Oil India (USA) Inc.

Financial Statements

March 31, 2016

Oil India (USA) Inc.

March 31, 2016

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Independent Auditors' Report

To the Board of Directors and Stockholder of
Oil India (USA) Inc.

We have audited the accompanying financial statements of Oil India (USA) Inc. (a Texas corporation), which comprise the balance sheets as of March 31, 2016 and 2015 (restated), and the related statements of operations, changes in stockholder's equity (deficit), and cash flows for the years ended March 31, 2016 and 2015 (restated), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Oil India (USA) Inc. as of March 31, 2016 and 2015 (restated), and the results of its operations and its cash flows for the years ended March 31, 2016 and 2015 (restated) in accordance with U.S generally accepted accounting principles.

Restatement

As discussed in Note 3 of the financial statements, during the year ended March 31, 2016, management discovered that certain unproved oil and natural gas leases had expired in prior reporting periods and had not been recorded as abandonment of expired leases in the correct reporting periods. Accordingly, previously reported amounts for abandonment of expired leases and related deferred tax benefit were restated to correct the error. Our opinion is not modified with respect to the matter.

Pannell Kerr Forster of Texas, P.C.

May 17, 2016

Oil India (USA) Inc.

Balance Sheets

	March 31, 2016	March 31, 2015 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 387,315	$ 754,462
Accounts receivable - oil and natural gas	397,162	908,769
Income tax receivable	16,030	16,030
Total current assets	800,507	1,679,261
Oil and natural gas properties, successful efforts method		
Proved property		
Leasehold costs	23,277,904	23,249,458
Drilling costs	36,343,003	31,779,240
Completion costs	53,961,662	50,747,743
Production equipment	11,310,407	10,486,356
Wells in progress	1,140,904	5,316,211
Unproved leasehold costs	7,266,246	5,370,258
	133,300,126	126,949,266
Accumulated depletion, depreciation and amortization	(57,404,533)	(37,995,948)
Oil and natural gas properties, net	75,895,593	88,953,318
Office furniture and equipment, net	23,626	24,145
Deferred tax asset	-	5,758,938
Total assets	$ 76,719,726	$ 96,415,662
Liabilities and Stockholder's Equity (Deficit)		
Current liabilities		
Accounts payable	$ 931,347	$ 9,244,587
Accrued liabilities	333,884	241,786
Line of credit	88,000,000	74,000,000
Payable to Parent	95,741	11,402,020
Total current liabilities	89,360,972	94,888,393
Asset retirement obligation	1,413,315	975,951
Total liabilities	90,774,287	95,864,344
Commitments and contingencies	-	-
Stockholder's equity (deficit)		
Common stock $0.01 par value; 3,500,000,000 and 1,000,000,000 shares authorized, 2,110,000,000 and 1,000,000,000 issued and outstanding as of March 31, 2016 and 2015, respectively	21,100,000	10,000,000
Retained deficit	(35,154,561)	(9,448,682)
Total stockholder's equity (deficit)	(14,054,561)	551,318
Total liabilities and stockholder's equity (deficit)	$ 76,719,726	$ 96,415,662

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Operations

	Year Ended March 31, 2016	Year Ended March 31, 2015 (Restated)
Oil and natural gas revenues	$ 8,522,099	$ 20,240,188
Operating expenses		
Lease operating	2,786,369	3,017,079
Production taxes	1,016,261	651,664
Marketing and distribution	746,731	341,303
Depletion, depreciation and amortization	19,413,227	18,777,014
Abandonment of expired leases	2,829,481	4,451,464
Accretion expense	69,067	24,795
General and administrative	935,248	674,594
Total operating expenses	27,796,384	27,937,913
Loss from operations	(19,274,285)	(7,697,725)
Other income (expense)		
Loss from disposal of assets	(13,333)	-
Interest expense	(737,004)	(674,312)
Interest expense capitalized	77,681	150,426
Total other expense	(672,656)	(523,886)
Loss before income tax benefit	(19,946,941)	(8,221,611)
Income tax benefit (expense)	(5,758,938)	3,098,286
Net loss	$ (25,705,879)	$ (5,123,325)

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Changes in Stockholder's Equity (Deficit)

For the Years Ended March 31, 2016 and 2015

	Common Stock				Total
	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Stockholder's Equity (Deficit)
Balance, March 31, 2014	3,000	$ 30	$ 9,999,970	$ (1,793,103)	$ 8,206,897
Prior period adjustment	-	-	-	(2,532,254)	(2,532,254)
Balance, March 31, 2014, (restated)	3,000	30	9,999,970	(4,325,357)	5,674,643
Conversion of prior contribution to common stock	999,997,000	9,999,970	(9,999,970)	-	-
Net loss, (restated)	-	-	-	(5,123,325)	(5,123,325)
Balance, March 31, 2015, (restated)	1,000,000,000	10,000,000	-	(9,448,682)	551,318
Issuance of common stock in exchange for payable to Parent	1,110,000,000	11,100,000	-	-	11,100,000
Net loss	-	-	-	(25,705,879)	(25,705,879)
Balance, March 31, 2016	2,110,000,000	$ 21,100,000	$ -	$ (35,154,561)	$ (14,054,561)

See accompanying notes to financial statements.

