168,060	-
Stock based compensation		731,037		731,037
Balance - September 30, 2012	25,029,285	2,695,081	(17,223,122)	10,501,244

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Operating Activities				
Net loss for the period	(1,230,973)	(744,362)	(3,676,266)	(2,456,770)
Adjustments for:				
Share-based payments	603	80,602	731,037	582,775
Depreciation	179,817	42,988	538,672	128,964
	(1,050,553)	(620,772)	(2,406,557)	(1,745,031)
Changes in non-cash working capital items				
Other receivables	59,097	49,338	(9,537)	(62,287)
Prepaid and sundry	102,695	(14,692)	3,252	(135,266)
Accounts payable and accrued liabilities	176,794	(246,708)	375,269	(414,975)
	338,586	(212,062)	368,984	(612,528)
Discontinued operations	320	28	408	158
Total cash inflows (outflows) from operating activities	(711,647)	(832,806)	(2,037,165)	(2,357,401)
Investing Activities				
Acquisition of furniture, equipment and oil recovery equipment	(15,453)	(52,621)	(30,504)	(195,157)
Loan receivable	80,000	-	250,000	-
Total cash inflows (outflows) from investing activities	64,547	(52,621)	219,496	(195,157)
Financing Activities				
Share issuance private placement	-	375,200	-	1,195,104
Shares issued on exercise of options	-	7,433	17,500	7,433
Shares issued on exercise of warrants	-	-	-	375,000
Subscription received on exercise of warrants		1,750,000		1,750,000
Share issue cost and financing fee	-	(468,928)	-	(590,228)
Total cash inflows (outflows) from financing activities	-	1,663,705	17,500	2,737,309
Change in cash and cash equivalents	(647,100)	778,278	(1,800,169)	184,751
Cash and cash equivalents - beginning of the period	1,530,865	367,740	2,683,934	961,267
Cash and cash equivalents - end of the period	883,765	1,146,018	883,765	1,146,018
Cash and cash equivalents consists of:				
Cash	65,879	1,120,974	65,879	1,120,974
Cash Equivalents	817,886	25,044	817,886	25,044
	883,765	1,146,018	883,765	1,146,018

1. NATURE OF OPERATIONS

Canadian Oil Recovery & Remediation Enterprises Ltd. (the "Company" or "CORRE") is an operating company that provides environmental services for the upstream (oil production and drilling) and downstream (oil refineries, transportation and distribution) petroleum sectors, governments and municipalities. In addition to strategic operating partnership, some of these services are expected to be directly provided by CORRE through its Advanced Recovery Equipment Systems ("ARES") for environmental remediation of oil-contaminated sites and oil recovery. ARES is a platform of wholly-owned and operated equipment facilities and services for remediation of oil-contaminated soils, sludge and drill cuttings treatment and oil recovery.

CORRE's ARES I operating plant is currently in Kuwait and has completed commissioning. CORRE is evaluating tender opportunities for the use of the ARES I in the Middle East and North Africa ("MENA") regions with its operating partners.

The ARES II operating facility is currently in Canada and the Company is evaluating completing its commissioning in the MENA regions, similar to ARES I. It is expected that ARES II can be used independently or in tandem with ARES I to provide a complete soil remediation and oil recovery service. The Company has the exclusive, world-wide license to use the ARES II technology and to manufacture processing equipment employing such technology, in which the patent holder of the ARES II technology is entitled to receive royalty payments in an amount equal to 5% of the gross proceeds realized by the Company in employing the ARES II technology.

The ARES III technology is based on the use of bioremediation to clean oil-contaminated soil when the hydrocarbon level in the soil is typically 2% or lower and site logistics may not facilitate the use of operating equipment. CORRE can provide bioremediation through a technology subcontract with an environmental services and consulting company.

The combination of CORRE's ARES I, II, and III will enable CORRE to provide comprehensive solutions to its current and prospective customers based on varying specifications and deliverables of service contracts.

In December 2007, the Company formed a Middle East operating subsidiary, CORRE MENA, as a Jebel Ali Free Zone Area ("JAFZA") company, incorporated under the offshore laws of JAFZA, United Arab Emirates. On October 17, 2010, CORRE MENA changed its name to SAR-CORRE MENA Limited with shareholding held 45% by CORRE, 45% by SAR (as defined below) and 10% by strategic Middle East investors.

