Financial Statements
(Expressed in Canadian dollars)

HORIZON PETROLEUM PLC
(formerly Acadia Resources Corp.)

For the years ended August 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon Petroleum plc.

We have audited the accompanying financial statements of Horizon Petroleum plc., which comprise the statement of financial position as at August 31, 2013, statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Horizon Petroleum plc., as at August 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of Horizon Petroleum plc. as at and for the year ended August 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 18, 2012.

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Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Horizon Petroleum plc., has recorded significant net losses, and will require additional financing to fund future operations. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the ability of Horizon Petroleum plc., to continue as a going concern.

KPMG LLP

Chartered Accountants

December 18, 2013
Calgary, Canada

HORIZON PETROLEUM PLC
(formerly Acadia Resources Corp.)
Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2013	August 31, 2012
Assets		
Current assets:		
Cash	$ 503,467	$ 604,537
Receivables (note 5)	6,020	79,812
Prepaid expenses	11,067	-
	520,554	684,349
Exploration and evaluation asset (note 7)	1	161,057
	$ 520,555	$ 845,406
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 202,840	$ 16,807
Shareholders' equity:		
Share capital (note 9)	12,258,433	11,709,901
Reserves (note 10)	137,921	126,302
Deficit	(12,078,639)	(11,007,604)
	317,715	828,599
	$ 520,555	$ 845,406

Corporate information and going concern (note 1)
Subsequent event (notes 1 and 16)

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
(formerly Acadia Resources Corp.)
Statements of Operations, Loss and Comprehensive Loss
Years ended August 31,

		2013		2012
Expenses:				
Consulting fees	$	84,131	$	54,000
Directors' fees		35,433		-
Management fees		98,642		30,000
Office		10,670		2,539
Professional fees		157,234		19,567
Property investigation costs (note 6)		439,744		-
Shareholder communications		21,413		1,182
Share-based payments (note 10)		11,619		27,329
Transfer agent and regulatory fees		35,190		12,898
Travel and related costs		15,903		6,638
Write-down of exploration and evaluation asset (note 7)		161,056		-
Loss and comprehensive loss for the year	$	(1,071,035)	$	(154,153)
Basic and diluted loss per common share	$	(0.06)	$	(0.01)
Basic and diluted weighted average number of common shares outstanding		17,029,836		15,912,987

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
(formerly Acadia Resources Corp.)
Statements of Cash Flows
(Expressed in Canadian dollars)
Years ended August 31,

	2013	2012
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (1,071,035)	$ (154,153)
Item not affecting cash:		
Share-based payments	11,619	27,329
Write-down of exploration and evaluation asset	161,056	-
	(898,360)	(126,824)
Changes in non-cash working capital items:		
Receivables	73,792	(23,768)
Prepaid expenses	(11,067)	-
Accounts payable and accrued liabilities	205,842	(11,926)
	(629,793)	(162,518)
Investing activity:		
Additions to exploration and evaluation asset	(19,809)	(52,017)
	(19,809)	(52,017)
Financing activities:		
Shares issued for cash	577,500	-
Share issuance costs	(28,968)	-
	548,532	-
Decrease in cash during the year	(101,070)	(214,535)
Cash, beginning of year	604,537	819,072
Cash, end of year	$ 503,467	$ 604,537

Supplemental disclosure with respect to cash flows (note 11)

See accompanying notes to the financial statements.

HORIZON PETROLEUM PLC
(formerly Acadia Resources Corp.)
Statements of Changes in Equity
(Expressed in Canadian dollars)

Years ended August 31, 2013 and 2012

	Number of shares	Share capital	Reserves	Deficit	Total
Balance, August 31, 2011	15,912,987	$ 11,709,901	$ 98,973	$ (10,853,451)	$ 955,423
Loss for the year	-	-	-	(154,153)	(154,153)
Share-based payments	-	-	27,329	-	27,329
Balance, August 31, 2012	15,912,987	11,709,901	126,302	(11,007,604)	828,599
Loss for the year	-	-	-	(1,071,035)	(1,071,035)
Private placement	11,550,000	577,500	-	-	577,500
Share issuance costs	-	(28,968)	-	-	(28,968)
Share-based payments	-	-	11,619	-	11,619
Balance, August 31, 2013	27,462,987	$ 12,258,433	$ 137,921	$ (12,078,639)	$ 317,715

See accompanying notes to the financial statements.

