VITAMIN BLUE, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

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VITAMIN BLUE, INC.
Balance Sheets
(Unaudited)

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,786	$ 5,285
Accounts receivable, net	13,553	17,629
Inventory	10,698	10,779
Total current assets	26,037	33,693
PROPERTY AND EQUIPMENT, NET	4,846	5,647
Total assets	$ 30,883	$ 39,340
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 101,689	$ 102,737
Accrued expenses	55,406	48,452
Accrued interest, related party	4,752	4,032
Accrued interest, other	132,527	106,545
Derivative liability	99,903	183,817
Convertible notes payable	212,254	212,254
Loans payable	110,000	110,000
Loans payable, related party	8,000	8,000
Total current liabilities	724,531	775,837
STOCKHOLDERS' DEFICIT:		
Preferred stock, $0.0001 par value; 100,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.0001 par value; 4,900,000,000 shares authorized, 1,653,405,000 shares issued and outstanding	161,341	161,341
Additional paid-in capital	1,951,090	1,928,923
Accumulated deficit	(2,806,079)	(2,826,761)
Total stockholders' deficit	(693,648)	(736,497)
Total liabilities and stockholders' deficit	$ 30,883	$ 39,340

See notes to financial statements

VITAMIN BLUE, INC.
Statements of Operations
(Unaudited)

	Years Ended December 31, 2015	2014
SALES	$ 259,805	$ 256,621
COST OF SALES	172,641	167,251
GROSS PROFIT	87,164	89,370
OPERATING EXPENSES:		
Selling, general and administrative	115,757	198,872
Depreciation	2,290	2,205
Total operating expenses	118,047	201,077
LOSS FROM OPERATIONS	(30,883)	(111,707)
OTHER INCOME (EXPENSE):		
Penalties	(508)	(490)
Gain (loss) on change in derivative liability	83,914	43,008
Loss on extinguishment of debt	-	(531,000)
Interest expense	(31,841)	(74,538)
Total other income (expense)	51,565	(563,020)
INCOME (LOSS) BEFORE INCOME TAXES	20,682	(674,727)
PROVISION FOR INCOME TAXES	-	-
NET INCOME (LOSS)	$ 20,682	$ (674,727)
NET INCOME (LOSS) PER SHARE, BASIC AND DILUTED	$ 0.00	$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	1,653,405,000	1,447,953,000

See notes to financial statements

VITAMIN BLUE, INC.
Statements of Stockholders' Deficit
Years Ended December 31, 2015 and 2014
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, December 31, 2013	893,405,000	$ 89,341	$ 1,344,722	$ (2,152,034)	$ (717,971)
Issuance of shares for debt conversion	90,000,000	9,000	531,000	-	540,000
Issuance of shares for services	670,000,000	67,000	-	-	67,000
Beneficial conversion feature of convertible debt	-	-	30,000	-	30,000
Contributed services	-	-	23,201	-	23,201
Net loss	-	-	-	(674,727)	(674,727)
Balance, December 31, 2014	1,653,405,000	165,341	1,928,923	(2,826,761)	(732,497)
Contributed services	-	-	22,167	-	22,167
Net income	-	-	-	20,682	20,682
Balance, December 31, 2015	1,653,405,000	$ 165,341	$ 1,951,090	$ (2,806,079)	$ (689,648)

See notes to financial statements

VITAMIN BLUE, INC.
Statements of Cash Flows
(Unaudited)

	Years Ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 20,682	$ (674,727)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation expense	2,290	2,205
Contributed services	22,167	23,201
Common stock issued for services	-	63,000
Amortization of debt discount to interest expense	-	41,778
(Gain) loss on change in derivative liability	(83,914)	(43,008)
Loss on extinguishment of debt	-	531,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	4,076	(4,095)
Inventory	81	(1,287)
Prepaid expenses	-	7,000
Increase (decrease) in:		
Accounts payable	(1,048)	5,935
Accrued expenses	33,656	34,103
NET CASH USED IN OPERATING ACTIVITIES	(2,010)	(14,895)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,489)	(4,690)
NET CASH USED IN INVESTING ACTIVITIES	(1,489)	(4,690)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	-	30,000
Repayment of convertible notes payable	-	(10,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	20,000
NET INCREASE (DECREASE) IN CASH	(3,499)	415
CASH, BEGINNING OF THE YEAR	5,285	4,870
CASH, END OF THE YEAR	$ 1,786	$ 5,285

See notes to financial statements

VITAMIN BLUE, INC.
Notes to Financial Statements
Year Ended December 31, 2015
(Unaudited)

1. ORGANIZATION AND LINE OF BUSINESS

Vitamin Blue, Inc. (the "Company") was incorporated in the state of Delaware on May 25, 1999. The Company, based in Costa Mesa, California, began operations on June 1, 1999 in designing and selling surfing clothing and accessories.