During 2009, the Company entered into a binding Memorandum of Agreement ("MOA") with SAR AS ("SAR"), a Norwegian oil waste management company, to form an operating partnership, SAR-CORRE MENA Limited ("SCM"), that will focus exclusively on the MENA region to pursue commercial operations in oil recovery, soil remediation, sludge treatment, waste management, oil storage and oil tankers tank cleaning, water treatment and treatment of drill cuttings. In September 2010, CORRE completed its formal partnership agreement with SAR. Additionally, the Company entered into a Memorandum of Understanding with TG Engineering Inc. ("TGE"), a Canadian-based international engineering design and project management company, to form an operating partnership, CORRE-TGE, that will focus on the provision of oil and gas engineering and project management services in the MENA regions.

On February 6, 2012, the Company announced the formation of its exclusive operating partnership ("Saudi Co.") for Saudi Arabia with a leading company in the local industrial and oil and gas sector called Petroleum, Chemicals and Mining Company Limited ("PCMC"). PCMC is able to leverage the financial strength, operating assets and decades of contracting experience of its parent company, one of the largest construction companies in the Middle East. CORRE through its existing SCM partnership expects to hold an equity stake of 62.5% and PCMC 32.5%, respectively.

1. NATURE OF OPERATIONS (Continued)

The Company is incorporated under the Canada Business Corporation Act. The Company has two wholly-owned subsidiaries, CORRE Inc. and BDE Properties Inc., which both are located in Toronto, Ontario.

The Company's shares are listed on the Toronto Venture Stock Exchange under the Symbol "CVR" and the Company is cross-listed on the OTCQX platform under the symbol "CRVYF". The head office, principal address and records office of the Company are located at 141 Adelaide Street West, Suite 110, Toronto, Ontario, M5H 3L5.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, using the same basis of presentation and accounting policies as described in the Company's audited financial statements for the year ended December 31, 2011. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been authorized for issue by the Board of Directors on November 27, 2012.

(b) Basis of Presentation

These consolidated financial statements were prepared under the historical cost convention.

The presentation currency of the Company is the Canadian dollar, which is also the functional currency of the corporate office located in Canada. The functional currency of the SCM operations is the Norwegian Krone; the translation of the financial statements is straightforward using the current rate method.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of income are presented using the nature classification for expenses.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation. The 45% interest in SCM is accounted for using the proportionate consolidation method.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(d) Critical Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable discount interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including furniture and equipment, oil recovery equipment, and intangible assets at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of Furniture and Equipment, Oil Recovery Equipment and Intangibles useful lives are provided in Note 6, Note 7 and Note 8.

Fair Value of Financial Instruments

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Share-based Payments

The Company measures the cost of equity-settled transactions with directors, officers, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for stock based compensation transactions are disclosed in Note 11.

(e) Other Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and deposits with a redemption option at any time before maturity. For the purpose of the consolidated statement of cash flows, cash and cash equivalents also includes bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture, Equipment and Oil Recovery Equipment

Furniture, equipment and oil recovery equipment is initially recorded at cost being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs.

Furniture, equipment and oil recovery equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment (losses).

Where an item of property, plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

Subsequent Costs

The cost of replacing part of an item of furniture, equipment and oil recovery equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in income or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item or furniture, equipment and oil recovery equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within gain or loss from disposal of equipment in income or loss.

Depreciation

Depreciation is recognized in net income and begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on a straight line basis over the estimated useful life of the assets as follows:

Furniture and Equipment	5 years
ARES I Sludge/Drill Cuttings Treatment Equipment Systems – 20 tons	7 to 10 years

No Depreciation was taken for the ARES II Advanced Recovery Equipment Systems as it is currently not available for use. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of intangible assets are carried at cost less any accumulated depreciation on a straight-line basis over their estimated useful lives of ten years and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 measured initially at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently depending on their classification as discussed below.

Financial Assets

The Company's financial assets include cash and cash equivalents, escrow funds, loan, accounts and other receivables and are classified as loans and receivables. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Company does not have any financial assets classified as Fair Value Through Profit or Loss, Held to Maturity or Available-for-Sale.

Financial Liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, ARES I operational optimization costs payable and due to related parties are classified as other financial liabilities. Other financial liabilities are measured at fair value on initial recognition, net of transactions costs and subsequently at amortized cost using the effective interest rate method.

The Company does not have any financial liabilities classified as Fair Value Through Profit or Loss.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Capital Stock

Capital stock represents shares that have been issued by the Company measured at the proceeds received, net of direct issue costs. The proceeds related to common share warrants are estimated based on the grant date estimated fair value of the warrants as determined using the Black-Scholes option pricing model with assumptions including expected dividend yield, expected volatility, risk free interest rate and expected life.

