

OCTAGON 88 RESOURCES, INC.

Form 10-Q/A

October 14, 2014

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
Amendment No. 1

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

000-53560

(Commission File Number)

OCTAGON 88 RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Nevada

26-2793743

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

Hochwachtstrasse 4, Steinhausen, CH

6312

(Address of principal executive offices)

(Zip Code)

(41) 79 237-6218

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).

Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

26,795,978 shares of common stock outstanding as of February 7, 2014

(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.)

---

### EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (this "Amendment") amends Octagon 88 Resources, Inc.'s (the "Company") quarter report on Form 10-Q for the six month period ended December 31, 2013, as amended (the "Original 10-Q"), which was filed with the Securities and Exchange Commission (the "Commission") on February 19, 2014.

The financial statements included in the Original 10-Q have been amended to reflect the following:

- Corrections to the first and second column headings in the Consolidated Statements of Cash Flows to "Six Months";
- Expanded disclosures to comply with FASB ASC 323-10-50-3 and Rule 8-03 (b)(3) of Regulation S-X as set forth in Note 4 to the financial statements included herein, including disclosure relating to a third party valuation of the Company's equity interest in CEC North Star Energy Ltd. as at six months period ended December 31, 2013;
- An amendment to the value recorded for the Company's ownership interest in CEC North Star Energy Ltd. to account for certain adjustments in previous periods and a revision to the capitalized value of certain leases held for development, which adjustments resulted in an increase in the loss recorded on the Company's long term investment in North Star accounted for under the equity method from \$(59,962) to \$(78,216) and from \$(163,553) to \$(173,049) for the three and six month period ended December 31, 2013, respectively, and a reduction in the accumulated loss recorded on the Company's long term investment in North Star accounted for under the equity method from \$(696,911) to \$(641,918) as discussed in Note 3 to the financial statements included herein.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the disclosure under Item 6 (Exhibits) of the Original 10-Q is hereby amended and restated in its entirety.

This Amendment speaks as of the original filing date of the Original 10-Q. The Company has not updated the disclosures contained herein to reflect any events which occurred subsequent to the filing of the Original 10-Q.

We have also included as exhibits the certifications required under Section 302 and Section 906 of The Sarbanes-Oxley Act of 2002.

This Amendment should be read in conjunction with the Company's filings with the Commission made subsequent to February 19, 2014, the date of the filing of the Original 10-Q.

OCTAGON 88 RESOURCES, INC.  
TABLE OF CONTENTS

|                                                                                                      | Page |
|------------------------------------------------------------------------------------------------------|------|
| <b>PART I – FINANCIAL INFORMATION</b>                                                                |      |
| <u>Item 1.</u> Financial Statements                                                                  | 4    |
| <u>Item 2.</u> Management’s Discussion and Analysis of Financial Condition and Results of Operations | 5    |
| <u>Item 3.</u> Quantitative and Qualitative Disclosures About Market Risk                            | 8    |
| <u>Item 4.</u> Controls and Procedures                                                               | 9    |
| <b>PART II – OTHER INFORMATION</b>                                                                   |      |
| <u>Item 1.</u> Legal Proceedings                                                                     | 11   |
| <u>Item 1A.</u> Risk Factors                                                                         | 11   |
| <u>Item 2.</u> Unregistered Sales of Equity Securities and Use of Proceeds                           | 11   |
| <u>Item 3.</u> Defaults Upon Senior Securities                                                       | 11   |
| <u>Item 4.</u> Mine Safety Disclosures                                                               | 11   |
| <u>Item 5.</u> Other Information                                                                     | 11   |
| <u>Item 6.</u> Exhibits                                                                              | 12   |
| <u>SIGNATURES</u>                                                                                    | 13   |

## PART I

## ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 210 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the six month period ended December 31, 2013, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2014. For further information refer to the audited financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the Securities and Exchange Commission on October 18, 2013.

|                                                             | Page        |
|-------------------------------------------------------------|-------------|
| Unaudited Consolidated Financial Statements                 |             |
| <u>Consolidated Balance Sheets</u>                          | F-2         |
| <u>Consolidated Statements of Operations</u>                | F-3         |
| <u>Consolidated Statements of Cash Flows</u>                | F-4         |
| <u>Notes to Unaudited Consolidated Financial Statements</u> | F-5 to F-18 |

OCTAGON 88 RESOURCES, INC.

(An Exploration Stage Company)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the six month periods ended December 31, 2013 and December 31, 2012

(Stated in US Dollars)

F-1

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
CONSOLIDATED BALANCE SHEETS

|                                                                                                                                                           | December<br>31,<br>2013<br>(Amended) | June 30,<br>2013<br>(Amended) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------|
| <b>ASSETS</b>                                                                                                                                             |                                      |                               |
| Current assets:                                                                                                                                           |                                      |                               |
| Cash                                                                                                                                                      | \$ 1,413                             | \$ 108,593                    |
| Prepaid expenses                                                                                                                                          | 4,422                                | -                             |
| Total current assets                                                                                                                                      | 5,835                                | 108,593                       |
| Long-term investments accounted for under the equity method (Note 3)                                                                                      | 61,464,721                           | 61,154,131                    |
| Total assets                                                                                                                                              | \$ 61,470,556                        | \$ 61,262,724                 |
| <b>LIABILITIES</b>                                                                                                                                        |                                      |                               |
| Current liabilities:                                                                                                                                      |                                      |                               |
| Accounts payable and accrued liabilities                                                                                                                  | \$ 54,842                            | \$ 7,968                      |
| Advances from shareholders                                                                                                                                | 19,167                               | 19,167                        |
| Investor deposits                                                                                                                                         | 50,000                               | 122,978                       |
| Total current liabilities                                                                                                                                 | 124,009                              | 150,113                       |
| <b>STOCKHOLDERS' DEFICIT</b>                                                                                                                              |                                      |                               |
| Common stock, \$0.001 par value, 400,000,000 authorized, 26,545,473 shares issued and outstanding as at December 31, 2013 and June 30, 2013, respectively | 2,655                                | 2,655                         |
| Capital in excess of par value                                                                                                                            | 66,706,745                           | 61,760,078                    |
| Stock payable                                                                                                                                             | 651,515                              | -                             |
| (Deficit) accumulated during the exploration stage                                                                                                        | (6,014,368)                          | (650,122)                     |
| Total stockholders' deficit                                                                                                                               | 61,346,547                           | 61,112,611                    |
| Total liabilities and stockholders' deficit                                                                                                               | \$ 61,470,556                        | \$ 61,262,724                 |

The accompanying notes are an integral part of these financial statements

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

|                                                    | Three Months<br>Ended             |            | Six Months<br>Ended               |             | Cumulative<br>From<br>Inception<br>(June 9,<br>2008,) Through<br>December<br>31,<br>2013<br>(Amended) |
|----------------------------------------------------|-----------------------------------|------------|-----------------------------------|-------------|-------------------------------------------------------------------------------------------------------|
|                                                    | December 31,<br>2013<br>(Amended) |            | December 31,<br>2013<br>(Amended) |             |                                                                                                       |
|                                                    |                                   | 2012       |                                   | 2012        |                                                                                                       |
| Revenues                                           | \$ -                              | \$ -       | \$ -                              | \$ -        | \$ -                                                                                                  |
| General and administrative expenses:               |                                   |            |                                   |             |                                                                                                       |
| Exploration expenses                               | -                                 | -          | 29,066                            | -           | 29,066                                                                                                |
| Services contributed by officers                   | -                                 | -          | -                                 | -           | 13,200                                                                                                |
| Professional fees                                  | 75,358                            | 7,860      | 94,153                            | 18,645      | 234,594                                                                                               |
| Investor relations fees                            | 16,594                            | -          | 68,049                            | -           | 68,049                                                                                                |
| Loss on undeveloped , unproven properties          | -                                 | -          | -                                 | -           | 15,000                                                                                                |
| Stock-based compensation                           | 4,986,667                         | -          | 4,986,667                         | -           | 4,986,667                                                                                             |
| Other general and administrative expenses          | 6,226                             | 630        | 13,262                            | 787         | 25,874                                                                                                |
| Losses (gain) equity investments, net              | 78,216                            | -          | 173,049                           | -           | 641,918                                                                                               |
| Total operating expenses                           | 5,163,061                         | 8,490      | 5,364,246                         | 19,432      | 6,014,368                                                                                             |
| (Loss) from operations                             | (5,163,061)                       | (8,490)    | (5,364,246)                       | (19,432)    | (6,014,368)                                                                                           |
| (Loss) before taxes                                | (5,163,061)                       | (8,490)    | (5,364,246)                       | (19,432)    | (6,014,368)                                                                                           |
| Provision (credit) for taxes on income:            | -                                 | -          | -                                 | -           | -                                                                                                     |
| Net (loss)                                         | \$ (5,163,061)                    | \$ (8,490) | \$ (5,364,246)                    | \$ (19,432) | \$ (6,014,368)                                                                                        |
| Basic and diluted earnings (loss) per common share | \$ (0.19)                         | \$ (0.00)  | \$ (0.20)                         | \$ (0.00)   |                                                                                                       |
| Weighted average number of shares outstanding      | 26,545,473                        | 36,770,734 | 26,545,473                        | 37,962,922  |                                                                                                       |

See accompanying notes.





OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

|                                                                                              | Six months<br>Ended<br>December<br>31,<br><br>2013<br>(Amended) | Six Months<br>Ended<br>December<br>31,<br><br>2012 | Cumulative,<br>Inception,<br>(June 9,<br>2008)<br>Through<br>December<br>31,<br><br>2013<br>(Amended) |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Cash flows from operating activities:                                                        |                                                                 |                                                    |                                                                                                       |
| Net (loss)                                                                                   | \$ (5,364,246)                                                  | \$ (19,432)                                        | \$ (6,014,368)                                                                                        |
| Adjustments to reconcile net (loss) to cash provided (used) by exploration stage activities: |                                                                 |                                                    |                                                                                                       |
| Services contributed by officers                                                             | -                                                               | -                                                  | 13,200                                                                                                |
| Stock-based compensation                                                                     | 4,986,667                                                       | -                                                  | 4,986,667                                                                                             |
| Share of (loss) of equity accounted investees                                                | 173,049                                                         | -                                                  | 641,918                                                                                               |
| Loss on undeveloped, unproven properties                                                     | -                                                               | -                                                  | 15,000                                                                                                |
| Changes in current assets and liabilities:                                                   |                                                                 |                                                    |                                                                                                       |
| Prepaid expenses                                                                             | (4,422)                                                         | -                                                  | (4,422)                                                                                               |
| Accounts payable, trade                                                                      | 6,874                                                           | 19,252                                             | 20,756                                                                                                |
| Accounts payable, related parties                                                            | -                                                               | (5,913)                                            | 23,560                                                                                                |
| Net cash used in operating activities                                                        | (202,078)                                                       | (6,093)                                            | (317,689)                                                                                             |
| Cash flows from investing activities:                                                        |                                                                 |                                                    |                                                                                                       |
| Long-term investments                                                                        | (483,639)                                                       | -                                                  | (483,639)                                                                                             |
| Acquisition of undeveloped, unproved properties                                              | -                                                               | -                                                  | (15,000)                                                                                              |
| Net cash flows from investing activities                                                     | (483,639)                                                       | -                                                  | (498,639)                                                                                             |
| Cash flows from financing activities:                                                        |                                                                 |                                                    |                                                                                                       |
| Advances from stockholders                                                                   | -                                                               | -                                                  | 19,167                                                                                                |
| Advances from third party                                                                    | -                                                               | 13,000                                             | 6,000                                                                                                 |
| Investor deposits                                                                            | 578,537                                                         | -                                                  | 701,515                                                                                               |
| Proceeds from sale of common stock                                                           | -                                                               | -                                                  | 106,060                                                                                               |
| Less, Applicable offering costs                                                              | -                                                               | -                                                  | (15,000)                                                                                              |
| Net cash flows from financing activities                                                     | 578,537                                                         | 13,000                                             | 817,742                                                                                               |
| Net cash flows                                                                               | (107,180)                                                       | 6,907                                              | 1,413                                                                                                 |
| Cash and equivalent, beginning of period                                                     | 108,593                                                         | 355                                                | -                                                                                                     |
| Cash and equivalent, end of period                                                           | \$ 1,413                                                        | \$ 7,262                                           | 1,413                                                                                                 |
| Supplemental cash flow disclosures:                                                          |                                                                 |                                                    |                                                                                                       |
| Cash paid for interest                                                                       | \$ -                                                            | \$ -                                               | \$ -                                                                                                  |
| Cash paid for income taxes                                                                   | \$ -                                                            | \$ -                                               | \$ -                                                                                                  |

Non Cash Transactions

|                                                |    |         |    |            |    |            |
|------------------------------------------------|----|---------|----|------------|----|------------|
| Accounts payable settled by issuance of shares | \$ | -       | \$ | 35,473     | \$ | 35,473     |
| Stock payable from investor deposit            |    | 651,515 |    | -          |    | 651,515    |
| Shares issued to acquire interest North Star   |    | -       |    | 44,100,000 |    | 61,623,000 |
| Total Non-Cash Transactions                    | \$ | 651,515 | \$ | 44,135,473 | \$ | 62,309,988 |

The accompanying notes are an integral part of these financial statements

F-4

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 1 - Organization and summary of significant accounting policies:

Following is a summary of our organization and significant accounting policies:

Organization and nature of business – Octagon 88 Resources, Inc. (identified in these footnotes as “we” or the Company) is a Nevada corporation incorporated on June 9, 2008. We are currently based in Switzerland. We intend to operate oil and gas assets in the U.S. and Canada. We use June 30 as a fiscal year for financial reporting purposes.

The Company incorporated Octagon 88 Resources (Schweiz) AG on May 8, 2013, in the country of Switzerland as a wholly-owned subsidiary.

We are a natural resource exploration stage company in the business of acquiring, exploring, and developing natural resource assets. We have a mineral rights agreement over certain oil and gas leases whereby we have the right to earn an interest by undertaking exploration on the leases. We also hold, by way of share ownership, an interest in CEC North Star Energy Ltd.(NorthStar), a private company with oil and gas operations. NorthStar, Zentrum Energie Trust AG (“Zentrum”), who is our controlling stockholder, and our Company have a common director, Mr. Hilekes. The CEO of NorthStar is an advisor to Zentrum, who is also the financing partner for both NorthStar and our Company. Our Secretary and a member of our board of directors is also an advisor to Zentrum.

We are currently negotiating funding for operations and we are assisting in sourcing funding for NorthStar. In the current exploration stage, we anticipate incurring operating losses as we implement our business plan.

Basis of presentation - These consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The consolidated financial statements of the Company include the Company and its wholly-owned subsidiary, Octagon 88 Resources (Schweiz) AG. All material intercompany balances and transactions have been eliminated in consolidation.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of the statement of cash flows, we consider all cash in banks, money market funds, and certificates of deposit with a maturity of less than three months to be cash equivalents.

Fair value of financial instruments and derivative financial instruments - The carrying amounts of cash and current liabilities approximate fair value because of the short maturity of these items. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. We do not hold or issue financial instruments for trading purposes, nor do we utilize derivative instruments in the management of our foreign exchange, commodity price or interest rate market risks.

The FASB Codification clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and

liabilities must be grouped, based on significant levels of inputs as follows:

F-5

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 1 - Organization and summary of significant accounting policies: (continued)

Fair value of financial instruments and derivative financial instruments (continued)

Level 1: Quoted prices in active markets for identical assets or liabilities.

1:

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are

2: observable for the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data, which require the

3: reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement

Oil and gas properties – We use the successful efforts method of accounting for oil and gas properties. Under that method:

- a. Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are charged to expense when incurred since they do not result in the acquisition of assets.
- b. Costs incurred to drill exploratory wells and exploratory-type stratigraphic test wells that do not find proved reserves are charged to expense when it is determined that the wells have not found proved reserves.
- c. Costs incurred to acquire properties and drill development-type stratigraphic test wells, successful exploratory wells, and successful exploratory-type stratigraphic wells are capitalized.
- d. Capitalized costs of wells and related equipment are amortized, depleted, or depreciated using the unit-of-production method.
- e. Costs of unproved properties are assessed periodically to determine if an impairment loss should be recognized.

