AAN Ventures Inc.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2013

Unaudited and Expressed in Canadian Dollars

NOTICE TO THE READER

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Stands for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

AAN Ventures Inc.
Condensed consolidated interim statements of financial position
(Unaudited and Expressed in Canadian Dollars)

	Note		December 31, 2013		September 30, 2013
ASSETS					
Current assets					
Cash	4	$	131,890	$	197,083
GST recoverable	5		141		745
Exploration and evaluation assets	6		52,552		-
TOTAL ASSETS		$	184,583	$	197,828
LIABILITIES					
Current liabilities					
Accounts payable	7	$	819	$	2,690
Accrued liabilities			8,000		8,000
Due to related party	9		-		27,200
TOTAL LIABILITIES			8,819		37,890
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	8		23,109,240		23,109,240
Subscriptions receivable			-		(30,000)
Reserves			6,372,363		6,372,363
Deficit			(29,305,839)		(29,291,665)
TOTAL EQUITY (DEFICIENCY)			175,764		159,938
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		$	184,583	$	197,828

Nature and continuance of operations (Note 1)
Statement of Compliance (Note 2)

APPROVED BY THE DIRECTORS ON FEBRUARY 19, 2014:

"Lewis Dillman"
Director

"Tom Kennedy"
Director

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed consolidated interim statements of comprehensive loss
(Unaudited and Expressed in Canadian Dollars)

	Note		For the three months ended December 31, 2013		December 31, 2012
Expenses					
Bank charges and interest		$	207	$	80
Office and miscellaneous			582		-
Professional fees			780		-
Rent			7,500		7,500
Transfer agent and regulatory fees			5,106		7,234
			14,175		**14,814**
Other item					
Other income			-		-
Comprehensive loss		**$**	**(14,175)**	**$**	**(14,814)**
Basic and diluted loss per share		**$**	**(0.00)**	**$**	**(0.00)**
Weighted average shares outstanding – basic and diluted			**22,506,504**		**16,753,080**

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed consolidated interim statement of changes in equity (deficiency)
(Unaudited and Expressed in Canadian Dollars)

		Share capital			Reserves			
	Note	Number of shares	Amount	Subscriptions receivable	Stock option reserve	Warrant reserve	Deficit	Total
Balance, September 30, 2012		**16,753,079**	**$ 22,809,240**	**-**	**$ 5,425,922**	**$ 946,441**	**$ (29,222,393)**	**$ (40,790)**
Net loss		-	-	-	-	-	(14,814))	(14,814)
Balance, December 31, 2012		**16,753,079**	**22,809,240**	**-**	**5,425,922**	**946,441**	**(29,237,207)**	**(55,604)**
Balance, September 30, 2013		**36,753,079**	**$ 23,109,240**	**$ (30,000)**	**$ 5,425,922**	**$ 946,441**	**$ (29,291,665)**	**$ 159,938**
					-	-	-	
Subscriptions receivable		-	-	30,000	-	-	-	30,000
Net loss		-	-	-	-	-	(14,175)	(14,175)
Balance, December 31, 2013		**36,753,079**	**$ 23,109,240**	**$ -**	**$ 5,425,922**	**$ 946,441**	**$ (29,305,839)**	**$ 175,764**

See accompanying notes to the financial statements

AAN Ventures Inc.
Condensed consolidated interim statements of cash flows
(Unaudited and Expressed in Canadian Dollars)

		For the three months ended		
		December 31, 2013		December 31, 2012
Operating activities				
Net loss	$	(14,175	$	(14,814)
Changes in non-cash working capital items:				
Accounts receivable		604		8,302
Accounts payable		(1,871)		363
Accrued liabilities		-		-
Due to related party		(27,200)		-
Net cash flows used in operating activities		(42,642)		(6,149)
Investing activities				
Exploration assets		(52,552)		-
Net cash flows used in investing activities		(52,552)		-
Financing activities				
Proceeds from share issuance				-
Subscriptions receivable		30,000		-
Net cash flows provided by financing activities		30,000		-
Change in cash		(65,194)		(6,149)
Cash , beginning		197,083		46,605
Cash, ending	$	131,890	$	40,456

See accompanying notes to the financial statements

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 condensed consolidated interim 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 December 31, 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.

