Exile Resources Inc.

(A Development Stage Corporation)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2010 and 2009

EXILE
RESOURCES

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Exile Resources Inc.
(A Development Stage Corporation)

We have audited the consolidated balance sheets of Exile Resources Inc. (A Development Stage Corporation) as at August 31, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, cash flows, and unproven petroleum and natural gas properties for the years then ended and for the cumulative period from inception (August 9, 2005) to August 31, 2010. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended and for the cumulative period from inception (August 9, 2005) to August 31, 2010 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
November 4, 2010, except for Note 15(ii),
which is as at November 14, 2010

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EXILE RESOURCES INC.

(A Development Stage Corporation)

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at August 31,

	2010	2009
Assets		
Current		
Cash	$ 1,581,966	$ 3,003,701
Amounts receivable and prepaid expenses	144,016	50,893
	1,725,982	3,054,594
Fixed assets, net of accumulated amortization (Note 5)	31,162	39,091
Unproven petroleum and natural gas properties (Statement and Note 6)	2,276,144	2,504,013
	$ 4,033,288	$ 5,597,698
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 90,912	$ 93,552
Share capital (Statement and Note 7)	12,328,289	12,328,289
Warrants (Statement and Note 8)	-	644,719
Contributed surplus (Statement)	2,934,474	2,222,705
Accumulated deficit (Statement)	(11,320,387)	(9,691,567)
	3,942,376	5,504,146
	$ 4,033,288	$ 5,597,698

Going concern (Note 1)

Commitments and contingencies (Notes 6 and 13)

Approved by the Board of Directors:

Signed "Christopher J.F. Harrop" , Director

Signed "Roderick de Courcy-Ireland" , Director

The notes to the consolidated financial statements are an integral part of these statements.

EXILE RESOURCES INC.

(A Development Stage Corporation)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Periods ended August 31,

	2010	2009	Cumulative From Inception
Expenses			
Wages, directors' and consulting fees (Note 12)	$ 848,029	$ 1,025,704	$ 5,193,865
Stock based compensation (Note 9)	67,050	186,800	1,398,060
Professional fees	279,175	164,008	1,231,838
Investor relations and business development	141,964	100,572	1,026,140
Office and administration	185,792	127,006	773,391
Filing and transfer agent costs	22,284	26,814	195,621
Foreign exchange loss	14,237	88,963	324,814
General exploration	86,255	41,730	168,838
Amortization	1,482	2,226	19,032
	1,646,268	1,763,823	10,331,599
Net loss for the period before the under noted	(1,646,268)	(1,763,823)	(10,331,599)
Write off of property expenditures	-	-	(1,597,164)
Interest income	17,448	26,121	329,870
Net loss for the period before income taxes	(1,628,820)	(1,737,702)	(11,598,893)
Income tax recovery (Note 11)	-	-	278,506
Net loss and comprehensive loss for the period	$ (1,628,820)	$ (1,737,702)	$(11,320,387)
Loss per share - basic and diluted (Note 10)	$ (0.03)	$ (0.03)	
Weighted average number of common shares	63,754,191	63,754,191	

The notes to the consolidated financial statements are an integral part of these statements.

EXILE RESOURCES INC.
(A Development Stage Corporation)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
Balance, August 9, 2005	-	$ -	$ -	$ -	$ -	$ -
Net loss	-	-	-	-	(6,300)	(6,300)
Private placements	6,000,000	510,000	-	-	-	510,000
Share issuance costs	-	(3,700)	-	-	-	(3,700)
Balance, August 31, 2005	6,000,000	506,300	-	-	(6,300)	500,000
Net loss	-	-	-	-	(1,895,030)	(1,895,030)
Public offering	10,000,000	2,000,000	-	-	-	2,000,000
Fair value of broker warrants issued on public offering	-	(39,400)	39,400	-	-	-
Flow-through private placement	2,725,979	817,797	-	-	-	817,797
Fair value of broker warrants issued on flow-through private placement	-	(12,000)	-	-	-	(12,000)
Flow-through tax effect	-	(294,406)	-	-	-	(294,406)
Private placements	16,537,244	8,268,622	-	-	-	8,268,622
Fair value of warrants issued on private placements	-	(771,700)	546,000	-	-	(225,700)
Fair value of broker warrants issued on private placements	-	(346,800)	346,800	-	-	-
Exercise of warrants	35,000	7,000	-	-	-	7,000
Fair value of exercise of warrants	-	2,750	(2,750)	-	-	-
Share issuance costs	-	(897,391)	-	-	-	(897,391)
Stock-based compensation	-	-	-	281,400	-	281,400
Balance, August 31, 2006	35,298,223	$ 9,240,772	$ 929,450	$ 281,400	$ (1,901,330)	$ 8,550,292

EXILE RESOURCES

The notes to the consolidated financial statements are an integral part of these statements.

