Zero Gravity Solutions, Inc.

Financial Statements

December 31, 2014 and 2013

ZERO GRAVITY SOLUTIONS, INC. AND SUBSIDIARIES

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SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Zero Gravity Solutions, Inc.

We have audited the accompanying consolidated balance sheets of Zero Gravity Solutions, Inc. (the Company) as of December 31, 2014 and 2013 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Zero Gravity Solutions, Inc. as of December 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has an accumulated deficit of $4,485,661 cash used in operations of $2,153,272 as of and for the year ended December 31, 2014 which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT
March 31, 2015

office 801.783.2950
fax 801.783.2960

www.sadlergibb.com | 2455 East Parleys Way Suite 320, Salt Lake City, UT 84109

ZERO GRAVITY SOLUTIONS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

ASSETS

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash	$ 253,677	$ 292,935
Prepaid Expenses	213,781	-
Accounts Receivable	1,325	-
Inventory	18,592	-
Total Current Assets	487,375	292,935
Property and Equipment - net	44,142	-
OTHER ASSETS		
Deposit	6,356	-
Advance on Future Royalties - Related Parties	50,356	2,500
TOTAL ASSETS	$ 588,229	$ 295,435

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 155,960	$ 144,393
Notes Payable Related Party	11,000	41,000
Notes Payable	104,647	-
Total Current Liabilities	271,607	185,393
STOCKHOLDERS' EQUITY		
Common stock; 100,000,000 shares authorized, at $0.001 par value, 30,844,597 and 25,674,000 shares issued and outstanding, respectively	30,845	25,674
Common stock to be issued	25,000	-
Additional paid-in capital	4,748,285	1,705,702
Accumulated other comprehensive loss	(1,847)	-
Accumulated deficit	(4,485,661)	(1,621,334)
Total Stockholders' Equity	316,622	110,042
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 588,229	$ 295,435

See accompanying notes to consolidated financial statements

ZERO GRAVITY SOLUTIONS, INC. AND SUBSIDIARY

Consolidated Statements of Operations and Other Comprehensive Loss

	Year Ended December 31, 2014	2013
REVENUES		
Sales	$ 11,218	$ -
Total Revenue	$ 11,218	$ -
COST OF SALES		
Cost of Materials	(2,609)	-
Total Cost of Sales	(2,609)	-
GROSS PROFIT	8,609	-
OPERATING EXPENSES		
General and Administrative	$ 2,741,172	$ 1,144,169
Research and Development	128,194	16,115
Total Operating Expenses	2,869,366	1,160,284
LOSS FROM OPERATIONS	(2,860,757)	(1,160,284)
OTHER EXPENSES		
Other Income	381	-
Other Income - Related Party	-	3,015
Interest Expense	(3,951)	(1,700)
Total Other Income (Expenses)	(3,570)	1,315
NET LOSS	$ (2,864,327)	$ (1,158,969)
NET LOSS PER SHARE - BASIC AND DILUTED	$ (0.10)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	27,620,651	24,205,777
OTHER COMPREHENSIVE LOSS		
Net Loss	(2,864,327)	(1,158,969)
Foreign currency translation loss	(1,847)	-
COMPREHENSIVE LOSS	$ (2,866,174)	$ (1,158,969)

See accompanying notes to consolidated financial statements

ZERO GRAVITY SOLUTIONS, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Accumulated Other Comprehensive Loss	Total Stockholders' Equity/(Deficit)
	Shares	Amount	Shares	Amount				
Balance, December 31, 2012	23,000,000	$ 23,000	-	-	430,011	$ (462,365)	-	$ (9,354)
Common stock issued for cash at $0.001 per share	600,000	600			-	-	-	600
Common stock issued for cash at $0.50 per share	2,024,000	2,024			1,009,976	-	-	1,012,000
Direct offering costs	-	-			(58,700)	-	-	(58,700)
Common stock issued for services	50,000	50			24,950	-	-	25,000
Warrants issued for services	-	-			288,940	-	-	288,940
Capital contribution of services - related party	-	-			10,000	-	-	10,000
Imputed interest - related party	-	-			525	-	-	525
Net loss for the year ended December 31, 2013	-	-			-	- (1,158,969)	-	- (1,158,969)
Balance, December 31, 2013	25,674,000	25,674	-	-	1,705,702	(1,621,334)	-	110,042
Common stock issued for cash at $0.50 per share	4,365,597	4,366			2,178,433		-	2,182,799
Direct offering costs	-	-			(95,750)	-	-	(95,750)
Common stock issued for services	805,000	805			401,695	-	-	402,500
Warrants issued for services	-	-			558,205	-	-	558,205
Common stock to be issued for services			50,000	25,000		-	-	25,000
Foreign currency translation adjustment	-	-			-	-	(1,847)	(1,847)
Net loss for the period ended December 31, 2014	-	-	-	-	-	(2,864,327)	-	(2,864,327)
Balance, December 31, 2014	30,844,597	$ 30,845	50,000	25,000	$ 4,748,285	$ (4,485,661) -	$ (1,847) -	$ 316,622