The Company has a policy related to expired warrants whereby amounts recorded for expired unexercised warrants are transferred to retained earnings (deficit) on expiry.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Share-based Payments

As part of its remuneration, the Company grants stock options to buy common shares of the Company to its employees. The fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

All share-based remuneration is ultimately recognized as an expense in the consolidated statement of operations, comprehensive loss and deficit with a corresponding credit to equity reserves. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credit to equity reserves are allocated to share capital.

Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Financing costs are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of Company borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

Foreign Currency Translation

The Company‘s presentation and functional currency is the Canadian dollar (“$”).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity‘s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, foreign currency monetary assets and liabilities are translated using the reporting date foreign exchange rate. Foreign currency non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the Consolidated Statement of Operations, Comprehensive Income and Deficit.

Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company uses a management approach to determine its operating segments. The SCM operations is the Company’s only single operating segment as of September 30, 2012. Management reviews regularly the operating results and the CODM of the Company is responsible for making decisions on whether to make additional investments or loans and for evaluating the financial performance of its investment in SCM. Also see Note 15.

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2011 or later years. None of these is expected to have a significant effect on the consolidated financial statements, except for the following:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Company has early adopted amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition i.e. January 1, 2010.

The following standards and interpretations have been issued but are not yet effective:

- IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

- IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 11 describes the accounting for arrangements in which there is joint control. A party to joint arrangement accounts for its rights and obligations that arise from the arrangement. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2012 and December 31, 2011 include a $792,880 one-year GIC at an interest rate of $1.7% with a redemption option at an interest rate of 1.1%, maturing on November 11, 2012.

4. ACCOUNTS AND OTHER RECEIVABLES

	September 30, 2012	December 31, 2011
	$	$
Receivables from related parties *(Note 16)*	66,156	94,359
Receivables from HST credits	70,036	98,269
SCM project receivables	65,973	-
Other	20,590	20,590
	222,755	213,218

5. DISCONTINUED OPERATIONS

In December 2009, the Company discontinued the operations of the previously acquired Mentra Life Sciences Inc. ("Mentra") and ABC Cleanrooms Inc. ("ABC"), a wholly-owned subsidiary of Mentra.

In August 2012, Mentra received Federal SR&ED tax credit for the fiscal year 2008 in the amount of $89,970.

The financial position of discontinued operations included within the Consolidated Interim Statements of Financial Position is as follows:

	September 30, 2012	December 31, 2011
	$	$
Current Assets		
Cash and cash equivalents	-	362
Accounts receivable	817	863
	817	1,225

The results of discontinued operations included in the Consolidated Interim Statements of Operations, Comprehensive Loss and Deficit are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Expenses				
Office management & administrative	320	28	408	159
	320	28	408	159
SR&ED tax credit	89,970	-	89,970	-
Net income (loss) and comprehensive income (loss) from discontinued operations	89,650	(28)	89,562	(159)

6. FURNITURE AND EQUIPMENT

	Office furniture and equipment	Electronics and hardware	Leasehold Improvements	Total
Cost	$	$	$	$
Balance as of December 31, 2010	31,711	6,025	46,535	84,271
Additions	361	1,414	-	1,775
Disposals	-	-	-	-
Balance as of December 31, 2011	32,072	7,439	46,535	86,046
Additions	3,690	3,160	-	6,850
Disposals	-	-	-	-
Balance as of September 30, 2012	35,762	10,599	46,535	92,896
Accumulated depreciation and impairment losses				
Balance as of December 31, 2010	5,058	459	6,801	12,318
Depreciation for the year	6,360	1,461	9,307	17,128
Impairment (losses)	-	-	-	-
Disposals	-	-	-	-
Balance as of December 31, 2011	11,418	1,920	16,108	29,446
Depreciation for the period	5,118	1,364	6,980	13,462
Impairment (losses)	-	-	-	-
Disposals	-	-	-	-
Balance as of September 30, 2012	16,536	3,284	23,088	42,908
Net Book Value				
At December 31, 2010	26,653	5,566	39,734	71,953
At December 31, 2011	20,654	5,519	30,427	56,600
At September 30, 2012	19,226	7,315	23,447	49,988

7. OIL RECOVERY EQUIPMENT

The Company's oil recovery equipment consists of ARES I and II. The ARES I soil remediation and oil recovery operating facility can remediate up to 20 tons of heavy oil contaminated soil and sludge per hour while recovering oil. The ARES II is expected to remediate up to 10 tons of contaminated soil per hour while recovering oil. Costs including amounts related to new equipment, equipment upgrades, design and development costs incurred in order to fully commission the equipment for its intended use are capitalized. The depreciation of ARES I began August 1, 2011 which was when the asset became available for use.