EXILE RESOURCES INC.

(A Development Stage Corporation)

Consolidated Statements of Changes in Shareholders' Equity (Continued)

(Expressed in Canadian Dollars - Unaudited)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
Balance, August 31, 2006	35,298,223	$ 9,240,772	$ 929,450	$ 281,400	$ (1,901,330)	$ 8,550,292
Net loss	-	-	-	-	(4,612,947)	(4,612,947)
Exercise of warrants	530,433	123,117	-	-	-	123,117
Fair value of exercise of warrants	-	37,755	(37,755)	-	-	-
Expired warrants	-	-	(10,895)	10,895	-	-
Stock-based compensation	-	-	-	677,356	-	677,356
Balance, August 31, 2007	35,828,656	9,401,644	880,800	969,651	(6,514,277)	4,737,818
Net loss	-	-	-	-	(1,439,588)	(1,439,588)
Private placements	27,925,535	3,630,320	-	-	-	3,630,320
Fair value of warrants issued on private placements	-	(644,719)	644,719	-	-	-
Share issuance costs	-	(58,956)	-	-	-	(58,956)
Expired warrants	-	-	(880,800)	880,800	-	-
Stock-based compensation	-	-	-	185,454	-	185,454
Balance, August 31, 2008	63,754,191	12,328,289	644,719	2,035,905	(7,953,865)	7,055,048
Net loss	-	-	-	-	(1,737,702)	(1,737,702)
Stock-based compensation	-	-	-	186,800	-	186,800
Balance, August 31, 2009	63,754,191	12,328,289	644,719	2,222,705	(9,691,567)	5,504,146
Net loss	-	-	-	-	(1,628,820)	(1,628,820)
Expired warrants	-	-	(644,719)	644,719	-	-
Stock-based compensation	-	-	-	67,050	-	67,050
Balance, August 31, 2010	63,754,191	$ 12,328,289	$ -	$ 2,934,474	$(11,320,387)	$ 3,942,376

The notes to the consolidated financial statements are an integral part of these statements.

EXILE RESOURCES INC.

(A Development Stage Corporation)

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Periods ended August 31,

	2010	2009	Cumulative From Inception
Cash provided by (used in)			
OPERATING ACTIVITIES			
Payments to suppliers and employees	$ (1,671,434)	$ (1,601,079)	$ (8,965,605)
Interest paid	(2,066)	(1,518)	(10,098)
Interest received	17,448	26,121	322,061
	(1,656,052)	(1,576,476)	(8,653,642)
INVESTING ACTIVITIES			
Expenditures paid on unproven petroleum and natural gas properties	(884,209)	(421,835)	(6,221,309)
Fixed asset purchase	(4,384)	-	(85,602)
Recovery of costs: farm in agreement with Oando (Note 6)	1,122,910	1,260,500	2,383,410
	234,317	838,665	(3,923,501)
FINANCING ACTIVITIES			
Issuance of common shares	-	-	12,916,231
Issuance of flow through shares	-	-	817,797
Issuance of warrants	-	-	1,489,011
Warrants exercised	-	-	130,117
Cost of private placement issuances	-	-	(1,194,047)
	-	-	14,159,109
Change in cash	(1,421,735)	(737,811)	1,581,966
Cash, beginning of period	3,003,701	3,741,512	-
Cash, end of period	$ 1,581,966	$ 3,003,701	$ 1,581,966
SUPPLEMENTAL INFORMATION			
Warrants issued for services	$ -	$ -	$ 398,200
Income taxes paid	$ -	$ -	$ -

The notes to the consolidated financial statements are an integral part of these statements.

EXILE RESOURCES INC.

(A Development Stage Corporation)

Consolidated Statements of Unproven Petroleum and Natural Gas Properties
(Expressed in Canadian Dollars)
Periods ended August 31,

	2010	2009	Cumulative From Inception
Canada			
Brazeau River Property			
Balance, beginning of period	$ 1	1	$ -
Consulting	-	-	20,000
Development costs	-	-	1,444,200
Total expenditures for the period	-	-	1,464,200
Less: expenditures written off	-	-	(1,464,199)
Balance, end of period	$ 1	1	$ 1
Nigeria			
Akepo Oilfield Project (Note 6)			
Balance, beginning of period	$ 2,504,012	$ 3,327,204	$ -
Acquisition costs	-	-	2,615,736
Mobilization	-	170,059	616,414
Reports	-	-	46,154
Administrative	249,047	251,776	795,860
Amortization	10,832	15,473	35,409
Reimbursement of expenditures	-	-	(85,182)
Recovery of costs: farm in agreement with Oando	(1,122,910)	(1,260,500)	(2,383,410)
Total expenditures for the period	(863,031)	(823,192)	1,640,981
Balance, end of period	$ 1,640,981	$ 2,504,012	$ 1,640,981
Turkey			
Aladdin Middle East Ltd. Participation Agreement (Note 6)			
Balance, beginning of period	$ -	$ -	$ -
Drilling	622,200	-	622,200
Administrative	12,962	-	12,962
Total expenditures for the period	635,162	-	635,162
Balance, end of period	$ 635,162	$ -	$ 635,162
Total	$ 2,276,144	$ 2,504,013	$ 2,276,144

