VYDROTECH, INC

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. ORGANIZATION

VydroTech is a publicly traded Delaware corporation: (VYDR). VydroTech is a designer, developer and manufacturer of “Green” eco-friendly alternative energy/power products and systems that deliver enhanced performance, improved fuel economy and significantly reduced emissions. Among VydroTech’s products is its proprietary Hydrogen Fuel Enhancement System (“H2GO™”) unit, a real-time fuel enhancement system for diesel and marine applications that provides economical aftermarket solutions for significantly improving diesel fuel economy and reducing noxious hydrocarbon emissions. With this and other products VydroTech’s objective is to play a leadership role in Green eco-friendly alternative energy/power industry improving fuel efficiency, environmental consciousness and product sustainability.

The exact name of the issuer is VydroTech, Inc. (formerly Ronn Motor Company), a Delaware corporation (referred to herein as "VT," “RMC”, the “Company"). The term “RMC” will be used up to May 2, 2012, the date of the Company’s name change; after that date to the present, the term VT will be used.

RMC was born in the merger of Ronn Performance Engineering, LLC ("RPE") and Millennium Group Holdings, Inc. ("Millennium"). Millennium originally started out as Concord Financial Corporation, a corporation originally organized under the laws of the State of Nevada, which was later organized and domiciled in Delaware by filing a Certificate of Incorporation with the Secretary of State of Delaware on May 12, 1998 ("Concord"). Millennium was merged into Concord pursuant to the Certificate of Ownership Merging Millennium Group Holdings, Inc., filed with the Secretary of State of Delaware on May 12, 1998. The name of the surviving entity was changed to “Millennium Group Holdings, Inc.", through the filing of the Certificate of Amendment of Certificate of Incorporation with the Secretary of State of Delaware on July 22, 1999.

RPE was organized by filing its Certificate of Incorporation with the Secretary of State of Delaware on December 31, 2007. Millennium entered into an Acquisition and Share Exchange Agreement with RPE (inadvertently misidentified in the Acquisition and Share Exchange Agreement as Ronn Motor Company, Inc.) effective January 25, 2008, by which the parties agreed, among other things, to the following: (i) Millennium would effect a 900:1 reverse split of its common stock, amend its articles of incorporation to increase the authorized share capital of the corporation, and effect a name change to "Ronn Motor Company"; (ii) the shareholders of RPE would exchange one (1) share of common stock of RPE for one (1) share of common stock of Millennium; and (iii) Millennium would assume all debts and obligations of RPE, as of the closing of the Acquisition and Share Exchange Agreement.

Millennium subsequently revived its corporate charter by filing a Certificate for Renewal and Revival of Charter with the Secretary of State of Delaware on February 26, 2008. Millennium affected a 900:1 reverse split with all fractional shares rounded up, and authorized 700,000,000 shares consisting of 699,999,999 shares of common stock with a par value of $0.001, and 1 preferred share with a par value of $0.001, by filing a Certificate of Amendment of Certificate of Incorporation with the Secretary of State of Delaware on February 26, 2008. Millennium changed its name to "Ronn Motor Company" by filing a Certificate of Amendment of Certificate of Incorporation with the Secretary of State of Delaware on February 25, 2008. The one preferred share was issued and outstanding and held by Ronn Maxwell (“Maxwell”), Founder and Chairman of the Board of the Company.

In February 2009, RMC entered into a Parts Supply & Distribution Agreement with Frigette AC Parts, LLC/Frigette Energy Systems, LLC (collectively “Frigette”) that the Company believed would be a transforming event. RMC based its strategic growth, product manufacturing and delivery through Frigette's global distribution channels. Frigette and RMC worked closely developing product roll-out strategies which included detailed delivery schedules and supporting pro forma financial projections. Frigette also worked closely with RMC in the preparation and dissemination of public press releases. On or about January, 2010 Frigette notified RMC that it was terminating the arrangement with the Company without fully and accurately informing the Company that the completed transaction at its parent company level no longer included the arrangement Frigette had entered into with RMC. Frigette

terminated the Agreement with RMC. RMC in reliance of the Parts Supply & Distribution Agreement with Frigette spent its liquidity working on and toward the business arrangement with Frigette.

In October, 2010 KPN Advisors, LLC ("KPN") was engaged to resurrect the Company and lead RMC's senior management team to commercialize its green automotive products and services. KPN had core expertise in the automotive and transportation industry. KPN has worked closely with Ronn Maxwell and Damon Kuhn to redirect and reestablish the Company's business operations. Through this process RMC reevaluated and reprioritized its product offerings redirecting to its H2GO™ hydrogen unit to commercial diesel applications. As a result RMC's H2GO™'s unit is concentrated on commercial trucking and diesel marine applications. RMC also owns other proprietary green products such as its Air Conditioning Products, The ProCooler and APU systems which may be commercialized in the future. H2GO™Because of the commercial diesel and marine market potential for VT's H2GO™ unit VT is concentrating its focus on this market sector to commercialize the H2GO™ unit.