	ARES I Soil Remediation and Oil Recovery System (one facility)	ARES II Advance Recovery Equipment Systems (one unit)	Total
	$	$	$
Cost			
Balance as of December 31, 2010	5,246,859	4,661,040	9,907,899
Additions	196,366	-	196,366
Disposals	-	-	-
Balance as of December 31, 2011	5,443,225	4,661,040	10,104,265
Additions	23,654	-	23,654
Disposals	-	-	-
Balance as of September 30, 2012	5,466,879	4,661,040	10,127,919
Accumulated depreciation and impairment losses			
Balance as of December 31, 2010	-	-	-
Depreciation for the year	225,871	-	225,871
Impairment (losses)	-	-	-
Disposals	-	-	-
Balance as of December 31, 2011	225,871	-	225,871
Depreciation for the period	408,948	-	408,948
Impairment (losses)	-	-	-
Disposals	-	-	-
Balance as of September 30, 2012	634,819	-	634,819
Net Book Value			
At December 31, 2010	5,246,859	4,661,040	9,907,899
At December 31, 2011	5,217,354	4,661,040	9,878,394
At September 30, 2012	4,832,060	4,661,040	9,493,100

8. INTANGIBLES

The Company acquired from an entity with a common officer, an exclusive, one-time license to design and build ARES II, together with the right to manufacture and use additional ARES II units upon the payment of a manufacturing fee based on the manufacturing cost of a field ready unit. The agreements provide for a pricing mechanism for this manufacturing fee. The ARES II Global License (Environmental) is the lifetime (unlimited) exclusive rights to use the oxidation stripping patent as part of the ARES II oil recovery equipment system in environmental projects worldwide. This license is subject to royalty payments equal to 5% of the gross revenue amount from the contracts obtained.

The cost of intangible assets are carried at cost less any accumulated depreciation on a straight-line basis over their estimated useful lives of ten years and any accumulated impairment losses.

	ARES II Global License (Environmental)	ARES II Detailed Equipment Design and Fabrication Drawings	Total
Cost	$	$	$
Balance as of December 31, 2010	1,000,000	550,000	1,550,000
Additions	-	-	-
Disposals	-	-	-
Balance as of December 31, 2011	1,000,000	550,000	1,550,000
Additions	-	-	-
Disposals	-	-	-
Balance as of September 30, 2012	1,000,000	550,000	1,550,000
Accumulated depreciation and impairment losses			
Balance as of December 31, 2010	350,041	193,039	543,080
Depreciation for the year	100,000	55,000	155,000
Impairment (losses)	-	-	-
Disposals	-	-	-
Balance as of December 31, 2011	450,041	248,039	698,080
Depreciation for the period	75,006	41,256	116,262
Impairment (losses)	-	-	-
Disposals	-	-	-
Balance as of September 30, 2012	525,047	289,295	814,342
Net Book Value			
At December 31, 2010	649,959	356,961	1,006,920
At December 31, 2011	549,959	301,961	851,920
At September 30, 2012	474,953	260,705	735,658

9. ARES I OPERATIONAL OPTIMIZATION COSTS PAYABLE

During 2010, CORRE commenced an operational optimization program to commission for service the Company's ARES I operating facility in Kuwait. Additionally, through the Company's SCM operating partnership, the Company became a pre-qualified subcontractor to the Kuwait Oil Company ("KOC") for three distinct service lines (soil remediation, drill cuttings treatment and waste management). As of September 30, 2012, $368,869 (December 31, 2011 - $400,585) was included in current liabilities to reflect amounts payable relating to the purchase of a high-speed disc stack nozzle centrifuge, equipment upgrades, and other facility development costs related to ARES I, as well as costs related to the Company's process to achieve KOC pre-qualification status and costs related to the Company's MENA operations.