The notes to the consolidated financial statements are an integral part of these statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Exile Resources Inc. (the "Corporation" or "Exile") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated August 9, 2005. The Corporation is a development stage corporation, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook"). The Corporation is an oil and gas exploration company with interests in the Akepo Oil Field in the shallow water offshore from the Niger Delta, Nigeria and the Aladdin Middle East Ltd. Participation Agreement in eastern Turkey (Note 6). The Corporation is in the process of acquiring, exploring and developing its petroleum and natural gas properties and has not yet established reserves on any of these properties, and there can be no assurance that these properties will be developed or will result in successful discoveries, nor can there be any assurance as to the timing of drilling of these properties.

The business of exploring for petroleum and natural gas involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable petroleum and natural gas operations. All of the Corporation’s unproven petroleum and natural gas property interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation’s title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for a going concern, which assumes that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business. At August 31, 2010, the Corporation had an accumulated deficit of $11,320,387.

To date, the Corporation has not generated revenues from operations and is considered to be in the development stage as it is in the process of exploring its petroleum and natural gas properties and has not yet determined whether these properties contain reserves that are economically recoverable. The success of the Corporation’s exploration and development of its petroleum and natural gas properties will be influenced by significant financial risk, legal and political risks, fluctuations in commodity prices and currency exchange rates, varying levels of taxation and the ability of the Corporation to discover economically recoverable reserves and to bring such reserves to market. The Corporation will be required to obtain additional financing to explore and develop its petroleum and natural gas properties. While the Corporation’s management seeks to manage these risks, many of these factors are beyond their control.

The Corporation's ability to continue as a going concern is dependent upon its ability to attain profitable operations, generate sufficient funds to continue its exploration activities and continue to obtain sufficient capital from investors or net assets to meet its current and future obligations.

Management believes that the going concern assumption is appropriate for these financial statements. These financial statements do not reflect the adjustments that would be necessary to the presentation and carrying amounts of these assets and liabilities if the Corporation were not able to continue operations and such adjustments may be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except as disclosed below. Outlined below are those policies considered particularly significant.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All material inter-company balances and transactions have been eliminated. During the year ended August 31, 2007, the Corporation incorporated Exile Resources (BVI) Ltd. ("BVI"), under the laws of the British Virgin Islands on December 4, 2006. In addition, a corporate reorganization occurred where Exile Resources Nigeria Limited ("Nigeria"), an existing subsidiary, became a wholly owned subsidiary of BVI. Nigeria subsequently acquired a 10% participating interest in the Akepo discovery (Note 6). The Corporation consolidates the accounts of BVI, Nigeria, its wholly owned UK subsidiary Exile Resources Services Ltd and its wholly owned, inactive subsidiary, Exile Resources (Zambia) Limited.

(b) Measurement Uncertainty

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. The most significant estimates are related to the recoverability of unproven petroleum and natural gas costs, valuation of stock-based compensation, warrants, asset retirement obligations and income taxes. Actual results may differ significantly from these estimates and such differences could be material. Management believes that the estimates are reasonable.

(c) Unproven Petroleum and Gas Property Costs

The Corporation's activities are related to the acquisition of, exploration for and the development of petroleum and natural gas properties. The Corporation's activities are in the pre-production stage.

The Corporation follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs relating to the acquisition, exploration and development of petroleum and natural gas are initially capitalized into cost centres on a country-by-country basis. Such costs include land acquisition costs, those related to lease acquisition, geological and geophysical activities, lease rentals on non-producing properties, drilling of productive and non-productive wells, tangible production equipment, and that portion of general and administrative expenses directly attributable to exploration and development activities. The ultimate recovery of the Corporation's investment is dependent upon the discovery of petroleum and natural gas reserves in commercial quantities. Once commercial production is attained, all future costs of exploring for and developing petroleum and natural gas properties and related reserves will be capitalized into the respective cost centres. Proceeds received from the disposition of petroleum and natural gas properties are accounted for as a reduction of capitalized costs, with no gain or loss recognized, unless such disposition would result in a change greater than 20% in the depletion or depreciation rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Unproven Petroleum and Gas Property Costs (continued)

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed yearly to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the full cost pool. Depletion of petroleum and natural gas properties and depreciation of production equipment are calculated using the unit of production method based upon estimated proved reserves before royalties. For purposes of the calculation, natural gas reserves and production are converted to equivalent volumes of petroleum based upon relative energy content.

