XR Energy, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Period April 1, 2015 To June 30, 2015

(1) Organization and Business Description

XR Energy, Inc. ("XR" or the "Company") was incorporated under the laws of the State of Nevada on August 31, 2009. XR offers energy consulting services to smaller sized middle market companies in the New York Metropolitan Area and earns a commission from the related utility, or Energy Service Company ("ESCO"), for energy supply brokered and sold to its customers.

Effective June 1, 2014 (pursuant to an Acquisition Agreement dated March 11, 2014), XR acquired 100% of the outstanding capital stock of XR Energy of Texas, Inc ("XRT") in exchange for XR delivering 30,000,000 of newly issued shares of XR common stock to the former XRT shareholders (see Note 4). After the exchange, the former XRT shareholders owned approximately 88.7% of the issued and outstanding shares of XR common stock. In addition, prior to the reverse acquisition, XR Energy had nominal revenue producing operations in its consulting business, as well as nominal assets and liabilities on its balance sheet as the legal acquirer in the reverse acquisition. Accordingly, the Company has deemed XRT to be the accounting acquirer for financial reporting purposes. The accompanying consolidated financial statements reflect the operations of XRT from its inception on February 7, 2014 to June 1, 2014 and XRT and XR thereafter.

Effective May 31, 2014, XRT acquired certain oil leasehold interests located in Texas from Sterling Royalties, LLC ("Sterling") in exchange for XRT delivering 96,667 shares of XRT's non-publicly traded common stock to Sterling, representing approximately 97% of the issued and outstanding shares of XRT common stock after the exchange. Sterling is owned by family of Akram Chaudhary, the Company's Chief Executive Officer. XRT was incorporated under the laws of the state of Texas on February 7, 2014 for the purpose of acquiring those oil leasehold interests. Accordingly, it had no operations or assets prior to the acquisition of those leasehold interests. Since XRT only acquired those oil leasehold interests from Sterling, the consolidated financial statements do not represent the acquisition of an ongoing business that existed prior to June 1, 2014 for the accounting acquirer XRT.

Effective March 20, 2014, Tara Muratore resigned as a director and Chief Financial Officer of the Company and was replaced by David Taylor. Effective April 4, 2014, Anthony Muratore resigned as a director and Chief Executive Officer of the Company and was replaced by Akram Chaudhary, the Chief Executive Officer of XRT.

Going Concern Uncertainty

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates the Company continuing as a going concern. As of June 30, 2015, the Company had a cash of $13,149 and a working capital deficit of $99,788. For the period April 1, 2015 through June 30, 2015, the Company had a net loss of $2,450. These factors raise substantial doubt as to the ability of the Company to continue as a going concern. However, the Company plans to improve its financial condition by issuing debt instruments and raising additional capital by selling shares of its common stock. Also, the Company plans to acquire additional oil leasehold interests in order to attain profitable operations. However, there is no assurance that the Company will be successful in accomplishing these objectives. The financial statements do not include any adjustments for the recoverability and classification of assets and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(2) Interim Financial Statements

The accompanying unaudited interim financial statements of XR Energy, Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for annual audited financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The results of operations for the periods ended June 30, 2015 are not necessarily indicative of the results to be expected for the period ending June 30, 2016. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited financial statements and notes related thereto for the year ended December 31, 2014, which are those of the legal acquirer prior to the reverse acquisition, included in our Form 10-K filed with the SEC.

(3) Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of XR (from June 1, 2014 through December 31, 2014) and its wholly owned subsidiary XRT (from its inception on February 7, 2014 to December 31, 2014). All significant intercompany balances and transactions are eliminated in consolidation.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 for the periods presented. Actual results could differ from those estimates.

Fair value of Financial Instruments – The Company's financial instruments consist of cash, accounts receivable, accrued commissions receivable, accounts payable and accrued expenses, note payable to investor entity, notes payable to associate of investor entity, and the amount due to the former Chief Executive Officer. The fair value of these financial instruments approximate their carrying amounts reported on the balance sheet.

Cash and Cash Equivalents – For purposes of reporting within the statement of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization expense based on the respective useful lives on a straight line basis. Costs of improvements that appreciably improve the efficiency or productive capacity of existing properties or extend their lives are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or sale, the cost of property and equipment, net of the related accumulated depreciation and amortization, is removed and, if appropriate, gain or loss is recognized.