	December 31, 2013 $	September 30, 2013 $
Working capital	175,764	159,938

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 condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on February 19, 2014.

Statement of compliance

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as were applied in our most recent audited annual financial statements for the year ended September 30, 2013.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended September 30, 2013.

Basis of preparation

The condensed consolidated interim 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.

3. 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.

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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Intercompany balances and transactions were eliminated in preparing the consolidated financial statements.

Entity	Incorporation	Status	Functional Currency
Ona Power Oil & Gas Corp	United States	Active	Canadian Dollar

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.

(Unaudited and Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Loss per Share

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

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income / (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted he end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Amortization

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The Company's equipment, which consists of office equipment, is amortized at 30%.

Changes in significant accounting policies

At the date of authorization of these financial statements, the following standards, amendments and interpretations have not been early adopted and are not expected to have a material effect on the Company's future results and financial position:

3. IFRS 9 "Financial Instruments";
4. IFRS 10 "Consolidated Financial Statements";
5. IFRS 11 "Joint Arrangements";
6. IFRS 12 "Disclosure of Interests in Other Entities";
7. IFRS 13 "Fair value measurement"; and
8. Amendments to IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" and IAS 32 "Financial Instruments: Presentation"

4. Cash and cash equivalents

	December 31, 2013	**September 30, 2013**
	$	$
Cash	131,890	197,083
	$ 131,890	$ 197,083

5. Receivables

	December 31, 2013	**September 30, 2013**
	$	$
GST	141	745
	$ 141	$ 745

(Unaudited and Expressed in Canadian Dollars)

6. Exploration and evaluation assets

On October 09, 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.

7. Payables and accrued liabilities

		December 31, 2013		September 31, 2013
	$		$	
Accounts payable		819		2,690
Accrued liabilities		8,000		8,000
Due to related party		-		27,200
	$	8,819	$	37,890

8. Share capital

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

On December 31, 2013 there were a total of 36,753,079 common shares issued and outstanding (September 30, 2013 - $36,753,079).

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 during the three month period ended December 31, 2013.

Stock options

The Company has adopted a stock option plan whereby the Company may from time to 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 three month period ended December 31, 2013 or during the year ended September 30, 2013.

There were 241,667 options outstanding at the three month period ended December 31, 2013 and at the year ended September 30, 2013 with an exercise price of $0.30 and a weighted average remaining life of 2.25 years.

Share Purchase Warrants

The Company did not issue any warrants during the three month period ended December 31, 2013 or during the year ended September 30, 201.

As at December 31, 2013 and 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 2.07 years respectively.

Reserves

(Unaudited and Expressed in Canadian Dollars)

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.

9. Related party transactions

Related party balances

As at December 31, 2013, $Nil (September 30, 2013-$27,200) was owing to a former Chief Executive Officer ("CEO") of the Company. The amount was unsecured, non-interest bearing and due on demand. It was acquitted during the three month period ended December 31, 2013.

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:

		December 31, 2013		December 31, 2012
Rent		7,500		7,500
	$	7,500	$	7,500

Key management personnel compensation

During the three month period ended December 31, 2013, the Company incurred $780 (December 2012 - $810) for accounting services to a company controlled by the Chief Financial Officer ("CFO").

During the three month period ended December 31, 2013, the Company incurred $7,500 (December 31, 2012 - $7,500) for office and administration fees to a company where the CEO is a key management personnel.

10. 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

11. 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:

(Unaudited and Expressed in Canadian Dollars)

11. Financial instruments and risk management (continued)

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.

Classification of financial instruments

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

		December 31, 2013		**September 30, 2013**
Cash	$	131,890	$	197,083

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

		September 30, 2013		**September 30, 2013**
Non-derivative financial liabilities:				
Accounts payable	$	819	$	2,690
Accrued liabilities		8,000		8,000
Due to related parties		-		27,200
	$	8,819	$	37,890

(Unaudited and Expressed in Canadian Dollars)

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 December 31, 2013 and September 30, 2013:

	As at December 31, 2013		
	Level 1	Level 2	Level 3
Cash	$ 131,890	$ -	$ -

	As at September 30, 2013		
Cash	$ 197,083	$ -	$ -