Oil India (USA) Inc.

Statements of Cash Flows

	Year Ended March 31, 2016	Year Ended March 31, 2015 (Restated)
Cash flows from operating activities:		
Net loss	$ (25,705,879)	$ (5,123,325)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	19,413,227	18,777,014
Abandonment of expired leases	2,829,481	4,451,464
Accretion expense	69,067	24,795
Deferred income tax benefit (expense)	5,758,938	(3,098,286)
Changes in operating assets and liabilities		
Accounts receivable - oil and natural gas	511,607	1,597,941
Accounts payable	(885,859)	472,928
Accrued liabilities	92,098	(411,537)
Net cash provided by operating activities	2,082,680	16,690,994
Cash flows from investing activities:		
Acquisition of oil and natural gas properties	(8,812,045)	(34,431,345)
Change in capital expenditure accrual	(7,427,381)	(403,804)
Acquisition of office furniture and equipment	(4,122)	(13,720)
Change in advances to operator	-	1,852,984
Net cash used in investing activities	(16,243,548)	(32,995,885)
Cash flows from financing activities:		
Borrowing from Parent	95,741	82,494
Repayment on borrowing from Parent	(302,020)	-
Proceeds from line of credit	14,000,000	88,000,000
Repayment of line of credit	-	(74,000,000)
Net cash provided by financing activities	13,793,721	14,082,494
Net decrease in cash and cash equivalents	(367,147)	(2,222,397)
Cash and cash equivalents - beginning of year	754,462	2,976,859
Cash and cash equivalents - end of year	$ 387,315	$ 754,462
Supplemental cash flow information		
Cash paid for interest, net of amount capitalized	$ 651,936	$ 523,132
Supplemental non-cash investing activities:		
ARO liabilities incurred and revisions to estimates	$ 368,297	$ 480,862
Issuance of common stock in exchange for payable to Parent	$ 11,100,000	$ -

See accompanying notes to financial statements.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2016

Note 1 - Nature of Operations

Background

Oil India (USA) Inc. (the "Company") was formed on September 26, 2012 as a Texas Corporation. The Company is a wholly-owned subsidiary of Oil India Limited (the "Parent"). The Company is a petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On October 4, 2012, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and one of its affiliates (collectively, "Carrizo") to acquire a 20% working interest in oil and natural gas properties located in the Niobrara Formation area in Weld, Morgan, and Adams counties of the State of Colorado.

Note 2 - Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.

Oil and natural gas properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, costs to drill and equip exploratory wells that find proved reserves, costs to drill and equip development wells, and related asset retirement costs are capitalized. With respect to amounts paid by the Company for its carry obligation, they are recorded to oil and natural gas properties in cost categories incurred as tangible and intangible drilling costs, completion costs and production equipment. Additionally, interest costs, if appropriate, are capitalized to oil and natural gas properties during the period that unevaluated leasehold costs and costs of wells in progress are undergoing development and preparation for their intended use until reserves have been identified. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted on a field level (common reservoir) using the unit-of-production method using proved producing oil and natural gas reserves. Unproved property costs, costs of wells in progress and related capitalized interest costs, if any, are excluded from the depletable base until the related costs are considered developed or until proved reserves are found. Oil and natural gas leasehold costs are depleted using the unit-of-production method based on total proved oil and natural gas reserves.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depletion, depreciation and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depletion, depreciation and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Note 2 - Summary of Significant Accounting Policies (Continued)

Oil and natural gas properties (continued)

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, which is generally performed at the field level. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. Estimates of future undiscounted net cash flows are determined by a third party petroleum engineering firm of the proved oil and natural gas properties to determine the recoverability of carrying amounts. If the net cost exceeds the undiscounted future net cash flows derived from risk adjusted total proved, probable, and possible reserves, then the fair value is determined using the discounted future net cash flows as the new carrying value with any excess net cost recorded as impairment with a corresponding amount recorded to accumulated depletion, depreciation and amortization. As of March 31, 2016 and 2015, no impairment of proved oil and natural gas properties is required.

Unproved oil and natural gas properties are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. No impairment was required as of March 31, 2016 and 2015.