On February 23, 2011 RMC entered into an Option to Lease Agreement with the Marble Falls Economic Development Corporation. The agreement granted to RMC an exclusive option to lease the building at 1707 Colt Circle in Marble Falls, Burnet County Texas. The option provided a thirty day term during which the Company worked with the Marble Falls Economic Development Corporation to finalize a long-term Lease.

On March 1, 2011 RMC entered into a Commercial Lease Agreement with the Marble Falls Economic Development Corporation for the building located at 1707 Colt Circle in Marble Falls, Burnet County Texas. The Lease provided a three year term, effective March 1, 2011.

On May 27, 2011, Simmons Family Investments, LLC loaned RMC $250,000 which was evidenced by a convertible and security agreement granting a first lien in all of RMC's assets in favor of Simmons Family Investment.

In October 4, 2011, Maxwell, as the sole member of the Company's Board of Directors (the "Board"), caused the management agreement between the Company and KPN be terminated. On October 15, 2011, RMC entered into a Business Services Agreement with ThinOps Capital, Inc. ("ThinOps") to serve in the capacity of the Office of the President and other key leadership positions as directed solely by the Board of Directors. On October 19, 2011, RMC and KPN entered into a Transition and Mutual Release Agreement, dated October 19, 2011.

On December 7, 2011 RMC announced a comprehensive executive management services contract whereby ThinOps would assume the role and responsibility of Chief Executive Officer ("CEO"). Shortly thereafter principals of ThinOps acting as VT's CEO relocated the Company from Marble Falls, Texas to Conroe, Texas. On March 27, 2012, RMC announced it had elected R.J. Pipkin ("Pipkin") to the Board. On April 27, 2012, the Board called for Maxwell's resignation from the Board. On May 2, 2012, RMC announced it had changed its name to VydroTech, Inc., and same day announced a seven-for-one reverse stock split. On May 3, 2012, Pipkin resigned from the Board. In 2012 ThinOps negotiated with Simmons Family Investments, LLC a release of its first lien in consideration of certain modifications to the conversion features of the loan.

On May 3, 2012, a Written Consent of Shareholders Holding a Majority of the Issued and Outstanding Capital Stock of VT removed the members of the Board and constituted a new Board appointing Don Navarro ("Navarro"), Chairman, and authorized the engagement of the Ferguson Law Group, PC to represent VT. On May 3, 2013, Written Consent of the Sole Member of the Board elected David Hultsman ("Hultsman"), CEO; Damon Kuhn, Chief Operating Officer ("COO"), and Kim Pichanick ("Pichanick"), Secretary & Treasurer ("ST"). On June 1, 2013 a meeting of the Board was held whereby a resolution was passed naming Navarro the CEO and Hultsman President and COO. VT and its shareholders holding a majority of the Company's voting stock brought litigation against ThinOps, Tom Moreno and David McGee for various claims, which resulted in the parties entering into a Settlement Agreement dated July 25, 2012. As a result of the settlement, Navarro was named the sole member of the Board. The Settlement Agreement provided, among other things, the Series B and the Series C be rescinded and nullified. A Written Consent of the Sole Member of the Board dated March 25, 2013, rescinded, canceled and nullified the Series B and the Series C Shares.

Address of the Issuer's Principal Executive Offices:
VydroTech, Inc.
8140 Walnut Hill Lane; Suite 925
Dallas, Texas 75231
Office: 214-593-6919

VT's SIC Code is 5012. RMC is not now, and has not within the last twelve (12) months been, a shell company. VT has no subsidiaries or affiliated entities. There are no pending legal proceedings or administrative actions pending or to the knowledge of Company management, threatened against the Company.

VT's fiscal year ends on December 31. Neither VT nor any of its Board members or executive officers is currently involved in any proceeding, nor have they been involved in any proceeding, under the United States bankruptcy laws in the last five years. There are no anticipated or expected material mergers, acquisitions, sale or purchase of assets or securities and no defaults under any existing or past credit agreements or other obligations.

2. BUSINESS OPERATIONS

VT developed and owns rights to a proprietary product referred to as its H2GO™ unit. The H2GO™ unit application focus is for commercial diesel applications. The H2GO™ unit embodies proprietary software interface technologies which enable hydrogen assisted performance in diesel powered vehicles. VT's commercial diesel applications are production ready. Controlled testing and validation has been completed on commercial engines with over a million miles of over-the-road testing. VT's professionals have broad in-depth automotive experience and are highly qualified to embrace emerging Green technologies and integrate and commercialize these and other new Green applications, products, services and solutions.

