ENERLABS, INC.

FINANCIAL STATEMENTS

JANUARY 31, 2016

Together With Accountant's Compilation Report

C O N T E N T S

Leslie G. Pettitt, P.C.
Certified Public Accountant
4603 N College Ave
Bethany, Oklahoma 73008
(405) 833-7458 Fax (888) 748-6813
email: lgpettitt@hotmail.com

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Accountants' Compilation Report

ENERLABS, INC.
Board of Directors:

We have compiled the accompanying balance sheets of ENERLABS, INC. as of January 31, 2016 and 2015, and the related statements of income, stockholders' equity and cash flows for the years ended January 31, 2016 and 2015. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Leslie G. Pettitt, PC

ENERLABS, INC.
CONSOLIDATED BALANCE SHEETS

	January 31, 2016	January 31, 2015
ASSETS		
Current Assets		
Cash	$ 1,663	$ 621
Restricted cash	25,169	25,104
Accounts receivable	172,607	69,232
Deposits	63,339	63,217
Total Current Assets	262,778	158,174
Property and Equipment		
Oil and gas properties, using full cost accounting		
Proved properties	1,746,362	1,729,362
Less accumulated depreciation, depletion, and amortization, including impairment of $1,179,055 and $1,163,159 at January 31, 2016 and 2015, respectively	(1,668,989)	(1,649,146)
	77,373	80,216
Other, net of accumulated depreciation of $49,746 and $48,414 at January 31, 2016 and 2015, respectively	2,421	4,195
	79,794	84,411
Goodwill	146,703	146,703
Property held for resale	290,000	290,000
Total Assets	$ 779,275	$ 679,288
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 921,692	$ 951,280
Due to related parties	550,673	466,724
Drilling advances	41,684	45,660
Current portion of lease	2,074	1,848
Current asset retirement obligation	-	-
Total Current Liabilities	1,516,123	1,465,512
Asset Retirement Obligation	9,818	6,079
Long-term lease	2,169	3,579
Total Liabilities	1,528,110	1,475,170
Stockholders' Equity		
Preferred stock, $0.0001 par value, 20,000,000 share authorized, no shares issued and outstanding January 31, 2016 and 2015, respectively	-	-
Common stock, $.001 par value 100,000,000 shares authorized 13,817,184 and 12,367,184 and 12,317,184 shares issued and outstanding at January 31, 2016 and 2015 respectively	12,367	12,317
Additional paid in capital	20,928,611	20,919,911
Retained (deficit)	(21,689,813)	(21,728,110)
Total Stockholders' Equity	(748,835)	(795,882)
Total Liabilities and Stockholders' Equity	$ 779,275	$ 679,288

See Accountants' Compilation Report.

ENERLABS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

	2016	2015
Revenue		
Oil and gas sales	$ 25,843	$ 56,697
Overhead and marketing revenue	85,366	4,606
Pipeline revenue	8,650	8,369
Total Revenue	119,859	69,672
Operating Expenses		
Lease operating expense	8,476	11,388
Pipeline and gathering expense	2,700	2,700
General and administrative expense	268,528	305,349
Property impairments	15,896	-
Depreciation, depletion and amortization	5,722	4,289
Total Operating Expenses	301,322	323,726
Operating (Loss)	(181,463)	(254,054)
Other (Expenses) Income		
Other income	253,283	37,075
Interest income	226	104
Interest expense	(33,749)	(26,421)
Total Other (Expense)	219,760	10,758
Net Income (Loss) before Income Taxes	38,297	(243,296)
Provision for income taxes	-	-
Net Income (Loss)	$ 38,297	$ (243,296)
Net (Loss) per Share, Basic and Diluted	$ 0.00	$ (0.02)
Weighted average of number of shares outstanding	12,351,157	12,264,437

See Accountants' Compilation Report.