1. Corporate information and Going Concern

Horizon Petroleum Plc. (formerly Acadia Resources Corp.) ("Horizon" or the "Company") was incorporated in British Columbia. Subsequent to August 31, 2013, the Company's domicile was officially changed to Jersey, Channel Islands. The principal business of the Company is the acquisition, exploration, and development of mineral and oil and gas properties. The Company's principal property is located in British Columbia.

The Company's registered office is located at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1E. During the year ended August 31, 2013, the Company completed a 1-new for 3-old share consolidation (see note 9). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company has not generated revenues from operations. These financial statements have been prepared assuming the Company will continue as a going concern which contemplates the ability of the Company to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include adjustments that would have been required if going concern were not an appropriate basis for preparation of the financial statements.

The Company, through acquisition and exploration of hydrocarbon and mineral properties, has incurred losses since inception and is currently not generating any revenues aside from interest income. For the year ended August 31, 2013, the Company used cash from operations of $629,723 (2012 - $162,518). At August 31, 2013, the Company's cash balance was $503,467 (2012 - $604,537) and working capital was $317,714 (2012 - $667,542).

These annual financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to these annual financial statements may be necessary. When assessing the Company's ability to continue on a going concern basis, material uncertainties as to the Company's ability to obtain additional financing to fund future operations may cast significant doubt on the Company's ability to continue as a going concern. The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through financing or other sources, and there are no assurances that such financing will be obtained.

2. Basis of presentation and statement of compliance

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board ('IASB').

These financial statements were authorized for issue by the Board of Directors on December 18, 2013.

(b) Basis of presentation:

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Foreign currency transactions:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates.

Transactions in currencies other than the functional currency are translated into Canadian dollars using the exchange rate prevailing on the date of transaction. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

b) Cash:

Cash include cash held with Canadian financial institutions, and cash held in trust with the Company's lawyer. All funds are readily available to the Company. All funds are readily available to the Company.

(c) Financial instruments:

(*i*) Financial assets:

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. The Company has no financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide object evidence of impairment, which are recognized in profit and loss. The Company's cash and receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included the initial carrying amount of the asset. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*ii*) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, which is classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(d) Exploration and evaluation assets:

(*i*) Property investigation costs:

Property investigation costs are expensed as incurred.

(*ii*) Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs, including costs of licence acquisition, technical services and studies, exploratory drilling whether successful or unsuccessful and testing and directly attributable overhead are capitalized to E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is generally considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether it is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets within property, plant and equipment referred to as oil and gas and mineral interests.

3. Significant accounting policies (continued):

(e) Decommissioning obligation:

Decommissioning obligations are recognized for constructive and legal obligations related to the decommissioning of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The obligation would be discounted using the Government of Canada's risk-free rate bonds. A liability for decommissioning is recognized in the period in which it is incurred and when a reasonable estimate of the liability can be made with the corresponding decommissioning provision recognized by increasing the carrying amount of the related long-lived asset. The decommissioning provision is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial amount of the liability is accreted, by charges to the profit or loss, to its estimated future value.