Fuel Enhancement Technology Leadership

VT's H2GO™ unit for commercial trucking and marine diesel applications is unique, and as far as management is aware, unlike any other diesel fuel saving device(s) on the market.

The H2GO™ unit is a proprietary, enhanced hydrogen fuel enhancement unit that provides a solution for increased fuel efficiency and reduced emissions. VT's real-time hydrogen fuel enhancement process boosts and enhances an engine's overall fuel burning efficiency. Hydrogen and oxygen mixtures are utilized along with pre-combustion controls to promote a more complete burn, thereby creating more power and improved fuel efficiency while significantly reducing particulate emissions. VT's H2GO™ unit is production ready for diesel and marine engines and is in the initial manufacturing stages. Hydrogen and oxygen mixtures are utilized along with post-combustion controls to promote a more complete combustion burn, thereby creating more power and improved gas mileage along with significantly less particulate emissions. The H2GO™ unit produces and blends gaseous hydrogen with diesel fuel to achieve significant in fuel consumption improvement, while increasing power and meaningfully decreasing hydrocarbon greenhouse gases. The H2GO™ unit improves combustion efficiency, reduces noxious emissions and significantly increases diesel fuel savings. The H2GO™unit produces hydrogen in real time.

VydroTech owns the exclusive worldwide license to the H2GO™ unit and related products and solutions.

H2GO™ Marine Solution

VT's Marine Solution incorporates the H2GO™ unit and other VT Green products.

Competitive Advantage/Competition

VT intends to apply for patent protection focusing on the electronic integration of the technology. VT's H2GO™ units are tested with positive results. The test results are categorized in two areas; (i) fuel efficiency and; (ii) emissions control. VT's electronics are built to military specifications.

Sales and Pilot Programs

From August 2012 to March 2013, the Company achieved the following sales and revenue successes and market penetrations.

1. A large trucking firm, located in south Texas, with a fleet of over 120 over the road vehicles was identified. The Company performed a successful four-month pilot program.
2. A Louisiana based firm purchased two (2) marine units and has indicated it wishes to enter into a transaction to purchase additional Units.
3. A subsidiary of a multi-billion dollar energy firm with a fleet of 25 large barges was identified. The Company conducted a six-month trial of its new Marine Unit on a barge which traveled the distance between St Louis and New Orleans via the Mississippi River. The Company used this trial period to overcome mechanical difficulties and set parameters to measure results.
4. A small trucking company, located in south Texas, with a fleet of ten (10) salt water disposal trucks was identified. The trucking company experienced positive results from previous pilot programs.
5. The new release of the product is entering a pilot phase. Three firms have been identified to begin pilot testing. These tests will begin in late May and extend from 2-4 weeks. The parties have an agreement in principal that if the pilot test achieves the performance of (10-15% fuel efficiency) each of these firms will purchase the units.

The Company continues to receive calls from potential customers about the technology; these potential customers and have been told VT is finalizing re-engineering the H2GO™ unit for release in the near future.

3. INTERNAL REVIEW OF PRIOR ACCOUNTING

As the Company began preparing for the year-end tax return, management observed a number of Balance Sheet entries that need investigation. In addition, preliminary review of the Statement of Profit & Loss suggested certain income and expense classifications needed to be analyzed and perhaps amended.

The Company has gone through many changes in management and control over the last three to four years and management intends to thoroughly review and correct any accounting entries that may have been misreported in prior disclosures.

While there is no indication of wrong doing, misrepresentation or fraud, management does not believe the Balance Sheet reflects accurate reporting. Also, the Income Statement may have misclassified certain revenues and expenses which warrant review.

Management continues to review prior entries, including those made by prior management and, if necessary will report changes in future disclosures.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared internally. Due to the developmental stage of its products and its limited sales, management has elected to forego outside accounting services until such time as revenue is being generated from its product sales. The financials are not audited. Information presented in the financial reports does represent the financial activity as best can be described by management.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in deficit earnings as of December 31, 2014. The Company's losses include activity related to prior business activities going back to the mid 1990's. The recorded losses do not reflect the current state of affairs.

The Company's ability to continue as a going concern is dependent upon the Company generating profitable operations from the sale of H2GO™ units in the future and/or obtaining necessary financing to meet its obligations and repay its liabilities arising from normal business operations. Additional capital to produce the H2GO™ units and to fund current and future business operations is required. There is no guarantee such capital will be available.

Cash and Cash Equivalents

The Company has virtually no cash on hand and relies upon outside sources of funding and revenue from pilot/test cases to fund operations.