At each reporting period, once commercial production is achieved, the Corporation performs an impairment test (ceiling test) to determine the recoverability of capitalized costs associated with reserves. An impairment loss is recognized in operations when the carrying amount of a cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves plus the costs of unproved properties. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of the fair value of proved and probable reserves and the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves. The fair value of the proven and probable reserves is determined based on the sum of the discounted cash flows expected from those reserves. Cash flows are estimated using projected future product prices and costs, which are discounted using a risk adjusted rate of interest.

(d) Fixed Assets and Amortization

Fixed assets include furniture, equipment, computer equipment and vehicle which are amortized over their estimated useful lives based on the following rates:

Furniture and equipment are amortized using the declining balance method at an annual rate of 30% per annum.
Computer equipment is amortized on a straight-line basis over two years.
Vehicle is amortized using the declining balance method at an annual rate of 30% per annum.

(e) Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Stock-based Compensation

The fair value for each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. These fair value costs are recognized as an expense with a corresponding increase to contributed surplus over the vesting period of the grant. As the options are exercised, the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(g) Translation of Foreign Currencies

All of the Corporation's foreign operations are integrated. The Corporation's functional currency is the Canadian dollar. Monetary assets and liabilities of the Corporation and its integrated foreign subsidiaries are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are recorded in the consolidated statements of loss and comprehensive loss.

(h) Asset Retirement Obligations

Once exploration and development commences on a property, costs of asset retirement obligations are estimated each year by management based upon current regulations and industry practice. The fair value of each cost is measured at the discounted present value of its expected cash outflows. The discounted amount will be capitalized as part of the carrying value of petroleum and natural gas properties and a corresponding liability will be recognized in the balance sheet. Once commercial production is achieved, depletion and depreciation expense will include amortization of the asset retirement amount using the unit-of-production method. The effect of the passage of time on the liability or accretion expense will be included in operating expense. As at August 31, 2010 and 2009, there were no asset retirement obligations.

(i) Loss per Common Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impairment is determined to be other than temporary at which time the amounts would be recorded in net earnings.

The Corporation has, for accounting purposes, designated its cash as held for trading, which is measured at fair value. Amounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost and approximate fair value because of their limited term. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost and approximate fair value because of their limited term.

Newly Adopted Accounting Policies

Goodwill and Intangible Assets

In November 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaced the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this standard has no impact on the Corporation's operating results or financial position.

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. 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 fair value of cash is based on the Level 1 inputs of the fair value hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Changes

International Financial Reporting Standards (“IFRS”)
In January 2006, the CICA’s Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation is currently assessing the impact of IFRS on its consolidated financial statements.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. These new Sections will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, Business Combinations. This section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation is in the process of evaluating the requirements of the new standards.

3. CAPITAL MANAGEMENT

The Corporation considers its capital structure to consist of share capital, warrants, contributed surplus and accumulated deficit. When managing capital, the Corporation’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business.

The Corporation is dependent on external financing to fund its activities. The Akepo Project (Note 6) has been farmed out and funding is being provided by the farmee. In order to pay for administrative costs and search for future oil and gas prospects, the Corporation will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

(i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns, if possible;
(ii) minimizing discretionary disbursements;
(iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
(iv) exploring alternative sources of liquidity.

In light of the above, the Corporation will continue to assess new oil and gas properties and seek to acquire an interest in additional oil and gas properties if the Corporation believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is appropriate. There were no changes in the Corporation's approach to capital management during the year ended August 31, 2010.

The Corporation is not subject to any capital requirements imposed by a regulator or lending institution. The Corporation expects that its current capital resources will be sufficient to discharge its liabilities as at August 31, 2010.

4. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property Risk

The Corporation’s significant petroleum and natural gas properties are the Akepo Oil Field Project and Aladdin Middle East Ltd. Participation Agreement (Note 6). Unless the Corporation acquires or develops additional significant properties, the Corporation will be solely dependent upon these properties. If no additional petroleum and natural gas properties are acquired by the Corporation, any adverse development affecting the Akepo Oil Field Project would have a material adverse effect on the Corporation's financial condition and results of operations.

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

(b) Financial Risk

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate and commodity price risks).

Risk management is carried out by the Corporation's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to cash and amounts receivable. Substantially all cash is held with HSBC Bank Canada, from which management believes the risk of loss to be minimal. Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada and deposits held with service providers. Amounts receivable are in good standing as of August 31, 2010. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2010, the Corporation had a cash balance of $1,581,966 (2009 : $3,003,701) to settle current liabilities of $90,912 (2009 : $93,552). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

(i) Interest Rate Risk

The Corporation has significant cash balances and no interest bearing debt. The Corporation's current policy is to invest excess cash in interest bearing saving accounts with HSBC Bank Canada. The Corporation regularly monitors its cash management policy.