Oil and Gas Properties - The Company applies the successful efforts method of accounting for oil and gas properties. Exploration costs such as exploratory geological and geophysical costs, delay rentals, and exploration overhead are charged against earnings as incurred. If an exploratory well provides evidence to justify potential completion as a producing well, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities—in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are periodically assessed for impairment and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment, based on the Company's current exploration plans, and a valuation allowance is provided if impairment is indicated. Unproved oil and gas properties with individually insignificant lease acquisition costs are amortized on a group basis (thereby establishing a valuation allowance) over the average lease terms, at rates that provide for full amortization of unsuccessful leases upon lease expiration or abandonment. Costs of expired or abandoned leases are charged against the valuation allowance, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties, as well as amortization of individually insignificant leases and impairment of unsuccessful leases, are expensed.

Depletion - Costs of drilling successful wells, associated asset retirement costs, and capital lease assets used in oil and gas activities are depreciated using the unit-of-production (UOP) method based on total estimated proved developed oil and gas reserves. Costs of acquiring proved properties, including leasehold acquisition costs transferred from unproved properties, are depleted using the UOP method based on total estimated proved developed and undeveloped reserves. Oil and gas equipment, principally consisting of oil well rigs, pumps and other equipment to operate the wells, are depreciated using the straight-line method over the useful lives of the assets as follows:

Rigs	15 years
Pumps, tanks and other equipment affixed to the wells and spare parts for the wells	5 to 10 years

Impairments - Property and equipment are reviewed for impairment at the lowest level for which identifiable cash flows are independent of cash flows from other assets, and when facts and circumstances indicate that net book values may not be recoverable. In performing this review, an undiscounted cash flow test is performed on the impairment unit. If the sum of the undiscounted future net cash flows is less than the net book value of the property, an impairment loss is recognized for the excess, if any, of the property's net book value over its estimated fair value.

Asset Retirement Obligations – Asset retirement obligations (ARO's) associated with the retirement of tangible long-lived assets are recognized as liabilities with increases to the carrying amounts of the related long-lived assets in the period incurred, typically when an oil well is drilled or purchased. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset. ARO's are recorded at estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligations discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value. If estimated future costs of ARO's change, an adjustment is recorded to both the asset retirement obligation and the long-lived asset. Revisions to the estimated ARO's can result from changes in retirement cost estimates, revisions to estimated inflation rates and changes in the estimated timing of abandonment. The Company's asset retirement obligations primarily relate to plugging of abandoned and support wells at the conclusion of their useful lives.

Revenue Recognition – Sales of oil are recognized when delivery to the purchaser has occurred and title has transferred. Commission income is recognized when the utility delivers the energy services to our referred customers, the respective customer accepts such energy services, the amount billed by the utility is fixed and determinable and the collection of the related receivable is probable.

Stock-Based Compensation - Stock-based compensation is accounted for at fair value in accordance with FASB ASC 718, "Compensation – Stock Compensation". The Company recognizes stock-based compensation expense for the fair value of all shares and stock options that are ultimately expected to vest over the requisite service period of the respective awards. To date, the Company has not granted any stock options.

Income Taxes - The Company accounts for income taxes under the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 740 "*Income Tax*". ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and tax bases of certain assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has adopted the provisions of FASB ASC 740-10-05 "Accounting for Uncertainty in Income Taxes". The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2014, the Company had no material unrecognized tax benefits.

Loss Per Common Share - Basic loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common share equivalents (such as stock options and convertible securities) had been issued and if the additional common shares were dilutive. For the three months ended June 30, 2015 the 10,000,000 potentially dilutive common shares related to the Series A Convertible Preferred Stock (see Note 9) were excluded from the EPS calculation because their inclusion would have been anti-dilutive.

Recent Accounting Pronouncements - Management does not believe that any recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

(4) Property and Equipment, Net

At June 30, 2015, Property and Equipment, Net totaled $167,586.

(5) Related Party Transactions

Included in Accounts Payable and Accrued Expenses at June 30, 2015 is $51,104, net, due to Chan West Oil Corporation ("Chan West"), operator of the leasehold interests acquired from Sterling effective May 31, 2014. Chan West is owned and controlled by Chaudhary.

