KR INVESTMENT LTD.
(A CAPITAL POOL COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

NOVEMBER 30, 2012 AND 2011

(Unaudited)

KR INVESTMENT LTD.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	(Unaudited) As at November 30, 2012 $	As at August 31, 2012 $
ASSETS		
Current Assets		
Cash and cash equivalents	183,932	185,625
Amount receivable	2,590	1,950
Prepaid expense	-	293
	186,522	187,868
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	12,591	1,095
Due to related parties (Note 6)	11,100	11,100
	23,691	12,195
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	317,207	317,207
Contributed surplus	53,034	53,034
Deficit	(207,410)	(194,568)
	162,831	175,673
	186,522	187,868

Subsequent Events (Note 9)

Approved on behalf of the Board: *"Ki Bong Cho"* Ki Bong Cho, Director *"S. John Kim"* S. John Kim, Director

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

KR INVESTMENT LTD.

Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Three months ended November 30, 2012 $	Three months ended November 30, 2011 $
REVENUE	-	-
EXPENSES		
Accounting and legal	11,700	9,806
Bank charges	49	53
Rent (Note 6)	-	6,000
Professional and training	-	945
Telephone	210	129
Transfer agent and filing fees	883	1,181
	12,842	18,114
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(12,842)	(18,114)
DEFICIT, BEGINNING OF PERIOD	(194,568)	(128,503)
DEFICIT, END OF PERIOD	(207,410)	(146,617)
LOSS PER SHARE		
Loss Per Share – Basic and Diluted	(0.00)	(0.00)
Weighted Average Common Shares Outstanding	6,000,000	6,000,000

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

KR INVESTMENT LTD.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - Unaudited)

	Number of Common Shares	Amount $	Contributed Surplus $	Deficit $	Total $
As at August 31, 2011	6,000,000	317,207	53,034	(128,503)	241,738
Net loss and comprehensive loss	-	-	-	(18,114)	(18,114)
Balance, November 30, 2011	6,000,000	317,207	53,034	(146,617)	223,624
Net loss and comprehensive loss	-	-	-	(47,951)	(47,951)
Balance, August 31, 2012	6,000,000	317,207	53,034	(194,568)	175,673
Net loss and comprehensive loss	-	-	-	(12,842)	(12,842)
Balance November 30, 2012	6,000,000	317,207	53,034	(207,410)	162,831

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

KR INVESTMENT LTD.

Condensed Interim Statement of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Three months ended November 30, 2012 $	Three months ended November 30, 2011 $
OPERATING ACTIVITIES		
Net loss for the period	(12,842)	(18,114)
Changes in operating assets and liabilities:		
Account receivable	(640)	(1,028)
Prepaid expense	293	-
Accounts payable and accrued liabilities	11,496	9,274
	(1,693)	(9,868)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,693)	(9,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	185,625	254,105
CASH AND CASH EQUIVALENTS, END OF PERIOD	183,932	244,237
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	-	-
Income taxes	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

KR Investment Ltd. (the "Company") was incorporated on August 3, 2010 under the *Business Corporations Act* (British Columbia). The Company is a Capital Pool Company ("CPC") as defined in TSX Venture Exchange Policy 2.4, and accordingly, its planned principal activity is to use its capital to investigate and find a business or group of assets to acquire (the "Qualifying Transaction"). The Company completed its initial public offering ("IPO") on March 24, 2011 and its common shares commenced trading on the TSX Venture Exchange on March 29, 2011.

The head office, principal address and records office of the Company are located at Suite 1601 – 1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3. The Company's registered address is at the same address.

The Company does not currently have operations or assets capable of generating ongoing revenues or cash flows and there is no certainty that it will complete a Qualifying Transaction within the twenty-four month time period specified by TSX Venture Exchange Policy 2.4. On January 15, 2013, the Company entered into a binding letter of intent to constitute its Qualifying Transaction (see Note 9).

Although these financial statements have been prepared and presented on a going concern basis, there is significant risk that the Company will not become a going concern, in which case this basis of presentation will not be appropriate. As at November 30, 2012, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $207,410. These factors raise substantial doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify mineral projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The condensed interim financial statements, including comparative figures, have been prepared in accordance with 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 interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim financial statements were authorized for issue by the Board of Directors on January 29, 2013.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis, under the historical cost convention except for financial instruments described in Note 4(f), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

2. BASIS OF PRESENTATION (continued)

(c) Functional and presentation currency

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is 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 condensed interim financial statements include share-based payments and recovery of deferred tax assets.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards Issued But Not Yet Effective

IFRS 7 – Financial Instruments: Disclosures – In October, 2010 the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets.

The amendments are effective to annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company has adopted this amendment and it is expected to have no significant impact on the financial statements.