The accompanying financial statements of the Company are unaudited and have been prepared in accordance with generally accepted accounting principles.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. The Company has obtained funds from its shareholders and management believes the existing shareholders and prospective new investors will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core business. However, there can be no assurance that the Company will be successful in these endeavors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounts Receivable

The Company extends credit to its customers, who are located primarily in California. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off.

Revenue Recognition

The Company recognizes revenue upon delivery, provided that evidence of an arrangement exits, title, and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured. We record revenue net of estimated product returns, which is based upon our return policy, sales agreements, management estimates of potential future products returns related to current period revenue, current economic trends, changes in customer composition and historical experience. Generally, we extend credit to our customers and do not require collateral. We perform ongoing credit evaluation of our customers and historic credit losses have been within our expectations.

Advertising

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were not material for the years ended December 31, 2015 and 2014.

Loss Per Common Share

Basic earnings per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares from stock options, warrants and convertible debt had been issued and if the additional common shares were dilutive. The Company's diluted income (loss) per share is the same as the basic loss per share for the years ended December 31, 2015 and 2014.

Concentrations of Business and Credit Risk

The Company operates in a single industry segment. The Company markets its services to companies and individuals in many industries and geographic locations. The Company's operations are subject to intense competition in designing and selling surfing clothing and accessories.

Accounts receivable represent financial instruments with potential credit risk. The Company typically offers its customers credit terms. The Company makes periodic evaluations of the credit worthiness of its enterprise customers and other than obtaining deposits pursuant to its policies, it generally does not require collateral. In the event of nonpayment, the Company has the ability to terminate services.

At times, a limited number of customers may account for a significant percentage of the Company's revenues and accounts receivable.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized. At December 31, 2015 and 2014, our net deferred tax assets have been reduced entirely by a valuation allowance since we were unable to conclude that it is more likely than not that they will be realized.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of raw materials and finished goods and is stated at the lower of cost (first-in, first-out basis) or market.

Property and Equipment

Property and equipment is not material to our financial statements, is stated at cost, and is depreciated using the straight line and accelerated methods over estimated useful lives ranging from three to ten years.

Fair Value of Financial Instruments

Fair Value of Financial Instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2015 and 2014, the balances reported for cash, accounts receivable, inventory, prepaid expenses, accounts payable, accrued expenses, and loans payable approximate the fair value because of their short maturities.

We have adopted ASC Topic 820 (originally issued as SFAS 157, "Fair Value Measurements") for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2015:				
Derivative liability	$ 99,903	$ -	$ -	$ 99,903
December 31, 2014:				
Derivative liability	$ 183,817	$ -	$ -	$ 183,817

Recently Issued Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-11, "Inventory (Topic 330), Simplifying the Measurement of Inventory." An entity is required to measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory within the scope of this Update, there are no other substantive changes to the guidance on measurement of inventory. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this Update are to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We are currently unable to determine the impact on our financial statements of the adoption of this new accounting pronouncement.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2016; however, in July 2015, the FASB agreed to delay the effective date by one year. The proposed deferral may permit early adoption, but would not allow adoption any earlier than the original effective date of the standard. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact the adoption of ASU 2014-09, including possible transition alternatives, will have on our financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements

include the estimated useful lives of property and equipment, assumptions used in valuing derivative liabilities, stock options, etc.

3. CAPITAL STOCK

As of December 31, 2015, the Company had 4,900,000,000 shares of common stock authorized at par value of $0.0001 and 100,000,000 shares of preferred stock authorized at par value of $0.0001. The Company has no shares of preferred stock issued and outstanding.