See accompanying notes to consolidated financial statements

ZERO GRAVITY SOLUTIONS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (2,864,327)	$ (1,158,969)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	1,693	-
Contributed services by officers, directors, and shareholders	-	10,000
Common stock issued for services	427,500	25,000
Warrants issued for services	558,205	288,940
In Kind Contribution of Interest		525
Changes in operating assets and liabilities:		
Receivables	(1,326)	
Prepaids	(213,781)	-
Advance on future royalties - related parties	(47,856)	(2,500)
Inventory	(18,592)	-
Deposit	(6,353)	-
Due from related party	-	-
Accounts payable and accrued liabilities	11,046	141,039
Accrued interest	519	-
Net Cash Used in Operating Activities	(2,153,272)	(695,965)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
Cash paid to purchase equipment	(45,835)	-
Net Cash Used in Investing Activities	(45,835)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	109,137	-
Payments of notes payable	(4,490)	-
(Repayment of) proceeds from notes payable - related party	(30,000)	35,000
Proceeds from sale of common stock	2,182,799	1,012,600
Payment of offering costs	(95,750)	(58,700)
Net Cash Provided by Financing Activities	2,161,696	988,900
EFFECT OF EXCHANGE RATES ON CASH	(1,847)	-
NET (DECREASE) INCREASE IN CASH	(39,258)	292,935
CASH AT BEGINNING OF PERIOD	292,935	-
CASH AT END OF PERIOD	$ 253,677	$ 292,935
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 3,051	$ -
Income Taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ANDD FINANCING ACTIVITIES:		
Warrants issued as direct offering costs	$ 121,744	$ 51,036
Forgiveness of debt and accrued interest by a related party	$ -	$ -
Subscription receivable	$ -	$ -

See accompanying notes to consolidated financial statements

NOTE 1 – ORGANIZATION, HISTORY AND NATURE OF OPERATIONS

The Company was organized on August 19, 1983 in the State of Delaware, under the name Monolith Ventures, Inc. to acquire and develop mineral properties.

On January 12, 2012, the Company amended its Articles of Incorporation to change its name to ElectroHealing Technologies, Inc. under the laws of the State of Nevada, in anticipation of a merger which did not occur.

On January 11, 2013, the Company amended its Articles of Incorporation to change its name to Zero Gravity Solutions, Inc. ("the Company") ("ZGSI"), pursuant to the acquisition of intellectual property on December 3, 2012.

On October 29, 2013, the Company formed its wholly-owned subsidiary in the State of Delaware, Zero Gravity Solutions, Inc., which had no operations through December 31, 2013.

On December 16, 2013, the Company acquired 100% of Zero Gravity Solutions, Ltd. ("ZGSL"). This was a dormant U.K. company, which had no operations prior to acquisition and through December 31, 2013.

On June 13, 2014, the Company formed its wholly-owned subsidiary in the State of Florida, Bam Agricultural Solutions, Inc.

On August 19, 2014, the Company formed its wholly-owned subsidiary in the U.K., Bam Agricultural Solutions, Ltd.

On December 17, 2014, the Company formed its wholly-owned subsidiary in the State of Florida, Zero Gravity Life Sciences, Inc.

The Company owns proprietary technology for its first commercial product, BAM-FX^{TM} that can boost the nutritional value and enhance the immune system of food crops without the use of Genetic Modification.

The Company's mission is to improve life on earth by applying intellectual property and technology designed for and derived from six NASA enabled flights over the last five years through utilization of the unique long-term microgravity environment platform of the International Space Station (ISS). The Company's initial projects will be directed to providing solutions to critical world food crop challenges.

Further, the Company is focused on industrializing and commercializing scientific breakthroughs in the area of patentable stem cell technologies through developing advances in plant, animal and human biology based on intellectual property designed for and derived from multiple experiments on the ISS.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts

reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents . The Company had no cash equivalents at December 31, 2014 and December 31, 2013.