Asset retirement obligations

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows which considers an estimate of the cost to plug and abandon wells (excluding salvage value), future inflation rates and is discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas property and depleted with the corresponding proved oil and natural gas property using the unit-of-production method. Periodically the asset retirement obligation is remeasured to determine if a revision to the estimate is necessary with any revisions being recorded as an adjustment to oil and natural gas property.

Concentrations of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable – oil and natural gas and debt. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally-insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's accounts receivable are from its operators of the Company's oil and natural gas properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of its operators.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue recognition and natural gas imbalances

Revenues from the sale of crude oil and natural gas production are recognized when oil and natural gas is sold at a fixed and determinable price, delivery has occurred, title has transferred and collectability is reasonably assured, net of royalties. An accrual is recorded at each reporting period by estimating the oil and natural gas volumes produced and delivered, net of royalties, and the corresponding oil and natural gas prices for periods when actual production information is not available. Crude oil that remains within the field tanks that is not sold at each reporting period is considered not produced. The Company follows the sales method of accounting for oil and natural gas revenues whereby revenue is recognized for all oil and natural gas sold to purchasers, regardless of whether the sales are proportionate to the Company's ownership interest in the property. Production imbalances are recognized as an asset or liability to the extent that the Company has an imbalance on a specific property that is in excess of its remaining proved oil and natural gas reserves. Oil and natural gas sales volumes are not significantly different from the Company's share of production and as of March 31, 2016 and 2015, the Company did not have any production imbalances.

Fair value of financial instruments

The Company measures fair value in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC"), Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

A three-level valuation hierarchy for disclosure of fair value measurements categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs include observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities. Level 2 inputs include inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. Level 3 inputs include unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable. The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The carrying value of the debt approximates fair value because the interest rate is based on current market rates commensurate with debt instruments that carry similar credit risk.

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of estimates (continued)

The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depletion, depreciation and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of developed and undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of any current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depletion and depreciation, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The Company's significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the operators. Future changes in these assumptions may affect these estimates materially in the near term.

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The impact of an uncertain tax position is recognized only if it is more likely than not of being sustained upon examination of the relevant taxing authority.

The state of Texas has a gross margin tax that applies to the Company. Taxable margin is defined as total revenue less deduction for costs of goods sold or compensation and benefits in which total calculated taxable margin cannot exceed 70% of total revenue.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements. The Company will account for interest and penalties assessed as a result of an examination in income tax expense. The Company had no tax-related interest or penalties for the years ended March 31, 2016 and 2015.

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

The Company assesses its deferred tax assets on an annual basis and if necessary provides a valuation allowance for deferred tax assets that it believes are not realizable in the future. A valuation allowance of $13,337,644 and $0 is recorded as of March 31, 2016 and 2015, respectively.

Note 3 - Restatement

During the year ended March 31, 2016, management discovered that certain unproved oil and natural gas leases had expired in prior reporting periods and had not been recorded as abandonment of expired leases in the correct reporting periods. The following items in the previously reported financial statements are restated for the year ended March 31, 2015 to correct the error:

	Originally Reported	Change	As Restated
Balance sheet			
Oil and natural gas properties, successful efforts method			
Unproved leasehold costs	$ 8,474,207	$ (3,103,949)	$ 5,370,258
Oil and natural gas properties, net	92,057,267	(3,103,949)	88,953,318
Deferred tax asset	4,579,143	1,179,795	5,758,938
Total assets	$ 98,339,816	$ (1,924,154)	$ 96,415,662
Retained deficit	$ (7,524,528)	$ (1,924,154)	$ (9,448,682)
Total stockholder's equity	2,475,472	(1,924,154)	551,318
Total liabilities and stockholder's equity	$ 98,339,816	$ (1,924,154)	$ 96,415,662
Statement of operations			
Operating expenses			
Abandonment of expired leases	$ 5,432,421	$ (980,957)	$ 4,451,464
Total operating expenses	28,918,870	(980,957)	27,937,913
Loss before income tax benefit (expense)	(9,202,568)	980,957	(8,221,611)
Income tax benefit (expense)	3,471,143	(372,857)	3,098,286
Net loss	$ (5,731,425)	$ 608,100	$ (5,123,325)

Note 4 - Line of Credit

On March 14, 2014, the Company entered into a credit agreement with a bank for an aggregate amount not to exceed $80,000,000 (the “First Former Line of Credit”) of which $60,000,000 was made available during the 30 days following the effective date of the Credit Agreement and $20,000,000 being available for one year following the effective date. The First Former Line of Credit, which was guaranteed by the Parent, provided for a minimum draw of $1,000,000 and bore interest at an annual rate of LIBOR plus an applicable margin equivalent to 85 basis points above LIBOR due and payable monthly until its maturity on March 20, 2015 when any unpaid interest and principal was due. The outstanding principal of $74,000,000 was paid in full on March 20, 2015 using proceeds from the below Line of Credit.