(f) Impairment of financial and non-financial assets:

(*i*) Impairment of financial assets:

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(*ii*) Impairment of non-financial assets:

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to PP&E assets. For the purpose of impairment testing, E&E assets are grouped by concession or field with other E&E and PP&E assets belonging to the same concession or field. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognized in profit or loss. Recoverable amount is general determined by reference to the value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

PP&E assets will be tested for impairment whenever events and circumstances arising during the development and production phase indicate that the carrying amount of the PP&E asset may exceed its recoverable amount. For the purpose of impairment testing, PP&E assets will be grouped into the smallest group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets (the "cash generating unit" or "CGU"). The aggregate carrying value will be compared against the expected recoverable amount of the CGU, generally by reference to the present value of the future net cash flows expected to be derived from the production of proved and probable reserves. CGU's are generally defined by field except where a number of field interests can be grouped because the cash flows generated by the fields are interdependent. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce to the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

3. Significant accounting policies (continued):

(f) Impairment of financial and non-financial assets (continued):

(*ii*) Impairment of non-financial assets (continued):

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, of no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(g) Share capital:

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 common shares, share options and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Share-based payments:

Where non-cash equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The entire fair value model is updated, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. Significant accounting policies (continued):

(h) Share-based payments (continued):

All non-cash equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(i) 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.

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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantially enacted by the reporting date.

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. Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset the tax liabilities and assets, and they related to income taxes levied by the same tax authority.

(j) Loss per share:

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share equals basic loss per share for the periods presented as all potential shares are anti-dilutive.

3. Significant accounting policies (continued):

(k) Standards, amendments and interpretations not yet effective:

The following accounting standards, which may be relevant to the Company have been introduced or revised by the IASB:

(*i*) IFRS 13 *Fair Value Measurement*:

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 standard is effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate the application of IFRS 13 to have a significant impact on its financial statements and intends to adopt the standard as of September 1, 2013.

(*ii*) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine:*

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

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.

4. Critical accounting estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed below:

(a) Economic recoverability and probability of future economic benefits upon future decision to proceed to development:

The decision to proceed with development with respect to note 3(d) Exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available. Amounts shown for assets represents costs incurred less any write-downs and recoveries, and are not intended to represent present or future values.

4. Critical accounting estimates and judgments (continued):

(b) Title to mineral property interests:

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties.

(c) Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees 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 and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

5. Receivables

The Company's receivables are as follows:

	August 31, 2013	August 31, 2012
HST/GST receivable	$ 6,020	$ 46,416
BC Mining tax credit receivable	-	33,396
	$ 6,020	$ 79,812

6. Property investigation costs

Property investigation costs of $439,744 includes the write-off of $108,745 of deferred acquisition costs. All costs are related to the investigation of oil and gas opportunities in Sub-Saharan countries in Africa.

7. Exploration and evaluation asset

During the year ended August 31, 2011, the Company entered into an option agreement with Garibaldi Resources Corp. ("Garibaldi") to acquire up to a 70% interest in two blocks comprised of 1,720 hectares located in the Iskut River District of northern British Columbia (the "King property"). In order to exercise its initial option to acquire a 50% interest in the King property, the Company is required to make the following cash payments and incur exploration expenditures as follows:

Date	Cash Payment	Required exploration expenditures
August 1, 2011	$ 20,000 (paid)	$ -
June 14, 2014	70,000	500,000
Total	$ 90,000	$ 500,000

7. Exploration and evaluation asset (continued)

Subsequent to the year ended August 31, 2013, the Company amended the agreement with Garibaldi to extend the exploration expenditure commitment date from December 31, 2013 to June 30, 2014, for a $5,000 payment.

If this first option is exercised, the Company will have a second option to increase its interest to 70% by spending an aggregate $1,500,000 on the King property by December 31, 2014 and by issuing 1,000,000 common shares of the Company to Garibaldi. The original property owner has retained a 2% Net Smelter Royalty on the King property which may be purchased for $1,000,000. One of the Company's former directors owns the King Property mineral claims and has optioned the King Property to Garibaldi Resources Corp.