10. CAPITAL STOCK

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

	Common shares	
	Number	Amount
Issued and Outstanding:	#	$
Balance – December 31, 2010	79,747,403	19,822,989
Exercise of warrants (i) (Note 12)	1,875,000	375,000
Valuation allocation of warrants exercised (Note 12)	-	9,430
Share issue cost (i)		(38,800)
Exercise of warrants (ii) (Note 12)	21,250,000	4,250,000
Valuation allocation of warrants exercised (Note 12)	-	189,430
Share issue cost (ii)		(482,500)
Private placement (iii)	3,145,010	1,195,104
Warrants valuation (iii)	-	(244,435)
Share issue costs (iii)	-	(77,299)
Exercise of options (iv) (Note 11)	37,500	7,433
Valuation allocation of options exercised (Note 11)		5,433
Balance – December 31, 2011	106,054,913	25,011,785
Exercise of options (v)	58,333	17,500
Balance – September 30, 2012	106,113,246	25,029,285

(i) On March 15, 2011, 937,500 share purchase warrants issued as part of the Director Debenture (see Note 12) were exercised at $0.20 per share resulting in $187,500 of proceeds to the Company. On June 15, 2011, the holder of the Director Debenture exercised its remaining 937,500 share purchase warrants for additional gross proceeds of $187,500. Share issue cost totaled $38,800.

(ii) On June 15, 2011, 21,250,000 share purchase warrants issued under the NAT Debenture (see Note 12) were exercised at $0.20 per share resulting in $4,250,000 of proceeds to the Company. Share issue cost totaled $482,500.

(iii) During April, June and August 2011, the Company completed its three tranches of a private placement for 3,145,010 units at a price of $0.38 per unit for total gross proceeds of $1,195,104. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $0.625 per share for a period of two years from closing. The proceeds related to the warrants were estimated to be $244,435 based on the grant date estimated fair value of the warrants as determined using the Black Scholes option pricing model (see Note 12). Share issuance costs of $77,299 were incurred in relation to this private placement.

(iv) On September 17, 2011, an employee of the Company exercised 11,667 common share options at $0.20 per share, 8,333 common share options at $0.15 per share, and 17,500 common share options at $0.22 per share for total gross proceeds of $7,433.

(v) On February 2, 2012, a consultant of the Company exercised 58,333 common share options at $0.30 per share for total gross proceeds of $17,500.

11. STOCK OPTIONS

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall equal the market price, minimum price or a discounted price of the Company's stock as calculated on the date of grant. The options may be granted for a maximum term of five years.

The following table summarizes the stock option activity during the nine months period ended September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
Balance, beginning of period	9,170,842	0.26	5,770,000	0.20
Granted	-	-	3,510,842	0.36
Exercised	-	-	(11,667)	0.20
Exercised	-	-	(8,333)	0.15
Exercised	-	-	(17,500)	0.22
Forfeited	-	-	(12,500)	0.22
Forfeited	-	-	(18,333)	0.20
Forfeited	-	-	(41,667)	0.15
Balance, end of period	9,170,842	0.26	9,170,842	0.26

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

On December 21, 2009, the Company granted 2,450,000 common share options exercisable at $0.20 per share vesting in 18 equal monthly amounts commencing the first day of the 12th month following the date of grant. The weighted average grant date fair value of each option of $0.09 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 106%; risk-free interest rate 2.59%; and an expected life of 5 years. Included in share-based payments is stock based compensation of $5,384 (2011 - $26,068) related to these options. As at September 30, 2012, of the options issued, 18,333 stock options were forfeited as a result of the condition of employment not having been met prior to vesting, and 11,667 options had been exercised by an employee for aggregate amount of $2,333 (Note 10(iv)).

On May 4, 2010, the Company granted 600,000 common share options exercisable at $0.15 per share vesting in 18 equal monthly amounts commencing the first day of the 12th month following the date of grant. The weighted average grant date fair value of each option of $0.08 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 221%; risk-free interest rate 2.85%; and an expected life of 5 years. Related to these options, stock based compensation of $4,653 (2011 - $7,325) was included in share-based payments. As at September 30, 2012, of the options issued, 41,667 stock options were forfeited as a result of the condition of employment not having been met prior to vesting, and 8,333 options had been exercised by an employee for aggregate amount of $1,250 (Note 10(iv)).

On December 22, 2010, the Company granted 2,720,000 common share options exercisable at $0.22 per share vesting in 12 equal monthly installments beginning from the date of their grant. The weighted average grant date fair value of each option of $0.23 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 200%; risk-free interest rate 2.42%; and an expected life of 5 years. Related to these options, stock based compensation of $Nil (2011 - $305,333) was included in share-based payments. As at September 30, 2012, of the options issued, 12,500 stock options were forfeited as a result of the condition of employment not having been met prior to vesting, and 17,500 options had been exercised by an employee for aggregate amount of $3,850 (Note 10(iv)).