Investments in unconsolidated affiliates - The Company has an investment in an unconsolidated affiliate which is accounted for under the equity method with applicable financial reporting guidance provided in section 3430. Under the equity method, carrying value is adjusted for the Company's share of the investees' earnings and losses, as well as capital contributions to, and distributions from, the Company. Distributions in excess of equity method earnings are recognized as a return on investment and recorded as investing cash inflows in the accompanying consolidated statements of cash flows. The Company classifies operating income and losses as well as gains and impairments related to its investments in the unconsolidated affiliate as a component of operating income or loss, as the Company's investment in such unconsolidated affiliates are an extension of the Company's core business operations.

The Company evaluates its investments in the unconsolidated affiliate for impairment whenever events or changes in circumstances indicate that the carrying value of its investment may have experienced an "other-than-temporary" decline in value. Evidence of impairment may include such factors as a significant change in the market, economic or legal environment of the investee, changes in demand for goods or services sold by the investee resulting in adverse marketing conditions, changes in the investee's financial condition or structural changes in the industry in which the investee operates. If such conditions exist, the Company compares the estimated fair value of the investment to its carrying value to determine if impairment is indicated and determines whether the impairment is "other-than-temporary" based on its assessment of all relevant factors, including consideration of the Company's intent and ability to retain its investment. If the recoverable value, less costs to sell, is lower than the carrying value, the Company will recognize a loss for the difference.

F-6

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 1 - Organization and summary of significant accounting policies: (continued)

Other long-lived assets – Property and equipment are stated at cost less accumulated depreciation computed principally using accelerated methods over the estimated useful lives of the assets. Repairs are charged to expense as incurred. Impairment of long-lived assets is recognized when the fair value of a long-lived asset is less than its carrying value. No impairments of long-lived assets occurred during the six month periods ended December 31, 2013 and 2012.

Stock-based Compensation – Stock-based compensation is accounted for using a fair value based approach under the Topic of FASB ASC 718 which requires the fair value of stocks to be measured based on market price, if available, or be estimated using an option pricing model such as Black-Scholes. The Company uses the graded-vesting attribution approach for the awards with graded vesting.

Warrants - Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

Federal income taxes - Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with applicable FASB Codification regarding Accounting for Income Taxes, which require the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides deferred taxes for the estimated future tax effects attributable to temporary differences and carryforwards when realization is more likely than not.

We have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. We are not currently under examination by the Internal Revenue Service or any other jurisdiction. We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on our financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

Net income per share of common stock – Basic loss per share includes no dilution and is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

The Company had the following potential common stock equivalents at December 31, 2013:

|               |           |
|---------------|-----------|
| Warrants      | 200,000   |
| Stock options | 1,500,000 |

Since the Company reported a net loss in the six month periods ended December 31, 2013 and 2012, respectively, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. A separate



computation of diluted earnings (loss) per share is not presented.

F-7

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 2 – Going concern:

As at December 31, 2013, we hold a Mineral Rights Agreement (see note 4) which gives us the rights to certain oil and gas exploration leases and we are an active investor in an operating oil and gas company by virtue of our shared board member and management team. . We continue to seek other oil and gas acquisitions that we can operate. While we have acquired an interest in certain mineral properties (Note 4) we expect to incur exploration stage operating losses until revenue generating operations commence, and for a period of time thereafter. We rely on our officers and directors to perform essential functions without compensation until we have raised sufficient funding for operations. We have entered into an agreement for funding of up to \$2,500,000 (CDN) by way of an equity placement and a credit facility. We have drawn the first tranche of \$500,000 and issued equity for the funds drawn. The lender has funded an additional \$151,515 by the exercise of warrants under the equity placement (Note 5). We have not as yet drawn any funds under the credit facility. There can be no assurance that additional funds will be available from the credit facility if and when needed.

From inception through December 31, 2013, we have incurred operating losses of approximately \$6,014,368, of which approximately \$317,689 represents actual cash losses. At December 31, 2013, our cash on hand was \$1,413.

These factors raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 – Restatement

The accompanying consolidated financial statements for the three and six month period ended December 31, 2013 and for the fiscal year ended June 30, 2013 have been restated to adjust the loss on the long-term investment in North Star. The result of the restatement decreased “long-term investments accounted under the equity method”, and increased “accumulated deficit during the exploration stage” by \$18,254 and \$9,496 for the three and six month period ended December 31, 2013, respectively. The restatement had no net effect on total of liabilities.

|                                                             | December<br>31, 2013<br>(Amended)                    | December 31,<br>2013<br>(Original)                  | June 30, 2013<br>(Amended) | June 30, 2013<br>(Original) |
|-------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|----------------------------|-----------------------------|
| Consolidated Balance Sheets:                                |                                                      |                                                     |                            |                             |
| Long-term investments accounted for under the equity method | \$61,464,721                                         | \$61,409,728                                        | \$61,154,131               | \$61,089,642                |
| Total Assets                                                | \$61,470,556                                         | \$61,415,563                                        | \$61,262,724               | \$61,198,235                |
| (Deficit) accumulated during the exploration stage          | \$(6,014,368 )                                       | \$(6,069,361 )                                      | \$(650,122 )               | \$(714,611 )                |
| Total stockholders' deficit                                 | \$61,346,547                                         | \$61,291,554                                        | \$61,112,611               | \$61,048,122                |
| Total liabilities and stockholders' deficit                 | \$61,470,556                                         | \$61,415,563                                        | \$61,262,724               | \$61,198,235                |
|                                                             |                                                      |                                                     |                            |                             |
|                                                             | Three months ended<br>December 31, 2013<br>(Amended) | Six months ended December<br>31, 2013<br>(Original) | (Amended)                  | (Original)                  |
| Consolidated Statements of Operations                       |                                                      |                                                     |                            |                             |
| Gain (loss) equity investments, net                         | \$(78,216 )                                          | \$(59,962 )                                         | \$(173,049 )               | \$(163,553 )                |
| (Loss) from operations                                      | \$(5,163,061 )                                       | \$(5,144,807 )                                      | \$(5,364,246 )             | \$(5,354,750 )              |

Edgar Filing: OCTAGON 88 RESOURCES, INC. - Form 10-Q/A

|                                               |                                       |                 |                 |                 |
|-----------------------------------------------|---------------------------------------|-----------------|-----------------|-----------------|
| Net (loss)                                    | \$ (5,163,061 )                       | \$ (5,144,807 ) | \$ (5,364,246 ) | \$ (5,354,750 ) |
|                                               | Six months ended<br>December 31, 2013 |                 |                 |                 |
|                                               | (Amended)                             | (Original)      |                 |                 |
| Consolidated Statements of Cash Flow          |                                       |                 |                 |                 |
| Cash flows from operating activities:         |                                       |                 |                 |                 |
| Net (loss)                                    | \$ (5,364,246 )                       | (5,354,750 )    |                 |                 |
| Share of (loss) of equity accounted investees | \$ 173,049                            | 163,553         |                 |                 |

F-8

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 4 – Investment in CEC North Star Energy Ltd.:

On October 15, 2012, we entered into a share purchase agreement with Zentrum Energie Trust AG (“Zentrum”) (the “Share Purchase Agreement”), which closed on December 24, 2012 whereby we acquired a total of 3,100,000 common shares in the capital stock of CEC North Star Energy Ltd. (“North Star”) from Zentrum, representing approximately 22% of the issued and outstanding shares of North Star. Our President and Director, Mr. Guido Hilekes who joined our Board of Directors on January 29, 2013, following the consummation of the transactions discussed below, is also President and a member of the Board of Directors of North Star and the sole officer, director and controlling shareholder of Zentrum, Feliciano Tighe, our Secretary and a member of our Board of Directors is an administrative consultant to North Star. The CEO of North Star is an advisor to Zentrum, and Zentrum provides financing for both our Company and North Star. Pursuant to the requirements for closing, on December 21, 2012, the Company issued a total of 14,000,000 restricted shares of the Company to Zentrum based on the market price of our stock on the date of issue at \$3.15 per share, for a total investment cost of \$44,100,000. As at the date of the transaction the Company determined the market value of the Company’s common stock to be the most reliable measurement as to the fair value of the investment, and in accordance with ASC 323-10 recorded \$30,764,329 relative to the purchase price assigned to the Company’s acquired share of the underlying net assets and liabilities of North Star as to the Company’s 22% interest, and a further amount of \$13,335,671 as equity method goodwill, on the Company’s balance sheet.

