Unaudited Interim Financial Statements of

ALBION PETROLEUM LTD.

As of and for the three months ended March 31, 2014 and 2013
(in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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 accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of Albion Petroleum Ltd for the three months ended March 31, 2014 have been prepared my management and approved by the audit committee.

May 27, 2014

ALBION PETROLEUM LTD.
Statements of Financial Position

		March 31, 2014		December 31, 2013
Assets				
Current assets:				
Cash and cash equivalents	$	309,236	$	321,456
Accounts receivable		1,280		1,155
Total Assets	$	310,516	$	322,611
Liabilities and Shareholders' Equity (Deficiency)				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	39,193	$	29,745
Shareholders' equity:				
Share capital (note 6)		877,375		877,375
Contributed surplus (note 6)		246,236		246,236
Deficit		(852,288)		(830,745)
Total shareholders' equity (deficiency)		271,323		292,866
Total liabilities and shareholders' equity (deficiency)	$	310,516	$	322,611

Going concern (note 1)
The accompanying notes are an integral part of these financial statements

Approved by the board on May 27, 2014

Signed: *"Benjamin Hill"*
Benjamin Hill

Signed: *"David A. Shaw"*
David A. Shaw

ALBION PETROLEUM LTD.
Statements of Operations
For the three months ended March 31, 2014 and 2013

	Three Months ended March 31, 2014	2013
Expenses:		
General and administrative (Note 8)	$ 21,543	$ 9,665
Comprehensive loss	$ 21,543	$ 9,665
Basic and diluted loss per share	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding (basic and diluted)	10,768,500	10,768,500

The accompanying notes are an integral part of these financial statements

ALBION PETROLEUM LTD.
Statements of Changes in Equity
For the three months ended March 31, 2014 and 2013

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
Balance, December 31, 2012	10,768,500	$ 877,375	$ 246,236	$ (754,745)	$ 368,866
Comprehensive loss	-	-	-	(9,665)	(9,665)
Balance, March 31, 2013	10,768,500	877,375	246,236	(764,410)	359,201
Balance, December 31, 2013	10,768,500	877,375	246,236	(830,745)	292,866
Comprehensive loss	-	-	-	(21,543)	(21,543)
Balance, March 31, 2014	10,768,500	$ 877,375	$ 246,236	$ (852,288)	$ 271,323

The accompanying notes are an integral part of these financial statements

ALBION PETROLEUM LTD.
Statements of Cash Flows
For the three months ended March 31, 2014 and 2013

		2014		2013
Cash provided by (used in) operating activities:				
Comprehensive loss for the period	$	(21,543)	$	(9,665)
Non – cash items:				
Change in non-cash working capital		9,323		(2,610)
Cash flows used in operating activities		(12,220)		(12,275)
Financing activities:				
Cash flows from financing activities		-		-
Increase (decrease) in cash and cash equivalents		(12,220)		(12,275)
Cash and cash equivalents, beginning of year		321,456		381,874
Cash and cash equivalents, end of year	$	309,236	$	369,599

The accompanying notes are an integral part of these financial statements

1. Summary of business and going concern

Summary of business

Albion Petroleum Ltd. (the "Company" or "Albion") is incorporated under the Alberta Business Corporations Act, and is currently classified as a Capital Pool Company ("CPC") as defined by the TSX Venture Exchange (the "Exchange" or "TSXV"). The Company is in the development stage and has not commenced commercial operations as at March 31, 2014. The principal business of the Company consists of the identification and evaluation of potential acquisitions of assets or businesses involved in the resource industry: oil and gas or mineral exploration and production projects. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange. Where an acquisition or project participation is warranted (the "Qualifying Transaction"), additional funding may be required.

Going concern

The ability of the Company to fund a potential acquisition and future operations is dependent upon the ability of the Company to obtain additional financing. Based on current levels of expenditure, the Company anticipates it has sufficient funds to complete a Qualifying Transaction, but will require additional funds to undertake any resulting operational or exploratory activities. The Company's ability to continue as a going concern is dependent primarily upon its ability to obtain necessary financing from the issuance of shares, borrowing or from other sources. Management of the Company believes that these conditions will be met.

These financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basic of presentation

The accompanying financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(a) Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, if any, which are measured at fair value, as explained in the accounting policies set out in Note 3.

(b) Functional Currency and Presentation Currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

(c) Use of Estimates and Judgment

The preparation of the financial statements in accordance with IFRS required 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.

3. Summary of significant accounting policies:

The significant accounting policies followed by the Company are summarized as follows:

(a) Share-based compensation plan:

The Company accounts for all share-based compensation arrangements using the fair value method, under which compensation expense is recorded based on the estimated fair value of the options as determined at the date of grant, and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(b) Per share amounts:

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options assuming proceeds would be used to repurchase shares at average market prices for the year. Anti-dilutive options are not included in the calculation.

(c) Income taxes:

The Company follows the asset and liability method to account for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on “temporary differences” (differences between the accounting basis and the tax basis of the underlying assets and liabilities), and are measured using substantially enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset if it is more likely than not that the asset will not be realized.

(d) Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position, net of any transaction costs (except for financial instruments classified as fair value through profit and loss, where transaction costs are expensed as incurred). Subsequent measurement of financial instruments is based on their classification:

Fair Value through Profit and Loss

Financial assets and liabilities that are held for trading or that are designated as fair value through profit and loss upon initial recognition. Changes in their fair value are recognized in earnings.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of accounts receivable.

Held-to-Maturity

Financial assets classified as held to maturity are measured at amortized cost.

3. Summary of significant accounting policies: (continued)

(d) Financial instruments

Other Financial Liabilities

Financial liabilities not classified as fair value through profit and loss are measured at amortized cost using the effective interest method.

Available for Sale

All other non-derivative financial assets are classified as available for sale, with changes in fair value recognized in other comprehensive income.

The Company classifies its cash and cash equivalents as fair value through profit and loss, accounts receivable as loans and receivables, and its accounts payable and accrued liabilities as other financial liabilities.

The Company does not use derivative instruments for trading or speculative purposes. Derivative contracts, if entered into, will be classified as fair value through profit and loss and recorded on the statement of financial position at fair value, with changes in the fair value recognized in net income, unless specific hedge criteria are met. The fair values of these derivative instruments will be based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. Proceeds and costs realized from holding the derivative contracts will be recognized in net income at the time each transaction under a contract is settled.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value.

The Company immediately expenses all transaction costs incurred in relation to the acquisition of a financial asset or liability.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash held with banks and other highly liquid investments with maturities of three months or less at date of acquisition.

(f) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

4. Significant accounting estimates and judgments:

Deferred Income taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the company's estimate of the likelihood of a future outflow, the expected settlement amount, and the tax laws in the jurisdictions in which the company operates.

To date the company's only deferred tax asset is from net operating losses which a valuation allowance has been taken against it as management has determined that it is not probable the deductible temporary differences will be recovered in the foreseeable future.

5. New accounting policies

During the three months ended March 31, 2014, the Company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. A brief description of each new standard and its impact on the Company's financial statements follows below:

IAS 32 "Financial Instruments: Presentation"

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014

IAS 36 "Impairment of Assets"

In May 2013, the IASB issued amendments which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and the adoption will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

Future Accounting Policy Changes

The IASB periodically issues new accounting standards. The new standard determined to be applicable to the Company is disclosed below. The remaining standards have been excluded as they are not applicable.

IFRS 9 "Financial Instruments" addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 2017 with early adoption permitted.

6. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value; and
Unlimited number of preferred shares without nominal or par value, of which none have been issued.

(b) Issued:

	Number of shares		Amount
Balance, March 31, 2014 and December 31, 2013	10,768,500	$	877,375

According to TSX Venture Exchange Policy regarding CPCs, the Company must complete a Qualifying Transaction within 24 months of listing on the TSXV. Effective October 11, 2007 the Exchange halted the trading in the common shares of Albion for failing to have completed its Qualifying Transaction within this timeframe. The remedy to re-instate trading in the shares of the Company was contingent upon getting shareholder approval for listing of its shares on the NEX. Another stipulation under the TSXV policies was that 50% of the escrow shares held by the directors or insiders were to be cancelled. At the Company's Annual and General Shareholders meeting held on November 30, 2007 both of these resolutions were approved by the shareholders, resulting in a reduction in the number of escrowed shares from 2,135,000 to 1,135,000 common shares.