ENERLABS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 2016 AND
JANUARY 31, 2015

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, January 31, 2014	12,057,184	$ 12,057	-	$ -	$ 20,895,171	$ (21,484,814)	$ (577,586)
Net Loss	-	-	-	-	-	(243,296)	(243,296)
Shares issued for services	300,000	300			29,700		30,000
Shares cancelled	(40,000)	(40)	-	-	(4,960)	-	(5,000)
Balance, January 31, 2015	12,317,184	12,317	-	-	20,919,911	(21,728,110)	(795,882)
Net Income						38,297	38,297
Shares issued for services	50,000	50			8,700		8,750
Balance, January 31, 2016	12,367,184	$ 12,367	-	$ -	$ 20,928,611	$ (21,689,813)	$ (748,835)

See Accountants' Compilation Report

ENERLABS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Net Income (Loss)	$ 38,297	$ (243,296)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation, depletion and amortization	5,722	4,289
Property impairments	15,896	-
Common stock issued for services	8,750	25,000
Gain on settlement of debt	(252,831)	(37,075)
(Increase) Decrease in:		
Restricted cash	(65)	(104)
Accounts receivable	(103,375)	5,851
Deposits	(122)	16,250
Increase (Decrease) in:		
Accounts payable and accrued expenses	223,243	167,693
Drilling advances	(3,976)	618
Asset retirement obligation	3,739	(3,168)
Net Cash Flows Used By Operating Activities	(64,722)	(63,942)
Cash Flows From Investing Activities		
Proceeds from sale of oil and gas properties	-	-
(Investment in) oil and gas properties	(17,001)	-
Payments on note receivable	-	-
Net Cash Used In Investing Activities	(17,001)	-
Cash Flows from Financing Activities		
Advances from related parties and stockholders	83,949	62,640
Payments on capital lease	(1,184)	(1,569)
Net Cash Provided By Financing Activities	82,765	61,071
Increase (Decrease) in Cash	1,042	(2,871)
Cash at Beginning of Period	621	3,492
Cash at End of Period	$ 1,663	$ 621

See Accountants' Compilation Report.

ENERLABS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JANUARY 31, 2016 AND 2015

1. NATURE OF OPERATIONS

Enerlabs, Inc. (the "Company") was originally incorporated as Energas Rescources, Inc in 1989 in British Columbia, Canada as a public company listed on the Canadian Venture Exchange. In 2001, the Company registered as a Delaware corporation becoming a United States domestic corporation. In 2002, its registration statement filed with the Securities and Exchange Commission became effective and its stock is traded in the Over the Counter (OTC) market.

The Company is primarily engaged in the operation, development, production, exploration and acquisition of petroleum and natural gas properties in the United States through its wholly-owned subsidiary, A.T. Gas Gathering Systems, Inc. ("AT GAS"). In addition, the Company owns and operates natural gas gathering systems located in Oklahoma, which serve wells operated by the Company for delivery to a mainline transmission system. The majority of the Company's operations are maintained and occur through AT GAS. AT GAS is a company incorporated in the state of Oklahoma.

On January 31, 2009 the Company purchased all the outstanding shares of Energas Corp. ("Corp.") from George G. Shaw, the Company's president. Corp. is the operator of all of the Company's wells. Corp. became a wholly owned subsidiary of the Company as of the date of acquisition.

On January 31, 2009 the Company purchased all the outstanding shares of Energas Pipeline, Inc. ("Pipeline") from George G. Shaw, the Company's president. Pipeline operates the natural gas gathering system to which the Company's four wells in Atoka County, Oklahoma are connected. Pipeline became a wholly owned subsidiary of the Company as of the date of acquisition.

On January 25, 2012 the name of the Company was changed to Enerlabs, Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, AT Gas, Corp., Pipeline. All significant inter-company items have been eliminated in consolidation.

Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The oil industry is subject, by its nature, to environmental hazards and cleanup costs for which we carry liability insurance. At this time, we know of no substantial costs from environmental accidents or events for which we may be currently liable. In addition, our oil and gas business makes us vulnerable to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future. By definition, proved reserves are based on current oil and gas prices. Price declines reduce the estimated proved reserves and increase annual amortization expense (which is based on proved reserves).

Revenue recognition - Oil and natural gas revenue is recognized at the time title is transferred to the customer. Pipeline revenue is earned as a gathering fee at the time the gas is delivered to the customer.

Petroleum and natural gas properties - The Company employs the full cost method of accounting for petroleum and natural gas properties whereby all costs relating to exploration and development of reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, costs of drilling both productive and non-productive wells, and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves, as prepared by an independent engineer. For the purposes of the depletion calculation, proven reserves are converted to a common unit of measure on the basis of their approximate relative energy content. Investments in unproved properties are not amortized until the proved reserves associated with the projects can be determined or until impairment occurs. If an assessment of such properties indicates that properties are impaired, the amount of impairment is added to the capitalized cost base to be amortized.