Further, to close the transaction, the Company was required to negotiate terms with its then controlling shareholder, Kenmore International S.A. (“Kenmore”) for the return to treasury of no less than 31,942,000 shares of the common stock of the Company controlled by Kenmore. Kenmore agreed to return the 31,942,000 shares which, prior to the acquisition of the ownership interest in North Star, had nominal value, in order to facilitate the consummation of the Company’s acquisition of a significant interest in North Star and create value in the 100,000 shares of the Company it retained. Kenmore was also a minority shareholder of North Star at the time of the transaction. On December 21, 2012, the Company returned to the transfer agent, for cancellation effective December 24, 2012, a total of 31,942,000 shares of the Company, at par value, issued in the name of 888333333 Holdings Ltd., a company of which Kenmore was the sole shareholder. There is no relationship between Zentrum, our current controlling shareholder, and Kenmore, the Company’s former controlling shareholder, other than the fact they were both shareholders of North Star and the Company.

On January 24, 2013, the Company entered into a further share purchase agreement with three independent shareholders of North Star whereby the Company acquired 1,410,000 common shares in the capital stock of North Star (the “Share Purchase Agreement”). Under the terms of the Share Purchase Agreement, the Company issued a total of 5,310,000 shares of the Company’s common stock at a deemed price of \$3.30 per share, which was the lowest bid price of the Company’s stock on the date of issuance, for a total investment cost of \$17,523,000 in exchange for the 1,410,000 common shares of North Star. As at the date of the transaction the Company determined the market value of the Company’s common stock to be the most reliable measurement as to the fair value of the investment, and in accordance with ASC 323-10 recorded \$14,283,314 relative to the purchase price assigned to the Company’s acquired share of the underlying net assets and liabilities of North Star as to the Company’s additional 10% interest, and a further amount of \$3,239,686 as equity method goodwill, on the Company’s balance sheet.

On October 3, 2013, the Company funded \$483,639 (CAD\$500,000) cash consideration to North Star by way of a private placement subscription for a total of 13,158 units of North Star, each unit consisting of one common share of North Star at the price of \$38, and one two year warrant to acquire a common share of North Star at an exercise price of: (i) \$58 per common share of North Star if exercised prior to September 30, 2014; or (ii) \$76 per common share of

North Star if exercised any time on or between September 30, 2014 and the expiry date.

F-9

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 4 – Investment in CEC North Star Energy Ltd.: (continued)

The Company has recorded its initial investments in North Star at cost based on the market value of the Company's shares which were issued to acquire its equity interests for a total of \$61,623,000. As detailed above, the cumulative excess value of \$16,575,357 over the net asset value of the Company's ownership interest in North Star totaling \$45,047,643 as at the dates of acquisition of the Company's initial equity interests was attributed at the respective acquisition dates to equity method goodwill. Thereafter, the Company has used the actual cash value paid for additional North Star shares acquired as its cost base for further interests acquired. North Star is a private company with no quoted market price for its shares. The Company has no obligation to provide financial support to North Star. The Company anticipates that as North Star continues to finance its planned operations by way of equity offerings, considers further incentivizing its management team by the grant of additional stock options, or pursues the acquisition of additional resource based interests by way of equity based consideration the Company may experience dilution to our current investment interest of 31.22%. While we plan to consider further equity investments in North Star as they progress their operating plan and equity investment opportunities become available, there is no guarantee we will be able to main our current equity ownership percentage.

As of December 31, 2013, the Company holds 31.22% of the shares of North Star. We account for this investment applying the Equity Method (APB No. 18).

The changes in the fair value of these investments were as follows:

|                                                                                                  |               |
|--------------------------------------------------------------------------------------------------|---------------|
| Balance as of June 30, 2012                                                                      | \$ -          |
| Contributions:                                                                                   |               |
| Issue 14,000,000 restricted shares of the Company at market value on December 24, 2012           | 44,100,000    |
| Issue 5,310,000 restricted shares of the Company at market value on January 24, 2013             | 17,523,000    |
| Total                                                                                            | 61,623,000    |
| Equity (loss) income on long-term investment in North Star accounted for under the equity method | (468,869)     |
| Balance as of June 30, 2013                                                                      | 61,154,131    |
| Cash payment to acquire 13,158 Units                                                             | 483,639       |
| Equity (loss) income on long-term investment in North Star accounted for under the equity method | (173,049)     |
| Balance as of December 31, 2013                                                                  | \$ 61,464,721 |

The underlying equity in the net assets of North Star as to the Company's 31.22% ownership as at December 31, 2013 totals \$42,753,982 and as to the Company's 31.4% ownership as at June 30, 2013 totals \$43,033,754..

Summarized financial information with respect to North Star accounted for using the equity method as of and for the six month period ended December 31, 2013 and for the fiscal year ended June 30, 2013 and as of the acquisition dates were as follows: were as follows:

|                                 | At<br>December 31, 2013 | At June 30,<br>2013 | At January<br>24, 2013 | At December<br>21, 2012 |
|---------------------------------|-------------------------|---------------------|------------------------|-------------------------|
| Current assets                  | \$ 778,351              | \$ 243,444          | \$ 39,117              | \$ 110,884              |
| Property, and other assets, net | 138,817,861             | 138,485,834         | 145,357,735            | 144,911,963             |
| Total assets                    | \$ 139,660,062          | \$ 138,729,278      | \$ 145,396,852         | \$ 145,022,847          |

|                                      |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Current liabilities                  | \$ 1,029,450   | \$ 1,872,548   | \$ 246,398     | \$ 209,719     |
| Long-term debt and other liabilities | 1,803,907      | 2,376,250      | 2,515,750      | 2,508,250      |
| Equity                               | 136,826,705    | 134,480,480    | 142,634,704    | 142,304,878    |
| Total liabilities and equity         | \$ 139,660,062 | \$ 138,729,278 | \$ 145,396,852 | \$ 145,022,847 |

F-10

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

## Note 4 – Investment in CEC North Star Energy Ltd.: (continued)

|                    | 3 Months<br>Ended<br>December<br>31,<br>2013 | 3 Months<br>ended<br>December<br>31,<br>2012 | 6 Months<br>Ended<br>December<br>31,<br>2013 | 6 Months<br>Ended<br>December<br>31,<br>2012 |
|--------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| Net Revenues       | \$ -                                         | \$ -                                         | \$ -                                         | \$ -                                         |
| Operating expenses | 247,971                                      | 7,405                                        | 548,944                                      | 414,400                                      |
| Operating loss     | (247,971)                                    | (7,405)                                      | (548,944)                                    | (414,400)                                    |
| Interest expenses  | (729)                                        | -                                            | (1,291)                                      | -                                            |
| Net loss           | \$ (248,700)                                 | \$ (7,405)                                   | \$ (550,235)                                 | \$ (414,400)                                 |

As at the fiscal year ended June 30, 2013 the Company undertook a review of the carrying value of its investment in North Star in order to test for impairment considering the guidance in ASC 820 and ASC 323 and as part of this review the Company assessed various components of its investment. In accordance with ASC 350-20-35-39, equity method goodwill is not amortized and is not tested for impairment. Instead, equity method investments are reviewed for impairment, and a loss in value of an equity method investment that is other-than-temporary should be recognized, if and when a permanent loss in value is indicated. In evaluating its equity interest in North Star for indication of impairment, the Company considered its ownership interest in the present value of the estimated future cash flows expected to be generated by North Star as detailed both in third party valuation reports and reserve report valuations prepared in house by North Star management using inputs derived from industry third party published economic data. In addition the Company conducted its own estimates expected North Star future cash flows applying the recommended valuation methodologies employed by industry investment professionals under published valuation manifestos in conjunction with third party reserve report valuations provided by North Star. The Company further considered North Star's financial condition, North Star management's ability to execute its development plans in order to monetize its existing assets, as well as current industry conditions, including applicable commodity pricing, in completing its review. The results of the Company's assessment indicated that there was no impairment required to the carrying value of its investment in North Star as at the year ended June 30, 2013.