(ii) Foreign Currency Risk

The Corporation incurs expenditures in the UK, Canada and Nigeria and its functional and reporting currency is the Canadian dollar. Purchases are transacted in Canadian dollars, UK Sterling, US dollar and Nigerian Naira. The Corporation maintains Canadian and US dollar bank accounts in Canada, UK sterling bank accounts in the United Kingdom and US dollar and Nigerian Naira bank accounts in Nigeria. This gives rise to a risk that its foreign currency expenditures, receipts and foreign cash holdings may be adversely impacted by fluctuations in foreign exchange. The Corporation does not undertake currency hedging activities.

(iii) Price Risk

The Corporation is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Corporation closely monitors commodity prices, as it relates to petroleum and natural gas to determine the appropriate course of action to be taken by the Corporation.

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

Sensitivity Analysis

As of August 31, 2010, both the carrying and fair value amounts of the Corporation's financial instruments are approximately equivalent due to their short-term nature.

The sensitivity analysis shown in the notes below may differ materially from actual results.

Based on management's knowledge of and experience with the financial markets, the Corporation believes the following movements are "reasonably possible":

(i) Cash is subject to floating interest rates. As at August 31, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended August 31, 2010 would have been approximately $16,000 higher/lower, as a result of lower/higher interest income from cash. As at August 31, 2010, reported shareholders' equity would have been approximately $16,000 lower/higher as a result of lower/higher interest income from cash.

(ii) Cash, amounts receivable and accounts payable and accrued liabilities denominated in US dollars, UK Sterling and Nigerian Naira are subject to foreign currency risk. The Corporation holds $852,000 of cash denominated in US dollars at August 31, 2010. The Corporation also has cash, amounts receivable and accounts payable and accrued liabilities of $83,000 denominated in UK Sterling at August 31, 2010. Had the US dollar, UK Sterling and Nigerian Naira weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Corporation's loss for the year ended August 31, 2010 would have been approximately $48,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at August 31, 2010, reported shareholders' equity would have been approximately $48,000 lower/higher had the US, UK Sterling and Nigerian Naira dollar weakened/strengthened by 5% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

(iii) Commodity price risk could adversely affect the Corporation. In particular, the Corporation's future profitability and viability of development depends upon the world market price of petroleum and natural gas. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of petroleum and natural gas can be produced in the future, a profitable market will exist for them. Commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants.

(Expressed in Canadian Dollars)

5. FIXED ASSETS

August 31, 2010	Cost	Accumulated amortization	Net carrying value
Furniture and equipment	$ 20,536	$ 18,445	$ 2,091
Computer equipment	4,384	586	3,798
Vehicle	60,682	35,409	25,273
	$ 85,602	$ 54,440	$ 31,162

August 31, 2009	Cost	Accumulated amortization	Net carrying value
Furniture and equipment	$ 20,536	$ 17,550	$ 2,986
Vehicle	60,682	24,577	36,105
	$ 81,218	$ 42,127	$ 39,091

6. UNPROVEN PETROLEUM AND NATURAL GAS PROPERTIES

Akepo Oilfield Project

On November 6, 2006, Exile announced that it had agreed to acquire a direct participating interest in an existing oil and gas discovery in Nigeria. Exile signed a Farm In Agreement to acquire a 40% participating interest in the Akepo discovery ("Akepo") in the Niger Delta, from Sogenal Ltd ("Sogenal"), an indigenous Nigerian oil corporation. Akepo is a discovered, but undeveloped oilfield, located in shallow water, near existing developed oil fields and export infrastructure.

Sogenal was awarded 100% of the Akepo field in 2004 by the Government of Nigeria as part of the marginal field licensing round initiated in 2002. The suite of formal agreements entered into by both Exile and Sogenal define the commercial terms under which Exile will engage with Sogenal in the development of Akepo. Under these agreements, for a consideration of US$2.1 million (Cdn$2.2 million) (paid), Exile acquired a 40% participating interest in the license and is responsible for paying both Exile's and Sogenal's participating interest share of the capital costs required to develop the field. Exile will be able to recover Sogenal's carried costs via an allocation of 80% of the oil and gas produced from the field. After these costs have been recovered, Exile will be allocated a 70% interest in production until 7.5 mmbbls have been produced and thereafter a 50% interest until 10 mmbbls have been produced, whereupon Exile's share will revert to a 40% participating interest. Exile will also be responsible for certain further production bonuses related to aggregate production targets from the field.