Standards Issued But Not Yet Adopted

For the purposes of preparing and presenting the Company's annual financial statements, the Company has adopted all standards and interpretations issued other than those discussed in this note. These standards have not been adopted because they are not effective until subsequent to January 1, 2012. Standards and interpretations issued, but not adopted include:

	Effective
Amendment to IAS 12, Income Taxes	January 1, 2012
IFRS 9 – Financial Instruments	January 1, 2015
IFRS 10 – Financial statements	January 1, 2013
IFRS 11 – Joint Arrangements	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013
IAS 1 – Presentation of Financial Statements	July 1, 2012
IAS 27 – Separate Financial Statements	January 1, 2013
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32, Offsetting Financial Assets and Financial Liabilities	January 1, 2014

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Company believes that, with the exception of IFRS 9, Financial Instruments, the adoption of these revised standards will have no material impact on the financial statements of the Company. For standards that become effective after January 1, 2013, the Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements. In December 2011, the IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014.

IFRS 9, Financial Instruments, proposes to replace IAS 39 Financial Instruments; Recognition and Measurement. The replacement standard has three main phases, the first of which provides new guidance for the classification and measurement of financial assets and liabilities. The second part, which is currently an exposure draft, provides guidance for amortized cost and methodology for financial assets. The third part, which is also currently an exposure draft, proposes a revised general hedge accounting model. The Company will evaluate the impact of the change to its financial statements based upon the characteristics of the financial instruments anticipated to be outstanding at the time of adoption. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and when applicable, cashable securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Cash and cash equivalents are highly liquid marketable securities and deposits, which are designated as held-for-trading and are recorded at their fair values with changes recognized in net loss. Fair values are determined by reference to quoted market prices at the balance sheet date.

(b) Impairment of Long-Lived Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Whether the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the assets belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset’s value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an assets or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Impairment of Long-Lived Assets (continued)

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations and comprehensive loss.

(c) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed or for which successful completion is considered unlikely, are charged to operations.

(d) Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed by dividing the net earnings (loss) for the year available to common shareholders (numerator) by the weighted average number of common shares outstanding during the year (denominator). The Company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted earnings (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive. Loss per share information does not include the effect of any potential common shares, as their effect would be anti-dilutive.

(e) Deferred Income Taxes

Deferred income tax is provided based 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 set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

Non-derivative financial assets

Non-derivative financial assets are initially recognized at fair value and are classified into one of four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial asset are classified as fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes are recognized in operations. Upon initial recognition transaction costs are recognized in operations as incurred.

(ii) Held-to-maturity financial assets

Financial assets are classified as held-to-maturity if the Company has the positive intent and ability to hold them to maturity. These financial assets are recognized initially at fair value together with directly attributable costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Any sale or reclassification of a more than significant amount of these assets not close to their maturity would result in the reclassification of all held-to-maturity financial assets as available-for-sale, and would prevent the Company classifying investment securities as held-to-maturity for the current and following two financial years.

(iii) Loans and receivables

These assets are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and any changes, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is reclassified through operations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value and are classified into one of two categories: financial liabilities at fair value through profit or loss or other financial liabilities.

(v) Financial liabilities at fair value through profit or loss

These financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value, and changes therein are recognized in operations.

(vi) Other financial liabilities

These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using effective interest method.

(g) Share-based payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based payments expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of operations and comprehensive loss with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resourced embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

5. SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and Outstanding

On March 24, 2011, pursuant to the initial public offering, the Company issued 2,000,000 common shares at a price of $0.10 per share for gross proceeds of $200,000.

On September 2, 2010, the Company entered into an agreement with its agent to commit to offer 2,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $200,000 (the "IPO"). In connection with the IPO, the Company filed a preliminary prospectus on SEDAR on October 15, 2010, and agreed to pay to its agent a cash commission equal to 10% of the gross proceeds of the IPO (paid) and to issue agent options to acquire the number of common shares of the Company equal to 10% of the common shares issued under the IPO (issued). The agent options are exercisable at a price of $0.10 per share for a period of two years from the date the common shares are listed for trading on the TSX Venture Exchange.

The fair value of the agent options, which was included in share issuance costs, was $16,433 which was determined using the Black-Scholes option pricing model with the following assumptions: a share price at grant date of $0.10; an annualized volatility of 189%; and expected life of 2 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.8%.

(c) Escrowed Shares

At November 30, 2012, 4,000,000 common shares issued and outstanding were placed in escrow to be released in accordance with TSX Venture Exchange Policy 2.4 over a period of up to 36 months from the date of the Final Exchange Bulletin following the completion of a Qualifying Transaction. All of these shares continue to remain in escrow.

(Expressed in Canadian Dollars - Unaudited)

5. SHARE CAPITAL (continued)

(d) Stock Options

The Company has established an incentive share option plan for granting options to directors, employees and consultants in accordance with Exchange policies. On March 24, 2011, the Company granted 400,000 stock options to directors and officers of the Company at a price of $0.10 per share, exercisable from March 29, 2011 to March 29, 2021. The options vest fully on the date of grant. The fair value of the directors' and officers' stock options, which was expensed during the period, was $36,601 which was determined using the Black-Scholes option pricing model with the following assumptions: a share price at grant date of $0.10; an annualized volatility of 104%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 3.5%.