At December 31, 2013, there were no factors present evidencing a change in circumstances to indicate that the carrying value of the Company's investment in North Star may have declined.

## Note 5 – Mineral rights agreement

On January 22, 2013, the Company entered into an acquisition of mineral rights agreement with Zentrum (the "Mineral Rights Agreement"). Under the terms of the Mineral Rights Agreement the Company has the right to acquire the Mineral Rights known as the Trout Properties. The Trout Properties are comprised of certain oil and gas leases as detailed below:

Section 9 -89      Alberta Crown P&NG  
R3W5              Expiry: August, 2016

Sections 3,4,5      Alberta Crown Oil Sands Development Lease No. 7408100382  
89R3W5            Expiry: July, 2017



F-11

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 5 – Mineral rights agreement (continued)

The Mineral Rights Agreement contained the following terms, amongst others:

- An 8% Royalty of Gross Monthly Production to be paid to Zentrum;
- On or before December 31, 2013, the Company shall have drilled a minimum of one (1) Exploration Well to Contract Depth at locations to be provided by Zentrum and agreed to by the Company on Section 9 89 R3W5 of the Trout Property;
- On or before June 30, 2014, unless otherwise mutually agreed to, the Company shall perform a 3D seismic program on Sections 4, 5, 6 89 R3W5 of the Trout Property. A copy and rights to the seismic data shall be provided to the Vendor within 60 days of the completion of the project;
- On or before December 31, 2014, unless otherwise mutually agreed to, the Company shall have drilled a minimum of one (1) Exploration Well at a location to be mutually determined based on the 3D seismic above;
- Any default in the terms above will terminate the Mineral Rights Agreement and the Company shall return the Trout Property to Zentrum.

The Company has received a preliminary budget for the drilling of the initial exploration well on the Trout property with costs estimated to be \$1,500,000 Canadian dollars (USD \$1,504,920), plus or minus 20 percent for seasonal adjustments including weather, rig and crew availability. We anticipate making a drawdown of funds under the financing agreement as more particularly described in Note 5 below in order to finance costs associated with this initial well.

During the six month period ended December 31, 2013, the Company expended \$29,066 on the Trout property.

Note 6 – Financing agreement:

On October 3, 2012, the Company entered in to a letter agreement for a Financing Commitment and Credit Facility (the “Financing Agreement”) for the Company with Zentrum, whereby Zentrum will provide both debt and equity funds of up to CAD\$2,500,000 (USD\$2,337,130) to the Company for investments in assets owned by private operating oil companies.

Under the terms of the Financing Agreement, the first draw is to be an equity placement into the Company by Zentrum of US\$500,000 by way of the issuance of 200,000 units, each unit consisting of one share of common stock at US\$2.50 per share, a one year warrant to purchase an additional 200,000 shares of common stock at an exercise price of US\$3.00 per share on or before October 3, 2013 and a three year warrant to purchase 200,000 shares of common stock at an exercise price of US\$3.00 per share. The second warrant will have an expiry date of 3 years after closing of the first draw under this agreement.

Further funds may be by way of debt or equity. Any funds drawn down as debt under the credit facility will have a first security charge on the investments acquired with such funds.

Fees of 8% for equity placements and 3% for debt placements will be deducted on funding. For any debt converted to equity, a further fee of 5% will be paid by the Company at conversion.

F-12

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 6 – Financing agreement (continued):

Zentrum has agreed that the Company may allocate up to 10% of the funds from debt or equity for general and administrative costs and due diligence costs and any other costs they may approve from time to time.

Zentrum shall further have a first right of refusal on all financings for a period of two years from the execution of the formal agreement. The final agreement shall provide for registration rights. The formal agreements in regard to the initial letter agreement were to be prepared for execution, however as of December 31, 2013 they have not been prepared therefor the Company will rely on the terms of the letter agreement until such time as a formal agreement is finalized.

As of December 31, 2013, Zentrum has funded a total of US\$701,515 to the Company (June 30, 2013 - \$122,978). As of December 31, 2013, the Company has provided through the Zentrum AG financing agreement (ref Note 5), an amount totaling \$483,639 (\$500,000CDN) from proceeds received to NorthStar. During the period, Zentrum AG completed a subscription agreement whereby they finalized the initial US\$500,000 equity draw down and concurrently delivered notice of warrant exercise for a total of \$151,515, which represented additional proceeds funded up to the warrant exercise expiry date of October 3, 2013. The Company is required to issue a total of 200,000 shares as a result of the equity draw down and a total of 50,505 shares pursuant to the warrant exercise, which shares remain payable as of December 31, 2013.

The remaining 149,495 warrants under the first warrant attached to the financing agreement expired at the close of business on October 3, 2013, and therefore they are forfeited. Zentrum AG continues to hold a total of 200,000 warrants exercisable at \$3.00 per share for a period of three years from October 3, 2013, expiring on October 3, 2016, if not prior exercised.

Further, under the terms of the financing agreement, the Company is required to pay fees of 8% or \$40,000 related to funds received on the equity draw down which has been recorded as accounts payable on the balance sheet of the Company and will be paid out as further financing is provided.

A total of \$50,000 reflected on the Company's balance sheets as investor deposits in relation to additional funds advanced to the Company during the period ended December 31, 2013.

Note 7 – Related party transactions:

Mr. Guido Hilekes, our President and a Director, is also a member of the board of directors of both NorthStar and Zentrum, our controlling shareholder. Zentrum has provided a line of credit to the Company (Note 5) and has also provided financing to CEC North Star Energy Ltd. by way of a \$1,500,000 (CAD) convertible debenture. Zentrum is also a significant shareholder of CEC North Star Energy Ltd. and the controlling shareholder of our Company. The CEO of NorthStar is also an advisor to Zentrum. The mineral rights agreement for our oil and gas asset was entered into between the Company and Zentrum.

Note 8 – Advances:

As of December 31, 2013 and June 30, 2013, total advances from shareholders of the Company were \$19,167. The advances are on demand and bear no interest.

F-13

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 9 – Issuance of shares:

On August 27, 2012, the Company negotiated debt settlements whereby they agreed to settle debt in the amount of \$35,473 with Kenmore International S.A. at a price of \$1.00 per share for a total share issuance of 35,473 shares of common stock. These shares were issued on September 24, 2012.

On December 21, 2012, the Company returned to the transfer agent for cancellation effective December 24, 2012, a total of 31,942,000 shares of the Company issued in the name of 888333333 Holdings Ltd., a company of which Kenmore was the sole shareholder. On December 21, 2012, the Company issued a total of 14,000,000 restricted shares of the Company to Zentrum valued at \$3.15 per share, which was the market value of the shares on the date of the transaction, for a total acquisition cost of \$44,100,000.

On January 24, 2013, the Company issued a total of 5,310,000 restricted shares of the Company to three independent shareholders of North Star valued at \$3.30 per share, which was the market value of the shares based on the bid price of the shares on the date of the transaction, for a total acquisition cost of \$17,523,000.

On October 3, 2013, Zentrum completed a subscription agreement through the Zentrum AG financing agreement (ref Note 5). Zentrum had funded a total of US\$500,000 to the Company requiring the issuance of 200,000 Units, each Unit consisting of one share of common stock at US\$2.50 per share, a one year warrant to purchase an additional 200,000 shares of common stock at an exercise price of US\$3.00 per share on or before October 3, 2013 and a three year warrant to purchase 200,000 shares of common stock at an exercise price of US\$3.00 per share. The second warrant has an expiry date of 3 years after closing of the first draw under this agreement. Concurrently, Zentrum delivered notice of exercise of warrant under the first warrant for a total of 50,505 shares of common stock for total proceeds of \$151,515.