On April 27, 2007, Exile announced that it had received all approvals regarding its 40% equity in the Akepo Field in Nigeria. The Akepo Farm In Agreement and Joint Operating Agreement, were subject to the approval of the Government of Nigeria, Nigerian National Petroleum Corporation and Chevron Nigeria Limited ("Chevron") (the holders of the license) and the TSX Venture Exchange.

6. UNPROVEN PETROLEUM AND NATURAL GAS PROPERTIES (continued)

Akepo Oilfield Project (continued)

The Akepo Field is subject to an overriding royalty payable to Chevron, on the production of petroleum and natural gas from the field. In respect of production of petroleum, the royalty ranges from 2.5% of the value of daily production up to 2,000 bopd to 7.5% of the value of daily production up to 15,000 bopd. Royalty rates for petroleum production greater than 15,000 bopd per day are to be negotiated. In respect of production of natural gas, the royalty ranges from 2.5% of the value of daily production of 20 million standard cubic feet ("MMSCF") to 5.0% of the value of daily production in excess of 100 MMSCF. Production is also subject to royalties payable to the Government of Nigeria.

On January 5, 2009, Exile reported it had entered into an agreement ("Agreement") with Oando Exploration and Production Limited ("Oando") whereby Oando can acquire a 75% working interest in Exile's 40% interest in the Akepo field in return for reimbursing Exile's past costs, and financing the future development of the project.

Under the terms of the Agreement that is structured in two stages, Oando will reimburse Exile's past expenses on the Akepo Field, and finance the development of the project, in return for taking 75% of Exile's current economic interest in the project through a Financial and Technical Services Agreement signed on October 23, 2008. This was converted to an equivalent 30% equity stake in the project during the year ended August 31, 2010. On January 20, 2009, Exile received US$1.0 million (C$1,260,500) in compliance with the terms of the Agreement. During the year ended August 31, 2010, a further US$1.1 million (C$1,122,910) was received from Oando. The remaining payment, which is to be determined, on past expenses will be reimbursed upon first oil production.

Exile will retain a 17.5% economic interest in the Project after cost recovery by Oando, until 7.5 million barrels of oil have been recovered from the field. After this, Exile's interest will step down proportionally to 12.5% until 10 million barrels have been recovered from the field, and 10% thereafter. During the cost recovery phase, Exile will be entitled to an 8% economic interest. Oando is now funding the project.

Aladdin Middle East Ltd. Participation Agreement

On July 27, 2010, the Corporation entered into a participation and joint operating agreement with Aladdin Middle East Ltd. ("Aladdin"), an arm's length, privately held company incorporated under the laws of the State of Delaware, U.S.A. Under the terms of the participation agreement, Exile will farm-in to five blocks all operated by Aladdin, referred to as the Rubai licenses, located in eastern Turkey.

The first phase of the participation agreement between Aladdin and Exile will see Exile contribute US$600,000 for the re-entry and testing of a well under the Rubai licenses, using Aladdin drilling rig and personnel. Aladdin will remain the operator of the well and Exile will hold a 5% interest in the licenses. If the well tests at a specified target rate, Exile will enter the second phase of the participation agreement.

The second phase involves drilling a new appraisal well that will be located up-dip on the same structure as the first well and drilled on a turn-key basis by Aladdin. Exile's share of the drilling costs will be US$1.2 million. This would earn the Corporation an additional 7% interest in the licenses (for total post-stage two interest of 12%). If the second well appraisal is successful in proving the Ogunduk field, the third stage of the participation agreement may proceed.

The third stage provides Exile with the option to earn an additional 23% in the Rubai licenses (for total interest of 35%) by fully funding a further appraisal well on a location to be agreed upon by Exile and Aladdin. The third well will be drilled on a turn-key basis by Aladdin and fully funded by Exile.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares

(b) Issued

	Number of Shares	Amount
Balance, August 31, 2008, 2009 and 2010	63,754,191	$ 12,328,289

8. WARRANTS

The following table reflects the continuity of all classes of warrants for the years ended August 31, 2009 and 2010:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2008 and 2009	13,962,764	$ 0.26
Expired	(13,962,764)	(0.26)
Balance, August 31, 2010	-	$ -

9. STOCK OPTIONS

On August 18, 2005, the shareholders of the Corporation approved a stock option plan. The directors of the Corporation can grant options to acquire common shares of the Corporation to qualified directors, officers, employees and persons providing ongoing services to the Corporation. The stock options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the stock options cannot be less than the closing price of the Corporation's shares on the trading day preceding the date of grant.

On February 18, 2009, shareholder approval was obtained at the annual general meeting, to authorize the issuance of an additional 2,300,000 common shares under the Plan, such that a maximum of 6,300,000 common shares are reserved for issuance under the Plan.

On February 10, 2010, shareholder approval was obtained at the annual general meeting, to authorize the issuance of an additional 3,700,000 common shares under the Plan, such that a maximum of 10,000,000 common shares are reserved for issuance under the Plan.