Use of Estimates and Assumptions

The preparation of financial statements makes 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 may differ from those estimates.

Foreign Currency Translation

The Company's functional currency and its reporting currency is the United States dollar.

Identified intangible assets

Identified intangible assets with identifiable useful lives are generally amortized subject to amortization over the estimated useful life based on economic benefit.

Stock-based Compensation

Stock-based compensation has been a tool of the Company in funding the management staff necessary for the business to continue operations. In every case, the Company determines the value of stock issued at the date of grant. It also determines at the date of grant, the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable. To date, the Company has not adopted a stock option plan and has not granted any stock options.

Income Taxes

Income taxes are accounted for under the assets and liability method. With significant loss carry forward, the company does not anticipate the payment of income taxes in the foreseeable future.

Basic and Diluted Net Loss per Share

The Company computes loss per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

Fiscal Periods

The Company's fiscal year end is December 31.

5. IDENTIFIED INTANGIBLE ASSETS

The Company has significant intangible assets that are anticipated to become the primary product upon which sales will be built. To the extent possible, those assets are capitalized on the balance sheet, distinguishing the asset from normal R&D expenses.

6. COMMON STOCK

The authorized capital of the Company is 100,000,000 common shares with a par value of $ 0.001 per share.

As of June 30, 2015, the Company had a total of 62,303,974 shares issued and outstanding.

7. NOTES RELEVANT TO BALANCE SHEET

Accounts Receivable:
NONE

Fixed Assets:
Inventory of parts and other items necessary to the continued development of the product are valued at cost at $109,000.

Machinery and Prototypes are capitalized at cost and may include certain assumptions by management as to the allocation of what might be considered operating expenses that have been capitalized to more accurately reflect the purpose of the expenditure.

In the course of product development, the Company has developed certain intellectual property and designs which are capitalized on its balance sheet; based upon management's classification of expenditures.

Liabilities:

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- The $250,000 convertible note.
    - Convertible Promissory Note dated June 10, 2011 between VT and THS Family Investments, LLC
- Long term promissory notes payable of $400,000.
    - HSB Permian, LLC loaned the Company $50,000.00 through a Promissory Note dated May 9, 2012.
    - $350,000 Promissory Note dated October 18, 2013 between VT and HSB Permian, LLC issued through Pipkin & Gray Settlement Agreement.
- Long term promissory notes payable of $949,755.40.
    - $913,755.40 Promissory Note dated October 18, 2013 between VT and Pipkin & Gray Ltd. issued through Pipkin & Gray Settlement Agreement
    - $36,000 Promissory Note dated October 18, 2013 between VT and Pipkin & Gray Ltd. issued through Pipkin & Gray Settlement Agreement
- Long term promissory notes payable of $350,000.
    - Secured Promissory Note dated February 15, 2014 between VT and MMD Marine, LLC.
- Convertible note of $25,000.
    - Convertible Promissory Note dated November 13, 2012 between VT and Lancer Trading, Ltd.
- Convertible notes totaling $188,412.
    - $85,812 Convertible Promissory Note dated June 8, 2011 between VT and Ronn Maxwell.
    - 102,500 Convertible Promissory Note dated February 14, 2013 between VT and Ronn Maxwell.
- Convertible notes totaling $50,000.
    - $25,000 Convertible Promissory Note dated February 1, 2014 between VT and HSB Permian, LLC.
    - $25,000 Convertible Promissory Note dated August 6, 2014 between VT and HSB Permian, LLC.

- Convertible notes totaling $25,000.
    - $12,500 Convertible Promissory Note dated April 4, 2014 between VT and M. Matt Durand.
    - $12,500 Convertible Promissory Note dated June 11, 2014 between VT and M. Matt Durand.
- Loans payable of $6,700.
    - Loan dated July 15, 2014 between VT and KPN Management Partners

8. NOTES RELEVANT TO INCOME STATEMENT

NONE

9. STATEMENT OF FINANCIAL AFFAIRS June 30, 2015

VT continues to engage in product development of its future product lines. There are no guarantees these products will be commercially viable.

Future product development is dependent upon sources of funding through loans, sales of distributorships, and or sales of additional stock. Pilot/Test programs are scheduled which could result in significant sales revenue and conversely, negative results could force VT to continue work in refining the H2GO™ unit.

The Company has not been profitable, and does not have adequate capitalization to complete its research and development. Management has been resourceful and continues to find means of funding the continuation of business activities. Accepting Management's outlook, VT's H2GO™ unit, once finalized and marketed, will be a significant source of revenue for the Company and ultimately benefit the Company's shareholders. As with any company engaged in product development, especially in the "Green" industries, there is no certainty or guarantee that VT will complete its mission.