Also included in Accounts Payable and Accrued Expenses at June 30, 2015 is $15,000 due to Capco Resources of Texas, Inc. ("Capco"). Capco is owned and controlled by Chaudhary.

Included in Notes Payable as of June 30, 2015 is $8,925 that was due to T. Peter and Company, a company which was owned by the former Chief Executive Officer of XR for rent and related costs for office space utilized by XR under a verbal month-to-month agreement. This agreement terminated effective March 31, 2014. This Payable was purchased by Common Sense Holdings LLC on April 24, 2014 for $7,500. A Note for the full amount is being carried on the books of the company in the name of Common Sense Holdings LLC and is convertible into shares of the company common stock at $.0025 per share any time after April 24, 2015.

(6) Note Payable

On July 29, 2014, August 8, 2014 and September 30, 2014, XR received $10,000. $50,000 and $10,000, respectively from and issued three Promissory Notes to Blue Oak, LLC ("Blue Oak") totaling $70,000. The Promissory Notes provide for interest at a rate of 10% per annum that is payable on the maturity dates, which are July 29, 2015, August 8, 2015 and September 30, 2015. These note contain a conversion feature whereby the note is convertible in whole or in part, at the sole discretion of the holder, beginning after the Maturity Date into shares of common stock at a conversion price of $.0025 per share. Interest expense related to these notes for the period ended June 30, 2015 was $3,975.

(7) Asset Retirement Obligations

The majority of XRT's Asset Retirement Obligations relate to plugging of wells and the related abandonment of oil and gas properties. Revisions in estimated liabilities during the period relate primarily to changes in estimates of asset retirement costs and include, but are not limited to, revisions of estimated inflation rates, changes in property lives, and the expected timing of settlement. The following summarizes XRT's Asset Retirement Obligations (ARO's) for the period.

Carrying amount of ARO's at June 30, 2015	$	67,427

(8) Capital Stock

On February 10, 2014, XRT issued 3,333 shares of common stock (1,000,000 shares of XR common stock after the June 1, 2014 closing of the Acquisition Agreement dated March 11, 2014 (see Note 1)) to Global Media Network USA, Inc. ("Global Media") for certain investor relations services in connection with the then contemplated reverse acquisition of XR. The Company recognized a stock- based compensation of $730,000, which is based on the $.73 closing trading price of XR common stock on February 10, 2014, in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

Also on February 10, 2014, XRT issued 96,667 shares of common stock (29,000,000 shares of XR common stock after the September 1, 2014 closing of the Acquisition Agreement dated March 11, 2014 (see Note 1)) to Sterling in exchange for certain oil leases assigned to XRT effective May 31, 2014 (see Note 5).

Effective May 14, 2014, the Company increased its authorized shares of common stock from 100,000,000 to 500,000,000 shares and authorized 50,000,000 shares of preferred stock, with a par value of $.0001.

On June 1, 2014, the Company delivered to XRT 30,000,000 newly issued shares of XR in the name of XRT Shareholders in exchange for 100% of the XRT shares. Concurrently, the Company's controlling shareholders of the legal acquirer delivered and assigned a total of 19,000,000 shares registered in their names to the Company for cancellation. The transaction was accounted for as a reverse acquisition in which XRT is deemed to be the accounting acquirer. The capital balances have been retroactively adjusted to reflect the reverse acquisition. The shareholders of the legal acquirer retained 3,818,800 shares of XR common stock, which has been reflected at the ($50,873) amount of negative identifiable assets of XR at June 1, 2014 (see Note 4).

On June 5, 2014, the Board authorized and issued 10,000,000 shares of Series A Convertible Preferred Stock to Sterling Properties, LLC, the now majority shareholder of the Company and an entity owned by the family of the Company's Chief Executive Officer. The Series A Preferred Stock has 25 votes for each share, but no less than the majority of voting rights, has a liquidation preference of $0.0001 per share and does not participate in any dividend declared with respect to the common stock. Also, each outstanding share of Series A Preferred Stock is convertible at the option of the holder into one restricted share of the Company's common stock. As a result, the Company recognized stock based compensation of $10,200,000 based on the fair-market value of the underlying common stock on the date of issuance, which was $1.02 per share, in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

On June 11, 2014 (see Note 9), the Company issued a total of 10,100,000 shares of XR common stock to six Beacon individual and corporate assignees in satisfaction of an XR $25,000 convertible note plus accrued interest of $1,643. The Company recognized stock-based compensation of $10,477,357 based on the excess of the fair market value of the underlying common stock on June 11, 2014 ($10,504,000 based on the $1.04 closing trading price of XR common stock on June 11, 2014) over the amount of debt satisfied ($26,643), which has been included in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

(9) Subsequent Events

None

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As used in this Form 10-Q, references to "XR Energy," the "Company," "we," "our" or "us" refer to XR Energy Inc. unless the context otherwise indicates.

