



AAN Ventures Inc.
Financial Statements
For the Year Ended September 30, 2013
Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AAN Ventures Inc.

We have audited the accompanying financial statements of AAN Ventures Inc., which comprise the statements of financial position as at September 30, 2013 and 2012, and the statements of comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers 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 that we have obtained in our audits 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 AAN Ventures Inc. as at September 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about AAN Ventures Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
January 7, 2014

AAN Ventures Inc.
 Statements of financial position
 (Expressed in Canadian Dollars)

	Note	September 30, 2013	September 30, 2012
ASSETS			
Current assets			
Cash		\$ 197,083	\$ 46,605
GST recoverable		745	10,082
TOTAL ASSETS		\$ 197,828	\$ 56,687
LIABILITIES			
Current liabilities			
Accounts payable		\$ 2,690	\$ 2,437
Accrued liabilities		8,000	7,840
Due to related party	5	27,200	87,200
TOTAL LIABILITIES		37,890	97,477
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	4	23,109,240	22,809,240
Subscriptions receivable	4	(30,000)	-
Reserves	4	6,372,363	6,372,363
Deficit		(29,291,665)	(29,222,393)
TOTAL EQUITY (DEFICIENCY)		159,938	(40,790)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ 197,828	\$ 56,687

Nature and continuance of operations (Note 1)
 Subsequent event (Note 8)

APPROVED BY THE DIRECTORS ON JANUARY 7, 2014:

"Lewis Dillman"
 Director

"Tom Kennedy"
 Director

See accompanying notes to the financial statements

AAN Ventures Inc.
 Statements of comprehensive loss
 (Expressed in Canadian Dollars)

	Note	For the years ended	
		September 30, 2013	September 30, 2012
Expenses			
Consulting and management fees	5	\$ -	\$ 60,000
Bank charges and interest		258	544
Office and miscellaneous	5	12,354	830
Professional fees	5	10,834	13,350
Rent	5	30,000	30,000
Transfer agent and regulatory fees		15,826	21,937
		(69,272)	(126,661)
Other item			
Other income		-	2,339
		-	2,339
Comprehensive loss		\$ (69,272)	\$ (124,322)
Basic and diluted loss per share		\$ -	\$ -
Weighted average shares outstanding – basic and diluted		18,616,094	16,753,080

See accompanying notes to the financial statements

AAN Ventures Inc.
Statement of changes in equity (deficiency)
(Expressed in Canadian Dollars)

	Note	Share capital		Subscriptions receivable	Reserves			Deficit	Total
		Number of shares	Amount		Stock option reserve	Warrant reserve			
Balance, September 30, 2011		16,753,079	\$ 22,809,240	\$ -	\$ 5,425,922	\$ 946,441	\$ (29,098,071)	\$ 83,532	
Net loss		-	-	-	-	-	(124,322)	(124,322)	
Balance, September 30, 2012		16,753,079	22,809,240	-	5,425,922	946,441	(29,222,393)	(40,790)	
Shares issued for cash	4	20,000,000	300,000	-	-	-	-	300,000	
Subscriptions receivable	4			(30,000)	-	-	-	(30,000)	
Net loss		-	-	-	-	-	(69,272)	(69,272)	
Balance, September 30, 2013		36,753,079	\$ 23,109,240	\$ (30,000)	\$ 5,425,922	\$ 946,441	\$ (29,291,665)	\$ 159,938	

See accompanying notes to the financial statements

AAN Ventures Inc.
 Statements of cash flows
 (Expressed in Canadian Dollars)

	For the years ended	
	September 30, 2013	September 30, 2012
Operating activities		
Net loss	\$ (69,272)	\$ (124,322)
Changes in non-cash working capital items:		
Accounts receivable	9,337	(6,034)
Accounts payable	253	(4,630)
Accrued liabilities	160	-
Due to related party	(60,000)	67,200
Net cash flows used in operating activities	(119,522)	(67,786)
Financing activities		
Proceeds from share issuance	270,000	-
Net cash flows provided by financing activities	270,000	-
Change in cash	150,478	(67,786)
Cash , beginning	46,605	114,391
Cash, ending	\$ 197,083	\$ 46,605

See accompanying notes to the financial statements

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

AAN Ventures Inc. was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. The Company changed its name from Ona Power Corp. to AAN Ventures Inc. on April 9, 2012. The Company's shares are publicly traded on the Frankfurt Exchange and Canadian National Stock Exchange (the "CNSX") under the symbol "ANN".

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2013, the Company is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern.