The following table summarizes exploration and evaluation assets and expenditures for the King property for the year ended August 31, 2013:

Balance, August 31, 2011	$	103,650
Additions:		
Assays		5,805
Field expenses		20,053
Geological consulting		23,546
Trenching		22,422
Recovery		(14,419)
		57,407
Balance, August 31, 2012		161,057
Write-down		(161,056)
Balance, August 31, 2013	$	1

During the year ended August 31, 2013, the Company wrote down the costs associated with the King property by $161,056 to $1 as the Company will now apply its capital to oil and gas assets in Sub-Saharan Africa. However, the agreement with Garibaldi remains in good standing.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

		August 31, 2013		August 31, 2012
Trade payables	$	28,142	$	4,807
Due to related parties (Note 12)		131,097		-
Accrued liabilities		43,601		12,000
	$	202,840	$	16,807

9. Share capital

Authorized:

- Unlimited common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

During the year ended August 31, 2013, the Company:

- Completed a 1-new for 3-old common share consolidation. All common share, warrant and stock option information presented in these consolidated financial statements is on a post-consolidation basis.
- Issued 11,550,000 common shares for gross proceeds totaling $577,500 pursuant to the completion of a private placement. In conjunction with the issuance of the shares, the Company incurred $28,968 in share issuance costs.

During the year ended August 31, 2012, there were no share transactions by the Company.

10. Reserves

(a) Stock options:

Option plan:

The Company has a stock option plan covering the grant of options to its directors, officers and employees. A limit of 10% of the issued and outstanding common shares base can be issued in stock options without shareholder approval. The stock option plan provides that the options are for a maximum term of ten years and that the option exercise price shall be for not less than the market price on the grant date.

	Number of options	Weighted average exercise price
Balance, August 31, 2011	200,000	$ 1.38
Granted	200,000	0.315
Expired	(200,000)	1.38
Balance, August 31, 2012	200,000	0.315
Granted	1,714,000	0.15
Expired	(200,000)	0.315
Balance, August 31, 2013	1,714,000	$ 0.15
Number of options currently exercisable	571,333	$ 0.15

The weighted average remaining contractual life for the share options outstanding as at August 31, 2013 is 9.93 years (2012 – 0.60 years).

As at August 31, 2013, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of options	Exercise price	Expiry date
1,714,000	$ 0.15	August 4, 2023

10. Reserves (continued)

(b) Share-based payments:

During the year ended August 31, 2013, the Company granted 1,714,000 (2012 – 200,000) stock options. The fair value of the options granted during the year is $257,077 (2012 - $27,329), based on the Black-Scholes option pricing model. For the year ended August 31, 2013, the share-based payments expense recognized was $11,619 (2012 - $27,329).

The following assumptions were used for the Black-Scholes option pricing model:

	2013	2012
Risk-free interest rate	2.49%	1.07%
Expected life of options	10 years	1.17 years
Annualized volatility	246%	105%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

(c) Warrants:

Warrant transactions and the number of warrants are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance August 31, 2011 and 2012	14,650,000	$ 0.45
Expired	(1,316,696)	0.45
Balance, August 31, 2013	13,333,304	$ 0.45

As at August 31, 2013, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Expiry date
13,333,304	$ 0.45	March 16, 2016

11. Supplemental disclosure with respect to cash flows

During the year ended August 31, 2013, the Company incurred exploration and evaluation asset expenditures of $Nil (2012 - $19,809) included in accounts payable.

12. Related party transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	August 31, 2013	August 31, 2012
Executive compensation (1) to (8)	$ 202,302	$ 42,000
Non-executive directors' fees (9)	20,875	3,600
Share-based payments	11,619	27,329
	$ 234,796	$ 72,929

(1) Includes $45,000 (2012 - $30,000) in management fees paid to the Company's former CEO (now the current corporate secretary of the Company).

(2) Includes $45,642 (2012 - $nil) in management fees paid or accrued to the Company's current CEO.

(3) Includes $nil (2012 - $12,000) in professional fees paid or accrued to the Company's former CFO.

(4) Includes $27,088 (2012 - $nil) in professional fees paid or accrued to the Company's current CFO.

(5) Includes $14,557 (2012 - $nil) in directors' fees paid or accrued to executive directors of the Company.

(6) Includes $28,015 (2012 - $nil) in consulting fees paid or accrued to a director of the Company.