11. STOCK OPTIONS (Continued)

On December 21, 2011, the Company granted 3,510,842 common share options exercisable at $0.36 per share vesting in 4 equal monthly installments beginning from the date of their grant. The weighted average grant date fair value of each option of $0.28 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 207%; risk-free interest rate 1.25%; and an expected life of 5 years. Related to these options, stock based compensation of $721,000 (2011 - $Nil) was included in share-based payments.

As at September 30, 2012, the following options are outstanding and exercisable:

Expiry Date	Outstanding	Exercisable	Exercise Price
December 21, 2014	2,420,000	2,420,000	0.20
May 4, 2015	550,000	488,889	0.15
December 22, 2015	2,690,000	2,690,000	0.22
December 21, 2016	3,510,842	3,510,842	0.36
	9,170,842	9,109,731	

12. WARRANTS

During June 2009, the Company entered into a binding Memorandum of Agreement ("MOA") in connection with a two-phase financing for aggregate gross proceeds of up to $10 million. As part of phase two of the two-phase financing, on July 16, 2009 the Company issued 3,750,000 common share purchase warrants to a director of the Company as part of the Director Debenture at an exercise price of $0.20. As the director also invested $264,872 in the Company's private placement which closed on July 6, 2010 (see Note 10), 1,324,360 share purchase warrants issued to the director were forfeited. Accordingly, the following is the exercise schedule of 2,425,640 share purchase warrants exercised at $0.20 per share resulting in $485,128 of gross proceeds to the Company on the following dates in the following amounts:

- 550,640 warrants exercised ($110,128) on December 13, 2010;
- 937,500 warrants exercised ($187,500) on March 15, 2011;
- 937,500 warrants exercised ($187,500) on June 15, 2011.

In addition, on October 31, 2009, the Company issued 21,250,000 common share purchase warrants of the Company to NAT as part of the NAT Debenture at an exercise price of $0.20 per share. On June 15, 2011 NAT exercised all of its 21,250,000 share purchase warrants resulting in $4,250,000 of gross proceeds to the Company.

On July 6, 2010, the Company issued 5,000,000 share units of the Company at a price of $0.15 per unit for gross proceeds of $750,000 through a private placement. Each unit consists of one common share and one-half warrant. The proceeds related to the 2,500,000 share purchase warrants were estimated to be $168,060 based on the grant date estimated fair value of the warrants as determined using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 153.36%; risk free interest rate of 1.42%; and expected life of 2 years. At as September 30, 2012, of the warrants issued, 2,500,000 unexercised share purchase warrants were expired and $168,060 was transferred to deficit.

12. WARRANTS (Continued)

On April 8, 2011 the Company completed its first tranche of the private placement for total gross proceeds of $463,584 at a price of $0.38 per unit. Each unit consists of one common share and one-half common share purchase warrant resulting in 609,979 warrants. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.625 for a period of two years from closing (see Note 10). In addition CORRE issued 54,189 warrants to the lead agent on the same terms as the warrants issued under the private placement. The proceeds related to the 664,168 warrants were estimated to be $95,792 based on the grant date estimated fair value of the warrants as determined using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 123.29%; risk free interest rate of 1.90%; and expected life of 2 years.

On June 28, 2011 the Company completed its second tranche of the private placement for total gross proceeds of $356,320 at a price of $0.38 per unit. Each unit consists of one common share and one-half common share purchase warrant resulting in 468,842 warrants. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.625 for a period of two years from closing (see Note 10). In addition CORRE issued 48,211 warrants to the lead agent on the same terms as the warrants issued under the private placement. The proceeds related to the 517,053 warrants were estimated to be $70,735 based on the grant date estimated fair value of the warrants as determined using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 117.60%; risk free interest rate of 1.45%; and expected life of 2 years.

On August 18, 2011 the Company completed its third and final tranche of the private placement for total gross proceeds of $375,200 at a price of $0.38 per unit. Each unit consists of one common share and one-half common share purchase warrant resulting in 493,683 warrants. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.625 for a period of two years from closing (see Note 10). In addition CORRE issued 78,989 warrants to the lead agent on the same terms as the warrants issued under the private placement. The proceeds related to the 572,672 warrants were estimated to be $77,908 based on the grant date estimated fair value of the warrants as determined using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 118.95%; risk free interest rate of 0.86%; and expected life of 2 years.