Use of Estimates

In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenues and expenses in the statement of operations. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Zero Gravity Solutions, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounts Receivable

Trade receivables are recorded at net realizable value, which includes allowances for doubtful accounts. The Company periodically reviews accounts receivable balances and provides an allowance for doubtful accounts to the extent deemed uncollectible.

Inventory

Inventory is valued on a lower of first-in, first out (FIFO) cost or market basis. At December 31, 2014 Raw materials on hand was $13,173 and finished product inventory was valued at $5,419.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed on a straight-line basis over estimated useful lives of between three and ten years. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges taken in the years ended December 31, 2014 and 2013.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

Revenue from sale of goods is recognized when the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- costs incurred or to be incurred in respect of the transaction can be measured reliably.

Concentration of Credit Risk

The Company currently maintains its cash equivalent balance with one major national financial institution. Our bank balance at year end exceeded the FDIC limits by $3,677, as a result, the Company believes that its credit risk exposure is limited.

Fair Value of Financial Instruments and Derivative Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board ("FASB") ASC 820-10, *"Fair Value Measurements"*, as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 – quoted market prices in active markets for identical assets or liabilities.

- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company's short-term financial instruments, accounts payable and accrued liabilities and related party-notes payable, approximate fair value due to the relatively short period to maturity for these instruments.

Stock based compensation

We account for stock options in accordance with Accounting Standards Codification ("ASC") 718: Compensation - Stock Compensation ("ASC 718"). ASC 718 requires generally that all equity awards be accounted for at their "fair value." This fair value is measured on the grant date for stock-settled awards, and at subsequent exercise or settlement for cash-settled awards. Fair value is equal to the underlying value of the stock for "full-value" awards such as restricted stock and performance shares, and estimated using an option-pricing model with traditional inputs for "appreciation" awards such as stock options and stock appreciation rights.

Costs equal to these fair values are recognized ratably over the requisite service period based on the number of awards that are expected to vest, or in the period of grant for awards that vest immediately and have no future service condition. For awards that vest over time, cumulative adjustments in later periods are recorded to the extent actual forfeitures differ from our initial estimates: previously recognized compensation cost is reversed if the service or performance conditions are not satisfied and the award is forfeited. The expense resulting from share-based payments is recorded in general and administrative expense for the years ended December 31, 2014 and 2013.

Basic (Loss) per Common Share

Basic (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

The Company had the following potential common stock equivalents at December 31, 2014 and December 31, 2013:

	December 30. 2014	December 31. 2013
Stock Warrants (Exercise price - $.50/share) (see Note 5)	1,926,900	735,400
Total common stock equivalents	1,926,900	735,400

Advertising and Promotions

Expenditures for advertising and promotions are charged to expense as incurred. Advertising and promotion expenses consists primarily of sales collateral material and product samples. For the years ended December 31, 2014 and 2013, advertising expenses were $21,585 and $7,215, respectively.

Research and Development

The Company expenses all research and development costs as incurred for which there is no alternative future use.

Foreign Currency Transactions

The consolidated financial statements are presented in United States Dollars. The Company has a bank account in foreign currency. The balance of this bank account was translated from its local currency (British Pounds) into the reporting currency, U.S. dollars, using period end exchange rates. The resulting translation adjustments were recorded as a separate component of accumulated other comprehensive loss. Revenues and expenses were translated using weighted average exchange rate for the period.

Transaction gains and losses resulting from foreign currency transactions were recorded as foreign exchange gains or losses in the consolidated statement of operations. The Company did not enter into any financial instruments to offset the impact of foreign currency fluctuations.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC Topic 740, "*Income Taxes*," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

Accounting guidance now codified as FASB ASC Topic 740-20, *"Income Taxes – Intraperiod Tax Allocation,"* clarifies the accounting for uncertainties in income taxes recognized in accordance with FASB ASC Topic 740-20 by prescribing guidance for the recognition, de-recognition and measurement in financial statements of income tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns, including a decision whether to file or not to file in a particular jurisdiction. FASB ASC Topic 740-20 requires that any liability created for unrecognized tax benefits is disclosed. The application of FASB ASC Topic 740-20 may also affect the tax bases of assets and liabilities and therefore may change or create deferred tax liabilities or assets. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

At December 31, 2014 and December 31, 2013, the Company did not record any liabilities for uncertain tax positions.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-10, which eliminated certain financial reporting requirements of companies previously identified as "Development Stage Entities" (Topic 915). The amendments in this ASU simplify accounting guidance by removing all incremental financial reporting requirements for development stage entities. The amendments also reduce data maintenance and, for those entities subject to audit, audit costs by eliminating the requirement for development stage entities to present inception-to-date information in the statements of income, cash flows, and shareholder equity. Early application of each of the amendments is permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued (public business entities) or made available for issuance (other entities). Upon adoption, entities will no longer present or disclose any information required by Topic 915. The Company has adopted this standard and will not report inception to date financial information.