Of a completed private placement for a total of 4,761,000 common shares which closed on April 5, 2012 a total of 2,000,000 shares were acquired by officers and directors and a further 1,500,000 shares, representing over 10% of the current issued and outstanding share capital, were acquired by a single corporate placee. These shares have been placed into escrow. A further 809,667 shares previously acquired by an officer director have been placed into escrow so that a total of 5,444,667 shares (December 31, 2013 – 5,444,667) are held in escrow subject to terms of release as specified by TSXV policy.

(c) Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of any stock option granted may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less discount permitted by the polices of the Exchange. The options can be granted for a maximum of five years and vesting is determined by the Board of Directors at the time of the grant.

Share based payments

During the three months ended March 31, 2014, the Company did not grant options (2013 – $nil) to offices, directors and consultants.

A summary of the Company's stock options as at March 31, 2014 and December 31, 2013 and changes during the respective periods are as follows:

	March 31, 2014		**December 31, 2013**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	700,000	$0.15	700,000	$0.15
Granted	-	-	-	-
Closing balance	700,000	$0.15	700,000	$0.15

6. Share capital (continued):

(c) Stock options (continued)

March 31, 2014					December 31, 2013		
Number of Options	Expiry Date	Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options	Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
700,000	December 19, 2017	$ 0.15	$ 0.15	3.75	700,000	$0.15	4

As of March 31, 2014, 700,000 options were exercisable.

The fair value of stock options used to calculate share based payments for options granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2012
Risk-free interest rate	1.40%
Expected life	5 years
Expected stock price volatility	160.92%
Expected dividend yield	0.00%

(d) Contributed surplus:

Balance, March 31, 2014 and December 31, 2013	$ 246,236

7. Related party transactions:

. Filer Support Services Inc., a consulting company owned by Ms. Danforth, our chief financial officer, invoices the Company $1,500 monthly for administrative support and financial accounting services. During the three months ended March 31, 2014 the Company expensed and paid a total of $4,500 with respect to services provided by Filer Support Services Inc.,

Mr. David Shaw, the Company's President and a member of the Board of Directors is owed a total of $26,112 for reimbursement of expenses as of March 31, 2014 (December 31, 2013 - $13,461), which amount is included in accounts payable and current liabilities. Amounts payable to Mr. Shaw were settled in full subsequent to March 31, 2014.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount determined and agreed to by the related parties, which amount is also considered to be the fair value.

8. Financial instruments and financial risk management:

The Company's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

8. Financial instruments and financial risk management: (continued)

These financial instruments are classified as follows:

- Cash and cash equivalents, level 1 fair value measurement – fair value through profit or loss
- Accounts receivable– loans and receivables
- Accounts payable and accrued liabilities – other financial liability

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at March 31, 2014 the Company's accounts receivable consisted of $1,280 (December 31, 2013 – $1,155) from the federal government relating to Goods and Services Tax input tax credits. Accordingly, the Company views credit risk on accounts receivable as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at March 31, 2014, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, all of which have either contractual or expected maturities of less than one year. See note 1 for discussion of the going concern assumption.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns:

i) Currency risk:

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial interests, any commodity based assets are impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not exposed to foreign currency exchange risk at this time.

8. Financial instruments and financial risk management: (continued)

(c) Market risk: (continued)

ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for resource projects are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. As the Company has not yet developed a commercial business interest in relation to its Qualifying Transaction, it is not exposed to commodity price risk at this time.

iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Company has no variable rate debt, it is not exposed to interest rate risk or interest expense at this time. The Company had no interest rate swap or financial contracts in place at March 31, 2014.

9. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure. The Company considers its capital structure to include working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments 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 issue new equity if available on favorable terms. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the three months ended March 31, 2014.

10. Subsequent events

The trading in the shares of the Company was halted on May 16, 2014 as the Company is in advanced negotiations in respect of a potential qualifying transaction involving the Company. When available, further information will be issued in a news release.