During the year ended December 31, 2014, the Company issued a total of 720,000,000 shares of its common stock, 630,000,000 shares to five individuals for services valued at $63,000, and 90,000,000 shares in the conversion of convertible debt of $9,000, recognizing a loss on extinguishment of debt of $531,000. The Company issued 40,000,000 of its common stock to one individual for services valued at $4,000 during the year ended December 31, 2015.

During the years ended December 31, 2015 and 2014, services of $22,167 and $23,201 were contributed to capital and recorded to additional paid-in capital.

4. LOANS PAYABLE

As of December 31, 2015 and 2014, the principal balance of the Company's outstanding loans payable was $110,000. The loans payable bear interest at the rate of 8% per annum, and are due upon demand. The loans do not contain any type of conversion feature. The Company intends to retire these loans at a future date through the issuance of shares of common stock at a rate to be agreed upon by both the lenders and the Company at the time the retirement is to be completed. There was no interest paid on the loans during the years ended, 2015 and 2014.

5. RELATED PARTY TRANSACTIONS

As of December 31, 2015 and 2014, the Company had loans outstanding from Veronica Ornelas, Vice President and Secretary of the Company, totaling $8,000. The Company has imputed interest on these loans at the rate of 9% per annum. As of December 31, 2015 and 2014, the balance of accrued interest payable to this related party was $4,752 and $4,032, respectively. There was no interest paid on the loans during the years ended December 31, 2015 and 2014.

Frank Ornelas, the Company's Chief Executive Officer, receives an annual salary of $50,000. During the years ended December 31, 2015 and 2014, the Company paid for various personal expenses on behalf of the CEO totaling $27,833 and $26,799, respectively, which have been recognized as payment against his annual salary. The unpaid portions of the CEO's salary of $22,167 and $23,201 for the years ended December 31, 2015 and 2014, respectively, have been reflected as contributed capital. The CEO has agreed to waive the unpaid portions of his salary and no shares have been or will be issued to the CEO in exchange for this unpaid salary.

In March 2014, Mr. Ornelas was issued 500,000,000 restricted shares of the Company's common stock for services valued at $50,000.

Accounts payable at December 31, 2015 and 2014 include advances payable to Mr. Ornelas of $2,500 and $2,000, respectively.

6. CONVERTIBLE NOTES PAYABLE

At December 31, 2015 and 2014, the Company had nine convertible notes payable with principal balances totaling $212,254. The notes are unsecured and bear interest at 8% per annum. The holders of the convertible notes payable have the right to convert principal and accrued interest at any time into shares of the Company's common stock at defined conversion prices per share.

The Company has recorded a derivative liability of $99,903 and $183,817 at December 31, 2015 and 2014, respectively, for the embedded conversion option of certain of the convertible notes payable with variable conversion prices. The derivative liability is estimated using the Black-Scholes pricing model at the inception of the note, with a debt discount not to exceed the principal balance of the note recorded. The derivative liability is subsequently estimated at each report date, with changes in the liability recorded as other income or expense. The derivative liability decreased by $83,914 and $43,008 for the years ended December 31, 2015 and 2014, respectively, with such decreases recorded as gains in other income (expense.) The debt discount was fully amortized to interest expense as of December 31, 2015 and 2014.

For those convertible notes payable with fixed conversion prices, the Company assesses whether or not the portion of the note that is convertible into common stock represents a beneficial conversion feature, by calculating the effective conversion price and comparing it to the market price of the Company's common stock at the inception of the note. The beneficial conversion feature, which does not exceed the principal balance of the note, is recorded as a debit to debt discount and credited to additional-paid-in capital. The debt discount was fully amortized to interest expense as of December 31, 2015 and 2014.

7. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

During the years ended December 31, 2015 and 2014, we paid no amounts for income taxes or interest.

We had no non-cash financing and investing activities for the year ended December 31, 2015.

We had the following non-cash financing and investing activities for the year ended December 31, 2014:

> We increased additional paid-in capital and debt discount by $30,000 for the beneficial conversion feature of new convertible notes payable. We also increased common stock by $9,000, increased additional paid-in capital by $531,000 and decreased convertible notes payable by $9,000 for common shares issued in the conversion of convertible notes payable.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were issued according to the requirements of ASC TOPIC 855 and did not identify any material subsequent event to be reported.