Forward-Looking Statements

The following discussion and analysis and results of operations should be read in conjunction with our unaudited financial statements and accompanying notes and the other financial information which are included elsewhere in this Form 10-Q (the "Report"). This Report contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "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 that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

For a description of such risks and uncertainties, refer to our Registration Statement on Form S-1 which was declared effective by the Securities and Exchange Commission on July 19, 2012 (registration statement no. 333-178156). While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. We assume no obligation to update forward-looking statements, except as otherwise required under the applicable federal securities laws.

Business Overview

XR Energy, Inc. ("XR" or the "Company") was incorporated under the laws of the State of Nevadaon August 31, 2009. XR offers energy consulting services to smaller sized middle market companies in the New York Metropolitan Area and earns a commission from the related utility, or Energy Service Company ("ESCO"), for energy supply brokered and sold to its customers.

Recent Developments

Acquisition of XR Energy of Texas, Inc.

Effective June 1, 2014 (pursuant to an Acquisition Agreement dated March 11, 2014), XR acquired 100% of the outstanding capital stock of XR Energy of Texas, Inc ("XRT") in exchange for XR delivering 30,000,000 of newly issued shares of XR common stock to the former XRT shareholders. After the exchange, the former XRT shareholders owned approximately 88.7% of the issued and outstanding shares of XR common stock. Accordingly, the Company has deemed XRT to be the accounting acquirer for financial reporting purposes. The consolidated financial statements reflect the assets, liabilities and operations of XRT from its inception on February 7, 2014 to June 1, 2014 and XRT and XR thereafter.

Effective March 20, 2014, Tara Muratore resigned as a director and Chief Financial Officer of the Company and was replaced by David Taylor. Effective April 4, 2014, Anthony Muratore resigned as a director and Chief Executive Officer of the Company and was replaced by Akram Chaudhary, the Chief Executive Officer of XRT.

Results of Operations

For The Period April 1, 2015 through June 30, 2015

Revenues

Revenues for the period totaled $22,587 of which $22,440 was directly related to sales of crude oil in XRT that began in June 2014.

Oil Lease Operating Costs

Oil lease operating costs for the period were $26,544, or 118% of crude oil sales generated by XRT. The negative gross margin of $4,104 was the direct result of pumping operations at one of the three Chrane wells being shut down for the month of April for workover improvements. As such, no oil was being pumped from this wells, but certain overhead costs continued to be incurred.

General and Administrative Expenses

General and administrative expenses for the period were $18,605, which included approximately $5,000 of professional fees incurred in XR related to preparing the second quarter Form 10-Q.

Depreciation, Depletion, and Amortization

Depreciation, Depletion, and Amortization charges for the period were $2,785.

Loss from Operations

The above resulted in a loss from operations for the period of $26,901.

Other Income (Expenses)

The company had other income of $33,326 during the period.

Liquidity and Capital Resources

As of June 30, 2015, the Company had a cash balance of $13,149 and a working capital deficit of $99,788. For the period April 1, 2015 through June 30, 2015, the Company had a net profit of $2,450. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon its ability to identify future investment opportunities, obtain the necessary debt or equity financing and generate earnings from future operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

We currently have no other commitments with any person for any capital expenditures.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have not been any changes in or disagreements with accountants on accounting and financial disclosure or any other matter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 3.

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, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (the "Evaluation Date"). 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 effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2015.

Changes in Control Over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting (as such term is defined in Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

Item 1A. Risk Factors.

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 1A.

Purchases of equity securities by the issuer and affiliated purchasers.

None.

Item 2. Unregistered Sale of Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other information.

N/A.

XR Energy, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Period June 30, 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XR ENERGY INC.

Dated: September 8, 2015

By: */s/ Akram Chaudhary*
Name: Akram Chaudhary
Title: President (principal executive officer) and Director