As of December 31, 2013, 250,505 shares in respect of the aforementioned Unit and warrant exercise remained unissued and are recorded as stock payable on the balance sheets.

As of December 31, 2013, there were a total of 26,545,473 shares issued and outstanding.

Note 10 – Stock option and Stock award:

On November 11, 2013, the Company granted non-qualified stock options for an aggregate of 1,500,000 shares of the Company's common stock under the Company's 2013 Stock Option and Stock Award Plan (the "2013 Plan") to various officers, directors and consultants of the Company. Each option was granted for a six year term with an exercise price of \$6.00 per share vesting equally over a period of three years and expiring six years after the grant date. Of the 1,500,000 stock options granted, 950,000 were issued to the Company's directors and executive officers, 250,000 were issued to executive officers and directors of the Company's wholly owned subsidiary and the remaining 300,000 were issued to various consultants of the Company.

The following tables summarize information concerning stock options outstanding as of December 31, 2013:

| December 31, 2013 |    | June 30, 2013    |    |
|-------------------|----|------------------|----|
| Weighted Average  |    | Weighted Average |    |
| Exercise Price    |    | Exercise Price   |    |
| Shares            | \$ | Shares           | \$ |

Edgar Filing: OCTAGON 88 RESOURCES, INC. - Form 10-Q/A

|                                      |           |   |   |   |
|--------------------------------------|-----------|---|---|---|
| Outstanding at beginning of the year | -         | - | - | - |
| Granted                              | 1,500,000 | 6 | - | - |
| Exercised                            | -         | - | - | - |
| Expired or cancelled                 | -         | - | - | - |
| Outstanding at the period            | 1,500,000 | 6 | - | - |

F-14

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 10 – Stock option and Stock award: (continued)

|                                    | Stock Options | Weighted<br>Average<br>Grant Date<br>Fair Value |
|------------------------------------|---------------|-------------------------------------------------|
| Unvested, at June 30, 2013         | -             | -                                               |
| Granted                            | 1,500,000     | \$ 6                                            |
| Vested                             | (500,000)     | 6                                               |
| Forfeited                          | -             |                                                 |
| Unvested, end of December 31, 2013 | 1,000,000     | \$ 6                                            |

  

| Exercise Price | Number Outstanding | Weighted Average<br>Remaining Contractual<br>Life | Number Subject to<br>Exercise |
|----------------|--------------------|---------------------------------------------------|-------------------------------|
| \$ 6           | 1,500,000          | 5.89                                              | 1,500,000                     |

The Company recognized stock-based compensation expense of \$4,986,667 during the six month period ended December 31, 2013.

Unrecognized compensation expense related to outstanding stock options as of December 31, 2013 was \$2,493,333 and is expected to be recognized in future periods.

Valuation Assumptions

The Company accounts for share-based payments pursuant to ASC 718, “Stock Compensation” and, accordingly, the Company records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options using the Black-Scholes option pricing model. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the Company’s stock price and expected dividends.

Stock compensation expense for stock options is recognized over the vesting period of the award.

The following table presents the range of the weighted average fair value of options granted and the related assumptions used in the Black-Scholes model for stock option grants made during the three month period ended December 31, 2013:

|                               | Options<br>Granted<br>November 11,<br>2013 |
|-------------------------------|--------------------------------------------|
| Fair value of options granted | \$ 5.44                                    |
| Assumptions used:             |                                            |
| Expected life (years) (a)     | 6                                          |



|                             |       |
|-----------------------------|-------|
| Risk free interest rate (b) | 2.12% |
| Volatility (c)              | 462%  |
| Dividend yield (d)          | 0.00% |

F-15

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 10 – Stock option and Stock award: (continued)

- a) Expected life: The expected term of options granted is determined using the “shortcut” method allowed by SAB No.107. Under this approach, the expected term is presumed to be the mid-point between the vesting date and the end of the contractual term.
- b) Risk-free interest rate: The rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected life of the options.
- c) Volatility: The expected volatility of the Company’s common stock is calculated by using the historical daily volatility of the Company’s stock price calculated over a period of time representative of the expected life of the options.
- d) Dividend yield: The dividend yield rate is not considered in the model, as the Company has not established a dividend policy for the stock.

Note 11 – Warrants:

On October 3, 2013, Zentrum completed a subscription agreement through the Zentrum AG financing agreement (ref Note 5). Zentrum had funded a total of US\$500,000 to the Company requiring the issuance of 200,000 Units, each Unit consisting of one share of common stock at US\$2.50 per share, a one year warrant to purchase an additional 200,000 shares of common stock at an exercise price of US\$3.00 per share on or before October 3, 2013 and a three year warrant to purchase 200,000 shares of common stock at an exercise price of US\$3.00 per share. The second warrant has an expiry date of 3 years after closing of the first draw under this agreement. Concurrently, Zentrum delivered notice of exercise of warrant under the first warrant for a total of 50,505 shares of common stock for total proceeds of \$151,515.

As at December 31, 2013, the Company had the following warrants outstanding:

| Exercise Price | Expiry Date          | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) | Outstanding at<br>June 30,<br>2013 | Issued  | Exercised | Expired | Outstanding<br>at December<br>31,<br>2013 |
|----------------|----------------------|--------------------------------------------------------------------|------------------------------------|---------|-----------|---------|-------------------------------------------|
| \$             | 3 2013<br>October 3, | 0                                                                  | -                                  | 200,000 | 50,505    | 149,495 | 0                                         |
| \$             | 3 2016<br>October 3, | 2.76                                                               | -                                  | 200,000 | -         | -       | 200,000                                   |
|                |                      |                                                                    | -                                  | 400,000 | -         | -       | 200,000                                   |

Note 12 – Income taxes:

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Operating loss carry-forwards generated during the period of June 9, 2008 (date of inception), through December 31, 2013, of approximately \$813,143, will begin to expire in 2028. Accordingly, deferred tax assets total approximately

\$276,500 related to the net operating loss carry-forward. For the six month periods ended December 31, 2013 and 2012, the allowance increased by approximately \$59,980 and \$6,600, respectively.

F-16

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 12 – Income taxes: (continued)

The Company has no tax positions at December 31, 2013, or June 30, 2013, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company had no accruals for interest and penalties since inception.

Tax returns have been submitted for the period from inception to the period ended June 30, 2009. The tax returns for the period thereafter to the fiscal year ended June 30, 2013 are subject to examination by the Internal Revenue Service, however, any tax returns submitted will reflect a year over year loss from operations and therefore management does not expect any tax liabilities exist.

Note 13 - New accounting pronouncements:

The Financial Accounting Standards Board (“FASB”) periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. The Company has reviewed the recently issued pronouncements and concluded that there are no new accounting standards are applicable to the Company.

Note 14 – Subsequent events:

On January 14, 2014 the Company issued 250,505 shares to Zentrum in respect of the exercise of certain units disclosed above (ref Note 5).

On January 15, 2014, the Company and Zentrum reached an agreement to extend the December 31, 2013 drilling commitment to June 30, 2014 on the Trout Lake properties.

On January 30, 2014, the Company entered into a Placement Agent Agreement with David Bisang (“DVB”) (the “PA”) whereby DVB agreed to act as the Company’s non-exclusive agent in a private placement or similar unregistered transaction of equity or equity-linked securities of the Company. The PA is for a period of twelve months from the date of execution. The Company shall pay to DVB upon the closing of each transaction with investors, (i) eight percent (8%) of the aggregate consideration raised in each closing in cash and warrants to purchase five (5%) of the Company’s common stock at each closing, identical to any warrants issued to investors. The foregoing fees are payable for any sale of securities during the twelve month term or within twenty-four months thereafter with respect to investors identified by DVB. The Company is further required to pay expenses incurred by DVB including the fees and expenses of its legal counsel and any advisor retained by Palladium. Fees and expenses in excess of \$1,000 require prior written authorization from the Company.

On January 31, 2014, the Company closed a financing with one subscriber as described below and shall pay to DVB cash consideration of \$60,000 and issue a total of 6,818 stock purchase warrants, each warrant exercisable at \$6.50 per share for a period of two years from the date of issuance. The warrants were issued on February 8, 2014.