(Expressed in Canadian Dollars)

9. STOCK OPTIONS (continued)

The following table reflects the continuity of stock options for the years ended August 31, 2009 and 2010:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2008	3,950,000	$ 0.29
Expired	(25,000)	(0.60)
Granted (1)(2)(3)	1,925,000	0.15
Balance, August 31, 2009	5,850,000	$ 0.24
Expired	(150,000)	(0.60)
Granted (4)(5)	500,000	0.15
Balance, August 31, 2010	6,200,000	$ 0.22

As at August 31, 2010, the Corporation had the following stock options outstanding:

Value ($)	Options Granted	Number of Options Vested	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Expiry Date
30,260	200,000	200,000	$ 0.20	0.04	September 15, 2010
60,711	400,000	400,000	$ 0.20	0.13	October 19, 2010
34,200	75,000	75,000	$ 0.60	0.21	November 14, 2010
180,933	475,000	475,000	$ 0.50	0.83	June 30, 2011
76,400	200,000	200,000	$ 0.50	0.90	July 26, 2011
68,600	200,000	200,000	$ 0.45	1.06	September 22, 2011
95,500	500,000	500,000	$ 0.25	1.65	April 23, 2012
76,400	400,000	400,000	$ 0.25	1.88	July 18, 2012
160,325	1,325,000	1,325,000	$ 0.16	2.36	January 8, 2013
173,850	1,525,000	1,525,000	$ 0.15	2.84	July 3, 2013
9,500	250,000	250,000	$ 0.13	3.37	January 12, 2014
3,450	150,000	150,000	$ 0.13	3.41	January 26, 2014
62,550	450,000	450,000	$ 0.15	4.38	January 15, 2015
4,500	50,000	50,000	$ 0.15	4.76	June 3, 2015
360,881	-	-			Forfeited/expired options
1,536,414	-	-			Expired warrants
2,934,474	6,200,000	6,200,000		2.17	

The weighted average grant date fair value of options granted during the year ended August 31, 2010 was $0.13 (2009 - $0.10).

9. STOCK OPTIONS (continued)

(1) On July 3, 2008, the Corporation granted an aggregate of 1,525,000 stock options to certain of its directors and management, each such option entitling the holder thereof to acquire one common share of the Corporation at an exercise price of $0.15 until July 3, 2013. The options vested immediately after shareholder approval was received at the February 18, 2009 annual general meeting. The following assumptions were used under the Black Scholes option pricing model: expected dividend yield of 0%, risk free interest rate of 3.45%, expected volatility of 100% and an expected life of 5 years. The options were assigned a value of $173,850. For the year ended August 31, 2009, the impact on expenses was $173,850.

(2) On January 12, 2009, the Corporation granted an aggregate of 250,000 stock options to a director of the Corporation, each such stock option entitling the holder thereof to acquire one common share of the Corporation at an exercise price of $0.13 until January 12, 2014. The stock options vested immediately. The following assumptions were used under the Black Scholes option pricing model to value the stock options: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 1.62% and an expected life of 5 years. The stock options were assigned a value of $9,500. For the year ended August 31, 2009, the impact on expenses was $9,500.

(3) On January 26, 2009, the Corporation granted an aggregate of 150,000 stock options to certain directors of the Corporation, each such stock option entitling the holder thereof to acquire one common share of the Corporation at an exercise price of $0.13 until January 26, 2014. The stock options vested immediately. The following assumptions were used under the Black Scholes option pricing model to value the stock options: expected dividend yield of 0%; expected volatility of 107%; risk free interest rate of 1.86% and an expected life of 5 years. The stock options were assigned a value of $3,450. For the year ended August 31, 2009, the impact on expenses was $3,450.

(4) On January 15, 2010, the Corporation granted an aggregate of 450,000 stock options to a senior officer, who is also a director and an employee, each such option entitling the holder thereof to acquire one common share of the Corporation at an exercise price of $0.15 until January 15, 2015. These stock options vested immediately. The following assumptions were used under the Black-Scholes option pricing model: expected dividend yield of 0%; expected volatility of 158%; risk-free interest rate of 2.63% and an expected life of 5 years. These options were valued at $62,550 and were classified as stock-based compensation and credited to contributed surplus. For the year ended August 31, 2010, the impact on expenses was $62,550.

(5) On June 3, 2010, the Corporation granted an aggregate of 50,000 stock options to an employee, each such option entitling the holder thereof to acquire one common share of the Corporation at an exercise price of $0.15 until June 3, 2015. These stock options vested immediately. The following assumptions were used under the Black-Scholes option pricing model: expected dividend yield of 0%; expected volatility of 155%; risk-free interest rate of 2.69% and an expected life of 5 years. These options were assigned a value of $4,500 and were classified as stock-based compensation and credited to contributed surplus. For the year ended August 31, 2010, the impact on expenses was $4,500.