Summary of outstanding warrants at September 30, 2012:

Expiry Date	Exercise Price $	Warrants Outstanding #	Value $
April 08, 2013	0.625	664,168	95,792
June 28, 2013	0.625	517,053	70,735
August 18, 2013	0.625	572,672	77,908
		1,753,893	244,435

Share purchase warrant transactions for the nine months period ended September 30, 2012 and the year ended December 31, 2011 were as follows:

	Warrants #	Weighted Average Exercise Price ($)	Value $
Balance, December 31, 2010	25,625,000	0.210	366,920
Exercised	(23,125,000)	0.200	(198,860)
Issued	1,753,893	0.625	244,435
Balance, December 31, 2011	4,253,893	0.440	412,495
Expired	(2,500,000)	0.300	(168,060)
Balance, September 30, 2012	1,753,893	0.625	244,435

13. CONTRIBUTED SURPLUS

Balance, December 31, 2010	$ 650,321
Options issued on December 21, 2009 (Note 11)	68,384
Options issued on May 4, 2010 (Note 11)	23,120
Options issued on December 22, 2010 (Note 11)	503,967
Options issued on December 21, 2011 (Note 11)	479,250
Options exercised	(5,433)
Balance, December 31, 2011	1,719,609
Options issued on December 21, 2009 (Note 11)	5,384
Options issued on May 4, 2010 (Note 11)	4,653
Options issued on December 22, 2011 (Note 11)	721,000
Balance, September 30, 2012	$ 2,450,646

14. EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the net income (loss) for the period by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share indicates what basic earnings per share would have been if the potentially dilutive securities outstanding at any time during the year has been converted at the later of the beginning of the year or the date of issue of the convertible security.

Basic and diluted loss per share from continuing operations:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Numerator - Net Loss for the period	$ (1,320,623)	$ (744,334)	$ (3,765,828)	$ (2,456,611)
Denominator - Weighted average number of shares	106,113,246	105,496,832	106,106,434	90,407,052
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.03)

Basic and diluted loss per share from discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Numerator - Net Income (Loss) for the period	$ 89,650	$ (28)	$ 89,562	$ (159)
Denominator - Weighted average number of shares	106,113,246	105,496,832	106,106,434	90,407,052
Basic and diluted loss per share	$ 0.01	$ (0.00)	$ 0.01	$ (0.00)

For the three and nine months period ended September 30, 2012 and 2011, the diluted loss per share was the same as the basic loss per share since the dilutive effect of the stock options and of the warrants was not included in the calculation; otherwise the effect would have been anti-dilutive.

15. INVESTMENT IN SAR-CORRE MENA LIMITED

CORRE, through its SCM partnership, is currently executing an oil waste management contract with respect to the treatment of gas drill cuttings for BP Plc. in Jordan. The announced contract is for a term of two years with BP Plc. having an option to extend the contract for a third year. This contract is based on a daily operating fee for days of normal operation and otherwise, a standby rate for non-operating days.

The Company generated revenue of $837,230 and gross profit of $228,889 for the nine months ended September 30, 2012 pursuant to the BP Plc. contract. The Company used the proportionate consolidation method of accounting for its investment in SCM. The Company incurred certain upfront costs primarily relating to the relocation of certain operating assets utilized in this contract. Accordingly, incremental costs of $213,117 were included in the office management & administrative cost in the consolidated interim statements of operations, comprehensive loss and deficit for the three and nine months ended September 30, 2012.

The results of the SCM operations and the Company's 45% share during the three and nine months ended September 30, 2012 are as follows:

Statements of Operations and Comprehensive Loss
For the three and nine months ended September 30, 2012
(All in Canadian Dollars)

	SCM - 100%		CORRE's Share - 45%	
	3 months ended Sept 30, 2012	9 months ended Sept 30, 2012	3 months ended Sept 30, 2012	9 months ended Sept 30, 2012
Revenue	$ 642,195	$ 1,860,510	$ 288,988	$ 837,230
COGS	318,841	1,351,869	143,478	608,341
Gross Profit	323,354	508,641	145,510	228,889
Expenses				
Office management & administrative	431,155	554,433	194,020	249,495
Travel expenses	196,635	308,031	88,486	138,614
Professional fees	23,527	34,892	10,586	15,701
	651,317	897,356	293,092	403,810
Loss before Incremental cost and financing income	(327,963)	(388,715)	(147,582)	(174,921)
Incremental cost	167,767	473,594	75,495	213,117
Interest income	(1,694)	(15,987)	(762)	(7,194)
Net loss and comprehensive loss for the period	$ (494,036)	$ (846,322)	$ (222,315)	$ (380,844)

16. RELATED PARTY TRANSACTIONS

Related party transactions occur in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