On March 12, 2015, the Company entered into a credit agreement with a bank for an aggregate amount not to exceed $90,000,000 (the “Line of Credit”). On March 11, 2016 the Company renewed the Line of Credit. The outstanding balance on the credit facility at March 31, 2016 and 2015, was $88,000,000 and $74,000,000, respectively. Principal is due at maturity on March 11, 2017. Borrowings under the Line of Credit accrue interest at the one-month LIBOR plus margin (0.75% and 0.60% at March 31, 2016 and 2015, respectively) and is payable monthly. The Line of Credit is guaranteed by the Parent.

Note 5 - Asset Retirement Obligations

A summary of the changes in the asset retirement obligation for the years ending March 31 are as follows:

	2016	2015
Asset retirement obligation, beginning of year	$ 975,951	$ 470,294
Liabilities incurred	133,810	480,862
Revisions of estimate	234,487	-
Accretion expense	69,067	24,795
Asset retirement obligation, end of year	$ 1,413,315	$ 975,951

Note 6 - Fair Value Measurements

The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with property, plant and equipment. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs and reserve lives. A reconciliation of the Company's asset retirement obligations is presented in Note 5 - Asset Retirement Obligations.

Significant Level 3 inputs associated with the calculation of discounted cash flows used in the impairment analysis include the Company’s estimate of future crude oil, natural gas, and natural gas liquids prices, production costs, development expenditures, anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data (see Note 2 - Summary of Significant Accounting Policies under the caption “Oil and natural gas properties”).

Oil India (USA) Inc.

Notes to Financial Statements

March 31, 2016

Note 7 - Related Party Transactions

The Parent from time to time makes advances to the Company for both capital expenditure and working capital needs. The total amount of outstanding advances from the Parent and interest payable on the Parent's loan was $95,741 and $11,402,020 at March 31, 2016 and 2015, respectively, and is recorded as payable to Parent on the balance sheets.

The company converted an advance to its Parent of $11,100,000 to equity in exchange for 1,110,000,000 shares of common stocks during the year ended March 31, 2016.

Note 8 - Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using a U.S. Federal statutory corporate rate of 35%. The significant components of the deferred tax asset (liability) as of March 31 are as follows:

	2016	2015
Differences in depletion, depreciation, and amortization of property for tax purposes	$ 2,640,786	$ 447,252
Federal net operating loss carryforward	9,849,907	4,984,533
State net operating loss carryforward	846,951	327,153
Valuation allowance	(13,337,644)	-
Deferred tax asset	$ -	$ 5,758,938

The Company had a federal operating loss carryforward available at March 31, 2016 amounting to approximately $28,142,591 which begins to expire in 2033.

Income tax expense differed from the amount computed by applying the U.S. federal income tax rate of 35% to pretax income, as a result of the following:

	Year Ended March 31,	
	2016	2015
Income tax benefit at statutory rate	$ 6,981,429	$ 2,877,564
State tax benefit	600,063	248,095
Prior year true-ups	(3,019)	(29,726)
Other	233	2,353
Valuation allowance	(13,337,644)	-
Total tax benefit (expense)	$ (5,758,938)	$ 3,098,286

Note 9 - Equity Transactions

On March 13, 2015, the Company increased the number of authorized par value $0.01 common shares from 3,000 shares to 1,000,000,000 shares. Simultaneously, for no additional consideration, the Company issued to its Parent in the aggregate 999,997,000 additional common shares.

In accordance with ASC Topic 505-20 Stock Dividends and Stock Splits, the number of additional shares issued without additional consideration can be so great it has, or may reasonably be expected to have, the effect of materially reducing the share market price. In such a situation, the substance of the transaction is that of a stock split and in accordance with ASC 505, this transaction has been accounted accordingly and all historical share amounts in this report have been adjusted to reflect the impact of this transaction.

On February 12, 2016 the Company increased the number of authorized par value $0.01 common shares from 1,000,000,000 shares to 3,500,000,000 shares, and converted advances from its Parent totaling $11,100,000 to equity in exchange for 1,110,000,000 shares of common stocks.

Note 10 - Commitments and Contingencies

In the normal course of business, the Company is subjected to claims, legal actions, contract negotiations, and disputes. The Company provides for losses, if any, in the year in which they can be reasonably estimated. In management's opinion, there are currently no such matters outstanding that would have a material effect on the accompanying financial statements.

Note 11 - Subsequent Events

Management has evaluated subsequent events through May 17 2016, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to be reported.