NOTE 3 – GOING CONCERN

As reflected in the accompanying financial statements, the Company has an accumulated deficit of $4,485,661 and net cash used in operations of $2,153,272 for the year ended December 31, 2014.

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established any source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include obtaining capital from certain related parties, management and significant shareholders sufficient to meet its minimal operating expenses. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 PROPERTY AND EQUIPMENT

	December 31, 2014	December 31, 2013
Computer Equipment	4,937	-
Equipment	40,895	-
Accumulated Depreciation	(1,690)	-
Property and Equipment - Net	$ 44,142	-

NOTE 5 – RELATED PARTY TRANSACTIONS AND COMMITMENTS

(A) ***Notes Payable***

		Interest Rate	Maturity Date	December 31, 2014	December 31, 2013
(1)	Note Payable - related party	10%	Due on Demand	-	6,000
(2)	Note Payable - related party	0%	Due on Demand	-	20,000
(3)	Note Payable - related party	10%	Due on Demand	11,000	15,000
	Total			$ 11,000	$ 41,000

(1) During the year ended December 31, 2012, a board of director advanced $6,000 to the Company. The advance bears interest at 10%, was unsecured and due on demand. The outstanding balance was repaid during January 2014.

(2) During the year ended December 31, 2013, a board of director advanced $20,000 to the Company. The advance was non-interest bearing, unsecured and due on demand. Year ended December 31, 2014, the Company recorded $33 as imputed interest (see Note 6(d)). The note was repaid during January 2014.

(3) During the year ended December 31, 2013, a board of director advanced $15,000 to the Company. The advance bears interest at 10%, was unsecured and due on demand. The outstanding note balance at December 31, 2014 was $14,000.

During the year ended December 31, 2013, the Company was reimbursed $3,015 for temporary personnel services provided to a related party.

(B) Commitments

During the year ended December 31, 2013, the Company entered into a royalty agreement having a term of 75 years, with a principal stockholder and a relative of the principal stockholder, whereas the Company is required to pay royalty fees based on a percentage of gross sales. As of December 31, 2014, the Company advanced a total of $48,357 to offset future royalties to be earned. Sales requiring royalties of $467 have occurred as of December 31, 2014.

NOTE 6 COMMITMENTS

Lease Commitments

We lease some of our offices and buildings under short term leases. These leases have various terms and renewal options, generally renewable year to year, with the exception of one lease with an eighteen-month term. Lease expense was $76,714 and $42,239 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments required under operating leases with initial terms in excess of one year were $8,800 for fiscal year 2015.

NOTE 7 NOTES PAYABLE

The Company has two outstanding notes payable for financing its insurance premiums. Both notes carry a rate of interest of 7.5%. One note has a term of nine months and the other eleven months. Both due before the end of fiscal year 2015.

NOTE 8 – EQUITY

The Company has one class of common stock at $.001 par value per common share of which 30,844,597 shares were issued and outstanding at December 31, 2014.

(A) Common Stock Issued for Cash

Year Ended December 31, 2014

The Company issued 4,365,597 shares of common stock for $2,182,799 ($0.50/share).

Year ended December 31, 2013

The Company issued 600,000 shares of common stock for $600 ($0.001/share).

The Company issued 2,024,000 shares of common stock for $1,012,000 ($0.50/share).

(B) Imputed Interest – Related Party

Year Ended December 31, 2014

The Company recorded $33 as imputed interest (See Note 5).

Year Ended December 31, 2013

The Company recorded $525 as imputed interest.

(C) Direct Offering Costs

Year Ended December 31, 2014

During the year ended December 31, 2014, the Company issued 4,365,597 shares of common stock for $2,182,799 ($0.50/share) and paid direct offering costs of $95,750 (5% or 10% of gross proceeds). As a result of the offering, the Company also issued 263,230 fully vested, non-forfeitable warrants as a direct offering cost, which had no effect on the statement of stockholders' equity and had a fair value of $121,744 (see Note 5(G) for additional details) based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.46% - 1.82%
Expected life of warrants	5 years