Management intends to finance operating costs with loans from directors and companies controlled by directors and or the private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Significant accounting policies and basis of preparation

These financial statements were approved and authorized for issue by the Board of Directors on January 7, 2014.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant accounting policies

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (continued)

Significant accounting policies (continued)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (continued)

Significant accounting policies (continued)

Income taxes (continued)

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Accounting standards issued but not yet effective

New standard IFRS 10 “Consolidated Financial Statements”

This new standard will replace IAS 27 “Consolidated and Separate Financial Statements”, and SIC-12 “Consolidation – Special Purpose Entities”. Concurrent with IFRS 10, the IASB issued IFRS 11 “Joint Ventures”; IFRS 12 “Disclosures of Involvement with Other Entities”; IAS 27 “Separate Financial Statements”, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 “Investments in Associates and Joint Ventures”, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 “Joint Arrangements”

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

New standard IFRS 12 “Disclosure of Interests in Other Entities”

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

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3. Accounting standards issued but not yet effective (continued)

New standard IFRS 13 “Fair value measurement”

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

4. Share capital

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

On April 25, 2012, the Company received approval from the CNSX to consolidate its shares on a 3 to 1 basis. All references to common shares, share purchase warrants, stock options, and per share amounts for all periods have been adjusted on a retrospective basis to reflect the common share consolidation.

Financings

On August 27, 2013 the Company closed a non-brokered private placement of 20,000,000 shares at a price of \$0.015 per share for gross proceeds of \$300,000. \$30,000 of the subscriptions was received subsequent to the year ended September 30, 2013.

Stock options

The Company has adopted a stock option plan whereby the Company may from time to time grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The Company did not grant any options during the years ended September 30, 2013 and 2012.

There were 241,667 options outstanding at the year ended September 30, 2013 with an exercise price of \$0.30 and a weighted average remaining life of 2.41 years.

Share Purchase Warrants

The Company did not issue any warrants during the years ended September 30, 2013 and 2012.

As at September 30, 2013, there were 2,666,666 warrants outstanding with the weighted average exercise price and the weighted average remaining life of \$0.05 and 2.27 years respectively.

Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records items recognized as warrants until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

5. Related party transactions

Related party balances

As at September 30, 2013, \$27,200 (2012-\$87,200) was owing to a former Chief Executive Officer (“CEO”) of the Company. The amount is unsecured, non-interest bearing and due on demand.

Related party transactions

The Company incurred the following transactions with a Company controlled by the former CEO of the Company or with the former CEO:

	September 30, 2013	September 30, 2012
Management fees	\$ -	\$ 60,000
Rent	30,000	-
	\$ 30,000	\$ 60,000

Key management personnel compensation

During the year ended September 30, 2013, the Company incurred \$1,906 (2012 - \$4,395) for accounting services to a company controlled by the Chief Financial Officer (“CFO”).

During the year ended September 30, 2013, the Company incurred \$6,784 (2012 - \$Nil) for office and administration fees to a company where the CEO is a key management personnel.

6. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2013	2012
Net loss	\$ (69,272)	\$ (124,322)
Statutory tax rate	25%	26%
Expected income tax recovery	(17,318)	(32,324)
Effect of change in tax rates	-	1,244
Change in valuation allowance	17,318	31,080
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax has been recognized:

	2013	2012
Non-capital losses carry-forward	\$ 1,251,546	\$ 1,234,229
Capital losses carry-forward	1,855,342	1,855,342
Mineral properties	126,622	126,622
Cumulative eligible capital	66,786	66,786
Equipment	261	261
Others	106,154	106,154
Less: Valuation allowance	(3,406,711)	(3,389,393)
Net deferred income tax assets	\$ -	\$ -

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

6. Income Taxes

As at September 30, 2013, the Company's has \$5,006,187 in non-capital losses which expire as follows:

Year		Amount
2014	\$	178,006
2015		145,848
2026		610,913
2027		677,234
2028		1,352,301
2029		1,203,313
2030		571,354
2031		73,625
2032		124,322
2033		69,272
Total	\$	5,006,187

7. Financial instruments 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, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality of financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its sales tax receivable, which is due from the Government of Canada. The risk is determined to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

Interest rate risk

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

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of cash and share capital.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

AAN Ventures Inc.
Notes to the Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian Dollars)

7. Financial instruments and risk management (continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	September 30, 2013		September 30, 2012	
Cash	\$	197,083	\$	46,605

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2013		September 30, 2012	
Non-derivative financial liabilities:				
Accounts payable	\$	2,690	\$	2,437
Due to related parties		27,200		87,200
	\$	29,280	\$	89,637

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2013 and September 30, 2012:

	As at September 30, 2013			
	Level 1	Level 2	Level 3	
Cash	\$ 197,083	\$ -	\$ -	-
As at September 30, 2012				
Cash	\$ 46,605	\$ -	\$ -	-

8. Subsequent event

Subsequent to the year ended September 30, 2013, the Company incorporated a subsidiary Ona Power Oil and Gas Corp. in the state of Delaware, USA ("Ona"). Ona entered into a joint venture agreement with Keblo Energy, LLC whereby Ona will acquire a 50% working interest and a 42.5% net revenue interest in a permit for an oil and gas well located in Tennessee, USA by paying \$50,169.