On January 31, 2014, the Company entered into securities purchase agreements (the “SPA”) to raise a total \$750,000 with one accredited investor introduced by DVB to the Company. Under the terms of the SPA, the purchasers subscribed for a total of 136,364 shares of the common stock of the Company at \$5.50 per share and an equal number

of warrants exercisable at \$6.50 per share for a period of two years. The shares and warrants were issued on February 8, 2014.

F-17

---

OCTAGON 88 RESOURCES, INC.  
(An Exploration Stage Enterprise)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013

Note 14 – Subsequent events: (continued)

On February 13, 2014, the Company and Zentrum Energie AG executed a letter agreement whereby they agreed to amend the terms of their initial Mineral Rights Acquisition Agreement entered into on January 22, 2013 (the "Original Agreement") by the termination of the Original Agreement on the Trout Lake Properties and the entry into a Farm In Agreement whereby the Company will have the right to earn a fifty percent (50%) working interest in the Trout Properties as defined in the Original Agreement.

The letter agreement calls for the parties to enter into a formal Farm-in and Operating Agreement on or before February 28, 2014, with the following defined terms which the parties have agreed to:

- (i) the Company will pay fifty percent (50%) of the drilling and completion costs of the first production well to be drilled on the Trout Properties at such location as may be agreed between the parties (the "Well");
- (ii) Within six months of the successful completion and production of the Well, the Company will pay to Zentrum a cash payment in the amount of \$1,250,000;
- (iii) The Gross Overriding Royalty Rights ("GORR") to Zentrum shall be three percent (3%);
- (iv) The Company and Zentrum and any other working interest owners which Zentrum may identify will enter into a Joint Venture Operating Agreement as a condition of the amended terms.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This current report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

In this report unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to the common shares of our capital stock.

The management's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements for the fiscal year ended June 30, 2013, as filed with the Securities and Exchange Commission on October 18, 2013, along with the accompanying notes. As used in this quarterly report, the terms "we", "us", "our", and the "Company" means Octagon 88 Resources, Inc.

### Current Business

We were incorporated as a natural resource exploration company to acquire, explore and develop natural resource assets. We commenced our business operations by acquiring the right to earn a 50% working interest in an Alberta, Canada petroleum and natural gas lease. With a change in management and a review of the project, we allowed the farm-in agreement to lapse and therefore under the SEC policies we became a shell company.

The Company's intention is to grow shareholder value through mergers and acquisitions opportunities available to the Company. Following the intent of the Company, in late 2012 and early 2013, we acquired substantial light and conventional heavy oil assets in Northern Alberta by way of a number of acquisition agreements more particularly described above and throughout this annual report on Form 10-K.

With the closing of these acquisitions the Company emerged from shell status. Current management is of the opinion that the acquired projects have been substantially de-risked which will allow the Company to emerge as a development stage oil and gas company.

The current program schedule entails working with the operator of these properties to bring on production and cash flow through the Company's direct working interests, and indirect investments spread throughout the projects.





## Notable Acquisitions

On December 24, 2012, we exchanged 14,000,000 shares of the Company with Zentrum Energie Trust AG (“Zentrum”) for approximately 3,100,000 shares of CEC North Star Energy Ltd. (“North Star”) and on January 23, 2013, we exchanged a further 1,410,000 shares of North Star with three independent stockholders of North Star for 5,310,000 shares of the Company bringing our ownership interest in North Star to 33% and making the Company the largest single stockholder of North Star. Certain of the officers and directors and shareholders of North Star, Zentrum and the Company are related parties as further disclosed in our financial statements.

On January 22, 2013, the Company entered into an acquisition of mineral rights agreement with (the “Mineral Rights Agreement”). Under the terms of the Mineral Rights Agreement the Company has the right to acquire the Mineral Rights known as the Trout Properties by undertaking certain exploration activities on the properties acquired. The acquisition was made between Zentrum and the Company. Certain of the officer and directors and shareholder of Zentrum and the Company are related parties as disclosed in our financial statements.

On October 3, 2013, the Company funded \$483,639 (CAD\$500,000) to North Star by way of a private placement subscription for a total of 13,158 units of North Star, each unit consisting of one common share of North Star at the price of \$38, and one two year warrant to acquire a common share of North Star at an exercise price of: (i) \$58 per common share of North Star if exercised prior to September 30, 2014; or (ii) \$76 per common share of North Star if exercised any time on or between September 30, 2014 and the expire date.

## RESULTS OF OPERATIONS

### Results of Operations

#### Three Month Period Ended December 31, 2013 Compared to Three Month Period Ended December 31, 2012

We generated no revenue for the three month periods ended December 31, 2013 and December 31, 2012, respectively.

For the three month periods ended December 31, 2013 and 2012, we incurred a net loss from operations of \$5,163,061 and \$8,490, respectively. The significant increase in losses is due to a stock based compensation expense of \$4,986,667 which was recorded during the three month period ended December 31, 2013 with no comparative expense for the same period ended December 31, 2012. Due to increased operations we had an increase in investor relations fees from \$nil for the three months ended December 31, 2012 to \$16,594 for the three months ended December 31, 2013, other general and administrative expenses increased to \$6,266 for the three months ended December 31, 2013 from \$630 for the three months ended December 31, 2012, and professional fees increased to \$75,358 for the three months ended December 31, 2013 from \$7,860 for the three months ended December 31, 2012.

During the three months ended December 31, 2013, we incurred losses from equity investments of \$78,216 as a result of the investments in CEC North Star Energy Ltd. with no comparable loss for the three months ended December 31, 2012.

#### Six Month Period Ended December 31, 2013 Compared to Six Month Period Ended December 31, 2012

We generated no revenue for the six month periods ended December 31, 2013 and December 31, 2012, respectively.

For the six month periods ended December 31, 2013 and 2012, we incurred a net loss from operations of \$5,364,246 and \$19,342, respectively. The significant increase in losses is due to a stock based compensation expense of \$4,986,667 which was recorded during the six month period ended December 31, 2013 with no comparative expense for the same period ended December 31, 2012. Due to increased operations we had an increase in investor relations

fees from \$nil for the six months ended December 31, 2012 to \$68,049 for the six months ended December 31, 2013, other general and administrative expenses increased to \$13,262 for the six months ended December 31, 2013 from \$787 for the six months ended December 31, 2012, professional fees increased to \$94,153 for the six months ended December 31, 2013 from \$18,645 for the six months ended December 31, 2012, and we incurred exploration expenses in the amount of \$29,066 as of December 31, 2013 with no comparable expense for the period ended December 31, 2012.

During the six months ended December 31, 2013, we incurred losses from equity investments of \$173,049 as a result of the investments in CEC North Star Energy Ltd. with no comparable loss for the six months ended December 31, 2012.

Period from Inception (June 9, 2008) to December 31, 2013

We have had no revenues since inception. Since inception, we have an accumulated deficit during the exploration stage of \$6,014,368. While we have recently acquired interests in certain oil and gas prospects, we expect to continue to incur losses while we maintain our reporting status with the SEC and continue to work to develop profitable operations for the Company.

## LIQUIDITY AND CAPITAL RESOURCES

As of the six months ended December 31, 2013, our cash balance was \$1,413 and our liabilities totaled \$124,009 as compared to cash of \$108,593 and liabilities of \$150,113 as at June 30, 2013. Our ability to meet our financial liabilities and commitments is primarily dependent upon the continued issuance of equity to new stockholders, the ability to borrow funds, and our ability to achieve and maintain profitable operations. Initially, we will not have any cash flow from operating activities. Our cash position has improved due to the fact that we have commenced operations and we have arranged by way of a financing agreement with Zentrum Energie Trust AG to raise up to CAD\$2,500,000 (US\$2,337,130) by way of equity or debt, with the first draw down of US\$500,000 being an equity draw down at \$2.50 per unit, each unit consisting of one share of common stock and two stock purchase warrants, exercisable at \$3.00 per share.