Year Ended December 31, 2013

During the year ended December 31, 2013, the Company issued 1,174,000 shares of common stock for $587,000 ($0.50/share), which is included in the 2,024,000 shares of common stock issued as noted in Note 6(A) above, and paid direct offering costs of $58,700 (5% or 10% of gross proceeds). As a result of the offering, the Company also issued 110,400 fully vested, non-forfeitable warrants as a direct offering cost, which had no effect on the statement of stockholders' equity and had a fair value of $51,036 (see Note 6(G) for additional details) based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.01% - 1.63%
Expected life of warrants	5 years

(D) Warrants issued for Services

Year Ended December 31, 2014

During the year ended December 31, 2014, the Company issued 1,208,000 fully vested, non-forfeitable warrants to employees and consultants for services having a fair value of $558,669 based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.49% - 1.82%
Expected life of warrants	5 years

Year Ended December 31, 2013

During the year ended December 31, 2013, the Company issued 625,000 fully vested, non-forfeitable warrants to employees and consultants for services having a fair value of $288,940 based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.37% - 1.65%
Expected life of warrants	5 years

(E) Warrants

The following is a summary of the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
Outstanding – December 31, 2012	-	-	-
Granted	$ 735,400	0.50	5.0
Exercised	-	-	-
Cancelled/Forfeited	-	-	-
Outstanding – December 31, 2013	735,400	0.50	4.8
Granted	1,471,230	0.50	5.0
Exercised	-	-	-
Cancelled/Forfeited	279,730	-	-
Outstanding – December 31, 2014	$ 1,926,900	0.50	4.6
Exercisable – December 31, 2014	$ 1,926,900	$ 0.50	4.6

As of December 31, 2014:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$0.50	1,926,900	1,926,900	4.6 years	$-
	1,926,900	1,926,900	4.6 years	$-

(F) Common Stock Issued for Services

Year ended December 31, 2014, the Company issued 555,000 shares of common stock to employees for services having a fair value of $277,500 ($0.50/share) based on the most recent cash offering price. The Company also issued 250,000 shares of common stock to a third party for services having a fair value of $125,000 ($0.50/share) based on the most recent cash offering price.

During the year ended December 31, 2013, the Company issued 50,000 shares of common stock to a third party for services having a fair value of $25,000 ($0.50/share) based on the most recent cash offering price.

NOTE 9 – INCOME TAXES

ASC 740 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes differs from the amounts which would be provided by applying the statutory federal income tax rate of 39% to the net loss before provision for income taxes for the following reasons:

	12/31/2014	12/31/2013
Taxes on loss at US Federal Statutory Rate	(1,117,088)	(451,998)
Meals and entertainment	4,222	3,255
Stock/options issued for compensation	384,425	122,437
Unpaid payroll	6,822	-
Contributed services		4,105
Charitable contributions	-	1,950
Valuation allowance	721,619	320,252
Income tax expense per books	-	-

Net deferred tax assets consist of the following components as of December 31, 2013 and December 31, 2014:

Deferred Tax assets:

Net operating loss carry forwards	(1,569,085)	(451,998)
Meals and entertainment	7,477	3,255
Stock/options issued for acquisitions	506,862	122,437
Contributed services	4,105	4,105
Charitable contributions	1,950	1,950
Unpaid payroll	6,822	-
Valuation allowance	1,041,870	320,252
Net deferred tax asset	-	-

At December 31, 2014, the Company had net operating loss carry forwards of approximately $1,569,085 that may be offset against future taxable income through 2034. No tax benefit has been reported in the December 31, 2014 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated for subsequent events between the balance sheet date of December 31, 2014 and March 31, 2015, the date the financial statements were available to be issued, and concluded that events or transactions occurring during that period requiring recognition or disclosure have been made.

Common Stock Issued for Cash

Subsequent to December 31, 2014, the Company issued 2,557,000 shares of common stock for $1,278,500 ($0.50/share).

Of the 2,557,000 shares of common stock sold for cash, the Company paid direct offering costs of $95,000 (5% or 10% of gross proceeds). As a result of the offering, the Company also issued 198,000 fully vested non-forfeitable warrants as direct offering costs, which had no net effect on the statement of stockholders' equity and had a fair value of $88,338 based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.51%
Expected life of warrants	5 years

Warrants issued for Services

Subsequent to December 2014, the Company issued 425,000 fully vested, non-forfeitable warrants to a Director for services having a fair value of $196,563 based upon the following management assumptions:

Exercise price	$ 0.50
Expected dividends	0%
Expected volatility	157.54%
Risk free interest rate	1.51-1.67%
Expected life of warrants	5 years

On February 20, 2015, the Company appointed Timothy A. Peach as its Chief Financial Officer.