(7) Includes $42,000 (2012 - $nil) in consulting fees paid or accrued to an officer of the Company.

(8) Includes $nil (2012 - $3,600) in fees capitalized to the exploration and evaluation asset.

(9) Includes $20,875 (2012 - $nil) in directors' fees paid or accrued to a non-executive director of the Company.

Included in accounts payable and accrued liabilities at August 31, 2013 is $131,097 (2012 - $Nil) owing to related parties, all in respect of the above transactions. All related party transactions were conducted on arm's length terms.

13. Financial instruments and risk management

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values because of their short terms to maturity.

13. Financial instruments and risk management (continued)

(a) Financial instrument risk exposure and risk management:

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided below:

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, advances from employee, receivable from related parties and other accounts receivable. The Company limits the exposure to credit risk by only investing its cash with high credit quality financial institutions in business and saving accounts, and guaranteed investment certificates, which are available on demand by the Company. The carrying amount of cash, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

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's interest bearing financial assets are comprised of cash, which bear interest at fixed or variable rates. The Company is not exposed to material interest rate risk.

Foreign currency

The Company is exposed to foreign currency risk as some of its cash, receivables and accounts payable and accrued liabilities are held in British Pounds (GBP) and US Dollars (USD). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows used in operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts which are available on demand by the Company for its programs. As at August 31, 2013, the Company had cash of $518,842 to settle current liabilities of $202,840. The Company's exploration expenditure commitments, pursuant to its option agreement related to its exploration and evaluation asset, are described in note 6. As a result, the Company will require further financings to cover its expected cash requirements for the next twelve months.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its King property as well as investigating new potential oil and gas properties in Africa, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

14. Capital management

The Company's objectives when managing capital are:

To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other mineral properties.

To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets.

In order to maximize ongoing exploration and future development efforts, the Company does not pay dividends. Notwithstanding the risks described in note 1 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

15. Income taxes

The provision for income taxes reported differs from the amount computed by applying cumulative Canadian federal and provincial income tax rates to the loss before the tax provision due to the following:

	2013	2012
Loss and Comprehensive loss for the year before taxes	$ (1,071,035)	$ (154,153)
Statutory tax rate	25.42%	25.50%
Expected income tax recovery	$ (272,257)	$ (39,309)
Change in unrecognized deferred tax assets	315,835	31,706
Share-based payments	2,954	6,969
Effect of change in tax rates	(34,461)	-
Other	(12,070)	634
Total income taxes	$ -	$ -

The combined federal and provincial statutory tax rate decrease to 25.42% in fiscal 2013 from 25.5% in fiscal 2012 due to the federal rate dropping from 16.5% in calendar 2011 to 15% in calendar 2012, and the British Columbia provincial rate increasing to 11% on April 1, 2013, from 10%.

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are:

	2013	2012
Exploration & evaluation assets	$ 192,283	$ (15,197)
Share issue costs	37,905	25,336
Non-capital losses	3,729,780	2,817,721
Income tax credits	$ 3,765	$ 3,765

15. Income taxes (continued)

As at August 31, 2013, the Company had deductible temporary difference for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits.

Non Capital Losses

Year of Expiration	
2014	$ 232,447
2015	117,128
2026	148,089
2027	194,462
2028	73,851
2029	95,386
2030	11,421
2031	1,809,668
2032	135,269
2033	912,059
	$ 3,729,780

16. Subsequent event

Subsequent to August 31, 2013, the Company entered into a Memorandum of Understanding with Grupo Suninvest-Investimentos, Participações E Empreendimentos S.A. ("Suninvest") to evaluate onshore exploration potential and proven oil and gas assets. Suninvest has several existing joint ventures with major international businesses, primarily in infrastructure, and is now looking to extend its activities to the oil and gas sector in partnership with the Company. Under the terms of the Memorandum of Understanding, the Company expects to establish a joint venture company with Suninvest (49% owned by the Company) during the first quarter of calendar 2014.