(i) Directors' and Officers' Options

As at November 30, 2012, the following incentive stock options are outstanding:

	Number of Options	Weighted Average Exercise Price	Expiry Date
Directors' and Officers' options	400,000	$0.10	March 29, 2021

(ii) Agent's Options

As at November 30, 2012, the following agent's options are outstanding:

	Number of Options	Weighted Average Exercise Price	Expiry Date
Agent's options	200,000	$0.10	March 29, 2013

6. RELATED PARTY TRANSACTIONS AND BALANCES

On May 1, 2011, the Company entered into a lease agreement with a company controlled by a director of the Company for the year commencing May 1, 2011 and expired on March 31, 2012 for the amount of $2,000 per month. The said the lease was renewed for an additional term of three months from April 1, 2012 to June 30, 2012.

During the period ended November 30, 2012, the Company paid a total of $Nil (2011 - $6,000) for office premises provided by a company controlled by a director of the Company.

As at November 30, 2012, a director of the Company had advanced $11,100 (2011 - $11,100) to the Company. This advance is unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to complete a qualifying transaction to raise equity or other financing and to safeguard the Company’s ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at November 30, 2012, the Company considers capital to consist of shareholders’ equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or long-term debt.

The Company expects its current and future capital resources to be sufficient to pursue a Qualifying Transaction and to fund current operations.

8. FINANCIAL INSTRUMENTS AND RISKS

(a) Financial instruments and fair value measurements

The Company's financial instruments include cash and cash equivalents, accounts payable and amounts due to related parties. The Company classifies its cash and cash equivalents as fair value through profit or loss and its accounts payable and amount due to related parties as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs and used to determine fair values. The levels of the fair value hierarchy are as follows:

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 Company's financial instruments at November 30, 2012 and August 31, 2012 classified as "Level 1 – Quoted prices in active markets" are cash and cash equivalents.

(b) Financial risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk through its cash and cash equivalents which are held with large Canadian financial institutions. The Company believes this credit risk is insignificant, however, as at November 30, 2012, cash and cash equivalents substantially exceed the amounts covered by federal deposit insurance.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances; however, management does not believe this exposure is significant.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accrued liabilities and accounts payable are all current. The Company ensures that it has sufficient capital to meet short-term financial obligations after taking into account its administrative obligations.

Foreign exchange risk is the risk related to the fluctuation of foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

The Company's ability to raise capital to fund operating activities is subject to risks associated with fluctuations in the market price of its commodities. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

9. SUBSEQUENT EVENTS

(a) Qualifying Transaction

The Company has entered into a binding letter of intent effective January 15, 2013 with a private Calgary, Alberta-based company (the “Vendor”) to acquire an undivided 20% working interest in certain petroleum and natural gas rights, certain related tangible assets and other miscellaneous interest (the “Purchased Assets”) located in Alberta. The transaction contemplated will constitute the Qualifying Transaction of the Company under TSX Venture Exchange Policy 2.4 Capital Pool Companies. Exchange approval is pending.

As consideration for the Purchased Assets, the Company will pay the Vendor the sum of $1,339,000, in cash on the closing date. In addition, the Vendor has granted the Company an option, exercisable on or before one year from the closing date of the Proposed Acquisition, to acquire the remaining 79.99% working interest (the “Optioned Assets”) held by the Vendor for $5,206,000, payable in cash. As consideration of the option, the Company will pay the Vendor the sum of $150,000 in cash on the closing date of the Proposed Acquisition. The Option is an option only and the Company is under no obligation to exercise the Option or to complete the acquisition of the Optioned Assets.

(b) Financing

Concurrently with the Proposed Acquisition, the Company will undertake a non-brokered private placement (the “Offering”) of up to 18,000,000 common shares at a price of $0.10 per common share for gross proceeds of $1,800,000. The Company will use the net proceeds of the Offering to pay the purchase price for the Purchased Assets, to pay for the costs of the Qualifying Transaction and for general working capital. It is not anticipated that any current insiders will participate in the Offering. After giving effect to the Offering, the Company will have 24,000,000 issued and outstanding common shares. In addition, the Company has stock options entitling the holders to acquire up to 400,000 common shares of the Company. Stock options granted to insiders who cease to be Eligible Optionees (as such term is defined pursuant to the policies of the Exchange) after completion of the Qualifying Transaction will expire within the time limit set forth in such policies.

(c) Sponsorship

On January 16, 2013, the Company signed with a nationally recognized investment bank (“Sponsor”) to act as the Company’s sponsor for its Qualifying Transaction. The Company will pay the Sponsor $40,000 plus tax and 100,000 common shares of the Company. The Company will also be responsible for expenses incurred by the Sponsor which is estimated at $35,000.