On October 3, 2013, Zentrum provided \$483,639 (CDN\$500,000) to North Star for drilling operations under this agreement. The CDN\$500,000 is booked as a loan to North Star from the Company. Subsequent to December 31, 2013, on October 3, 2013, Zentrum AG completed a subscription agreement whereby they finalized the initial \$500,000 equity draw down and they sent a warrant notice of exercise for \$151,515 which was the remaining portion of the funds currently reflected on the balance sheet of the Company as investor deposits, after the application of \$16,361. The Company issued a total of 200,000 shares under the equity draw down and a total of 50,505 shares pursuant to the warrant exercise. The remaining 149,495 warrants under the initial warrant expired at the close of business on October 3, 2013 and therefore they are cancelled. Zentrum AG will have a total of 200,000 warrants exercisable at \$3.00 per share for a period of three years from October 3, 2013, expiring on October 3, 2016, if not prior exercised.

The Company has not yet issued the shares pursuant to the equity placement or the exercise of the warrants.

Further, under the terms of the financing agreement, the Company is required to pay fees of 8% of the funds on the equity draw down, or \$40,000 which will be booked as an accounts payable on the balance sheet of the Company and paid out as further financing is provided.

We have approximately \$1,950,000CDN (1,822,961USD) in funding remaining available under the credit facility. The Company has a requirement to expend \$1,500,000CDN (\$1,402,278USD) on its Trout Lake property to earn its interest prior to June 30, 2014.

There are no assurances funds will be available when needed. We do not have a requirement to provide funding to North Star so all remaining funds under the equity line should be sufficient for operations of the Company over the next twelve months. There can be no assurance that additional financing under the credit line will be available to us when needed or whether other funding will be available, and, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our obligations as they become due and we will be forced to scale down or perhaps even cease the operation of our

business.

7

---

## Capital Resources

As of December 31, 2013, we had total assets of \$61,470,556, comprised of cash on hand of \$1,413 and prepaid expenses of \$4,422 and the value of our investment in a private oil and gas exploration company, CEC North Star Energy Ltd., valued at \$61,464,721, as compared to total assets of \$61,262,724, comprised of cash on hand of \$108,593 and the value of our investment in a private oil and gas exploration company, in the amount of \$61,154,131, on June 30, 2013. As of December 31, 2013, our total liabilities decreased to \$124,009 from \$150,113 as of June 30, 2013 as we raised funds and paid down debt. While we have substantially increased our net assets with the recent acquisition of shares in a private oil and gas company, we are not able presently to monetize these assets. We have not generated revenue since the date of Inception (June 9, 2008)

## Plan of Operation and Capital Requirements

Our overall plan is to undertake exploration and exploitation activities on our projects which are determined to be the most expedient route to generate cash flow. Our initial plan is, through North Star, to drill and develop the Elton Erosional Edge project. The overall Elkton schedule envisages first oil sales beginning in January 2014 with 5 horizontal production wells. While we have made a recent loan of \$500,000 to North Star, which funds were drawn down under the credit facility provided by Zentrum, we have no requirement to fund the operations of North Star. We hope to generate revenues through North Star with their planned operations; however there is no obligation for North Star to provide us with any revenues derived from operations. We have a capital requirement of \$1,500,000 to be funded for the drilling of the first well on the Trout Lake property which we should be able to fund under the Zentrum credit facility. With the Zentrum credit facility in place we believe that we will have sufficient working capital to fund our ongoing operations for the next twelve months. Further, we continue to raise other funds by way of private placement, having closed a \$750,000 equity placement and we intend to use those funds for operations and drilling expenses as required.

## Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements that will have a current or future effect on our financial condition and changes in financial condition.

## Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in the Notes to our Financial Statements.

## Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements will have a material impact on its financial condition or the results of its operations.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company and are not required to provide this information.

8

---

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, who are responsible for conducting an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the quarterly period covered by this report. Disclosure controls and procedures means that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to our company, including any consolidating subsidiaries, and was made known to us by others within those entities, particularly during the period when this report was being prepared. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were not effective as of December 31, 2013.

### Evaluation of Disclosure Controls and Procedures

Our management, under supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e). Based upon this evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of December 31, 2013, because of the material weakness in our internal control over financial reporting ("ICFR") described below, our disclosure controls and procedures were not effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that required information to be disclosed in our reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that required information to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Exchange Act Rules 13a-15(f) and 14d-14(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting reliability and financial statement preparation and presentation. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making the assessment, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its assessment, management concluded that, as of December 31, 2013, our internal control over financial reporting was not effective and that material weaknesses in ICFR existed as more fully described below.

As defined by Auditing Standard No. 5, “An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements” established by the Public Company Accounting Oversight Board (“PCAOB”), a material weakness is a deficiency or combination of deficiencies that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses as of December 31, 2013:



- 1) Lack of an audit committee. We do not have an audit committee. These factors may be counter to corporate governance practices as defined by the various stock exchanges and may lead to less supervision over management;

Inadequate staffing and supervision within our bookkeeping operations. We have

- 2) consultant relatively small number of people involved in bookkeeping functions and part of our work is provided by an outside booking firm who has only two staff members. The relatively small number of people who are responsible for bookkeeping functions prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews. This may result in a failure to detect errors in spreadsheets, calculations or assumptions used to compile the financial statements and related disclosures as filed with the SEC;
- 3) Outsourcing of the majority of our accounting operations. We have outsourced the majority of our accounting functions to an independent firm. The employees of this firm are managed by supervisors within the firm and are not answerable to the Company's management. This is a material weakness because it could result in a disjunction between the accounting policies adopted by our Board of Directors and the accounting practices applied by the independent firm;
- 4) Insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements;
- 5) Ineffective controls over period end financial disclosure and reporting processes.

#### Changes in Internal Control over Financial Reporting

During the period covered by this report, there were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings and is not aware of any pending legal proceedings as of the date of this Form 10-Q.

ITEM 1A. RISK FACTORS

The Company is a smaller reporting company and is not required to provide this information.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered securities to report which were sold or issued by the Company without the registration of these securities under the Securities Act of 1933 in reliance on exemptions from such registration requirements, within the period covered by this report, which have not been previously included in an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company does not have any senior securities as of the date of this Form 10-Q.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report:

| Number  | Description                                                                                                                                                                         |                                                                                                                      |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 3.1     | Articles of Incorporation                                                                                                                                                           | Incorporated by reference to the Exhibits filed with the Form S-1 filed with the SEC on September 18, 2008           |
| 3.2     | Bylaws                                                                                                                                                                              | Incorporated by reference to the Exhibits filed with the Form S-1 filed with the SEC on September 18, 2008           |
| 10.1    | 2013 Stock Option and Stock Award Plan                                                                                                                                              | Incorporated by reference to the Exhibits attached to the Company's Form 8K filed with the SEC on December 20, 2013. |
| 10.2    | Form of Stock Option Agreement                                                                                                                                                      | Incorporated by reference to the Exhibits attached to the Company's Form 8K filed with the SEC on December 20, 2013. |
| 31.1    | Section 302 Certification - Principal Executive Officer                                                                                                                             | Filed herewith                                                                                                       |
| 31.2    | Section 302 Certification - Principal Financial Officer                                                                                                                             | Filed herewith                                                                                                       |
| 32.1    | Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Principal Executive Officer and Principal Financial Officer | Filed herewith                                                                                                       |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase                                                                                                                                        | *                                                                                                                    |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase                                                                                                                                         | *                                                                                                                    |
| 101.INS | XBRL Instance Document                                                                                                                                                              | *                                                                                                                    |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase                                                                                                                                              | *                                                                                                                    |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase                                                                                                                                       | *                                                                                                                    |
| 101.SCH | XBRL Taxonomy Extension Schema                                                                                                                                                      | *                                                                                                                    |

\* To be filed by Amendment.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

OCTAGON 88 RESOURCES, INC.

Date: October 14, 2014

By: /s/ Guido Hilekes  
Guido Hilekes  
Chief Executive Officer (Principal  
Executive Officer), President and  
Director

Date: October 14, 2014

By: /s/ Richard Ebner  
Richard Ebner  
Chief Financial Officer (Principal  
Financial Officer) and Director