The Company incurred the following expenses to companies owned by officers and directors, and compensation with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the actives of the Company, including directors and management.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Office management & administrative	200,593	162,429	537,358	486,249
Consulting fee	18,036	17,523	54,163	52,812
Share-based payments	482	38,021	310,579	263,048

Included in the Statement of Financial Position are other related party balances as follows:

	September 30, 2012	December 31, 2011
	$	$
Loan receivable	-	250,000
Other receivables and prepaids	150,767	87,034
Accounts payables and accrued liabilities	1,000	5,085
ARES I operational optimization costs payable	368,869	383,966
SCM Shareholder Loan	296,805	-

Loan receivable of $250,000 as at December 31, 2011 was due from a director of the Company, with interest at the rate of 6% per annum to be paid quarterly in arrears together with monthly principal payments in the amount $25,000 to be made on the first day of January and February 2012, and additional monthly principal payments in the amount of $20,000 commencing on the first day of March 2012 and on the first day of each month thereafter until paid in full. This loan was secured through a Stock Pledge and Security Agreement. This loan together with all accrued interest was fully paid off on September 4, 2012.

Included in other receivables and prepaids are occupancy costs and travel costs paid on behalf of companies owned by officers and directors, and management fee paid to a company owned by an officer and director.

Included in accounts payables and accrued liabilities are office management and administrative costs to companies owned by officers and directors.

Included in ARES I operational optimization costs payable are oily water treatment equipment costs to SAR, a joint venture partner in SAR-CORRE MENA.

17. FINANCIAL INSTRUMENTS

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and currency risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

Fair Value of Financial Instruments

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. The carrying amounts for cash and cash equivalents, other receivable, loan receivable, accounts payable and accrued liabilities, and ARES I operational optimization cost payable on the statement of financial positions approximate fair market value because of the limited term of these instruments.

Fair Value Hierarchy

The fair value hierarchy consists of the following 3 levels of inputs: (a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; (c) Level 3 – inputs for assets or liabilities that are not based on observable market data. As at September 30, 2012, the Company does not have any financial instruments that are carried at fair value.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its general and administrative expenses, working capital and overall capital expenditures. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of capital stock, shares to be issued, advances from shareholders, long-term debt, warrants, contributed surplus and deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2012. The Company is not subject to externally imposed capital requirements.

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents, accounts and other receivables, and loan receivable. Accounts and other receivables include approximately $70,036 of commodity tax credits due from Revenue Canada. Management believes that the credit risk concentration with respect to financial instruments included in current assets is remote.

The Company's maximum exposure to credit risk is limited to the carrying amount of the accounts and other receivables as shown in Note 4 and loan receivable as shown in Note 16. Further disclosures regarding accounts and other receivables and loan receivable including amounts which are neither past due nor impaired and concentrations of credit risk are also provided in Note 4 and 16.

17. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2012, the Company had a cash and cash equivalents balance of $883,765 (December 31, 2011 - $2,683,934) and short term accounts payable and accrued liabilities of $653,826 (December 31, 2011 - $575,362). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company incurs some expenses in U.S. dollars, Norwegian Kroner (NOK), Euro and Kuwait Dinar (KWD). A significant change in the currency exchange rates between the U.S. dollar, NOK, Euro and KWD relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. As of September 30, 2012, 385,956 NOK were included in the Company's accounts receivable, 877,613 NOK and 290,290 Euro were included in the Company's accounts payable, and 1,736,377 NOK were included in the Company's due to related parties . A $0.05 change in the "Canadian dollar and NOK" and "Canadian dollar and Euro" exchange rates on these financial instruments would result in change in profit and loss of approximately $125,000.

18. COMMITMENTS AND CONTINGENCIES

The Company entered into a lease for its head office premises that expires on October 2, 2014. Basic rent payments of $37,860 were included in Rent & Occupancy cost in the Statement of Operations, Comprehensive Loss and Deficit for the six months ended June 30, 2012. Minimum lease payments are as follows:

2012	37,860
2013	83,906
2014	62,930
	$ 184,696

During 2009, the Company commenced an action against the former shareholders of Mentra. The former shareholders of Mentra subsequently commenced an action against the Company in the amount of approximately $570,000. On August 29, 2012, the Company and the former shareholders of Mentra entered into a Full and Final Mutual Release Agreement to settle the proceedings commenced in 2009. Without admission of liability, the Company made a $70,000 cash payment and issued 560,000 common shares of the Company to the former shareholders of Mentra.