10. LOSS PER SHARE

The effect of potential issuances of common shares resulting from the exercise of issued and outstanding stock options and warrants would be anti dilutive, and were excluded from the dilutive loss per share calculation. Accordingly basic and diluted loss per share are the same.

(Expressed in Canadian Dollars)

11. INCOME TAXES

The Corporation utilizes the asset and liability method of accounting for income taxes.

Provision for Income Taxes

Major items causing the Corporation's income tax rate to differ from the federal statutory of 32% (2009 - 33%) in Canada, were as follows:

Year ended August 31,	2010	2009
Loss before income taxes	$ (1,628,820)	$ (1,737,702)
Expected income tax (recovery) based on statutory rate	(516,000)	(576,000)
Adjustments to expected income tax benefit:		
Stock-based compensation	21,000	62,000
Change in substantially enacted rate	317,000	68,000
Adjustments for foreign tax rates	2,000	1,000
Non-deductible expenses, net	-	55,000
Other	-	(16,000)
Change in valuation allowance	176,000	406,000
Income taxes	$ -	$ -

Future Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities at August 31, 2010 and 2009 after applying the substantially enacted income tax rate of 25% (2009 - 29%) were as follows:

Year ended August 31,	2010	2009
Future income tax assets (liabilities):		
Resource properties	$ 271,000	$ 290,000
Share issue costs	6,000	76,000
Non-capital losses	2,015,000	1,750,000
Valuation allowance	(2,292,000)	(2,116,000)
Future income tax (recovery)	$ -	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

Tax Loss Carry Forwards

At August 31, 2010, the Corporation has $Nil of non-capital losses in the United Kingdom and non-capital losses in Canada of approximately $8,040,000 be used against future income. The Corporation also has approximately $866,000 and $854,000 of Canadian exploration expenditures and foreign exploration expenditure, which under certain circumstances may be applied to reduce future taxable income. No benefit from these amounts has been recorded in the consolidated financial statements. The non-capital losses in Canada will expire as follows:

Year	Amount
2015	$ 7,000
2026	402,000
2027	2,657,000
2028	1,319,000
2029	1,741,000
2030	1,914,000
	$ 8,040,000

12. RELATED PARTY TRANSACTIONS

The Corporation paid $120,000 (2009 - $120,000) in management fees to a company controlled by an officer and former director of the Corporation during the year ended August 31, 2010, which is included in wages, directors' and consulting fees in the consolidated statement of loss and comprehensive loss.

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

13. COMMITMENTS AND CONTINGENCIES

Pursuant to a service agreement signed between the Corporation and its CEO on February 18, 2008, under certain circumstances if the service agreement is terminated within 12 months following a change of control of the Corporation, the CEO could be entitled to termination pay equal to 12 months' salary or GBP£232,000 ($379,000). As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

The Corporation's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Corporation primarily operates in one reportable operating segment, being the acquisition, exploration and development of petroleum and natural gas properties in Sub Saharan Africa, Nigeria and Turkey.

The total assets located by geographical areas are as follows:

As at August 31, 2010

	Canada	United Kingdom	Nigeria	Turkey	Total
Current assets	$ 1,484,725	$ 117,066	$ 124,191	$ -	$ 1,725,982
Fixed assets	2,091	3,799	25,272	-	31,162
Exploration properties	-	-	1,640,982	635,162	2,276,144
	$ 1,486,816	$ 120,865	$ 1,790,445	$ 635,162	$ 4,033,288

As at August 31, 2009

	Canada	United Kingdom	Nigeria	Turkey	Total
Current assets	$ 2,715,706	$ 290,948	$ 47,940	$ -	$ 3,054,594
Fixed assets	2,987	-	36,104	-	39,091
Exploration properties	-	-	2,504,013	-	2,504,013
	$ 2,718,693	$ 290,948	$ 2,588,057	$ -	$ 5,597,698

15. SUBSEQUENT EVENTS

(i) On October 25, 2010, the Corporation announced that it proposes to complete a non-brokered offering of up to 20,100,000 units (“Units”) at $0.12 per Unit, with each Unit consisting of one common share of Exile and one full share purchase warrant (a “Warrant”). Each Warrant will entitle the holder to acquire one additional common share of Exile for a period of 18 months at an exercise price of $0.25 per share, provided that if at any time after the date which is four months and one day following the issuance of the Warrants, the closing price of the common shares of Exile for any 30 consecutive trading days exceeds $0.50, Exile may accelerate the expiry date to 30 days following the date on which Exile provides notice of the accelerated expiry date to Warrant holders.

(ii) Subsequent toAugust 31, 2010, 675,000 stock options expired unexercised.