Under the full cost method, the net book value of natural gas and oil properties, less related deferred income taxes, may not exceed a calculated "ceiling". The ceiling is the estimated after-tax future net revenue from proved natural gas and oil properties, discounted at 10% per annum plus the lower of cost or fair market value of unproved properties. In calculating future net revenues, prices and costs in effect at the time of the calculation are held constant indefinitely, except for changes that are fixed and determinable by existing contracts. The net book value is compared to the ceiling on an annual basis. The excess, if any, of the net book value above the ceiling is required to be written off as an expense.

Proceeds on disposal of properties are normally applied as a reduction of the capitalized costs without recognition of a gain or loss, unless such amounts would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case gain or loss would be recognized. Abandonment of properties are accounted for as adjustments of capitalized costs with no loss recognized, unless such adjustment would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center.

Long-lived assets - The Company reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using estimated undiscounted net cash flows to be generated by the asset.

Equipment - Equipment is recorded at cost and depreciated on the straight-line basis over the following periods:

Computer equipment	5-7 years
Truck	7 years
Office equipment	5-7 years
Computer software	5 years
Gathering systems	30 years

Asset Retirement Obligations – In accordance with accounting guidance the Company records the fair value of its liability for asset retirement obligations at the time a well is completed and ready for production and a corresponding increase in the carrying amount of the related long live assets. Over time, the liability is accreted to its present value at the end of each reporting period, and the capitalized cost is depreciated over the useful life of the related assets. Upon settlement of the liability, the Company will either settle the obligation for its recorded amount or incur a gain or loss upon settlement. The Company's asset retirement obligations relate to the plugging and abandonment of its natural gas properties.

Accounts Receivable – Management periodically assesses the collectibility of the Company's accounts receivable and notes receivable. Accounts determined to be uncollectible are charged to operations when that determination is made.

Earnings per share - The Company follows accounting guidance for computing and presenting earnings per share, which requires, among other things, dual presentation of basic and diluted earnings per share on the face of the statement of operations. Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities, options or warrants were exercised or converted into common shares or resulted in the issuance of common shares that then share in the earnings of the entity. For the years ended January 31, 2016 and 2015, no options or warrants were considered common stock equivalents as their effect would be anti-dilutive.

Stock-based compensation - Effective February 1, 2006 the Company adopted the fair value recognition provisions of updated accounting guidance regarding stock-based compensation, using the modified-prospective transition method. Under this transition method, stock-based compensation expense will be recognized in the consolidated financial statements for granted, modified, or settled stock options. Compensation expense recognized included the estimated expense for stock options granted on and subsequent to February 1, 2006, based on the grant date fair value estimated in accordance with the provisions of the updated accounting guidance, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of February 1, 2006, based on the grant date fair value estimated in accordance with the original accounting guidance. Results for prior periods have not been restated, as provided for under the modified-prospective method.

The updated accounting guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under the updated accounting guidance for the periods prior to fiscal 2007, the Company accounted for forfeitures as they occurred.

The Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards granted beginning in fiscal 2007. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

No options were granted, modified or settled during the years ended January 31, 2016 and 2015, and there was no stock-based compensation expense included in net income for these periods subject to the option pricing considerations discussed above.

The company awarded 50,000 shares of common stock to consultants during the year ended January 31, 2016. Using the quoted market price on the date of the grant, the Company has recognized stock based compensation of $8,750 for the year ended January 31, 2016.

Cash and cash equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Goodwill - Goodwill represents the excess of cost over fair value of assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired, as required by ASC Topic 350, "Intangibles - Goodwill and Other".

Concentration of credit risk – The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Trade receivables consist of uncollateralized customer obligations due under normal trade terms. The note receivable results from oil and gas properties and a pipeline sold in a prior period. Management reviews the estimated recoverability of trade and notes receivable and reduces their earning amount by utilizing a valuation allowance that reflects management's best estimate of the amount that may not be recoverable. Management believes all trade receivables to be fully collectible at January 31, 2016 and 2015.

Financial Instruments – The carrying value of current assets and liabilities reasonably approximates their fair value due to their short maturity periods.

Income taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future timing differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered.

In July 2006, the Financial Accounting Standards Board (FASB) issued an interpretation of accounting guidance regarding accounting for uncertainty in income taxes. The interpretation is intended to clarify the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under the interpretation, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met.

The adoption of the interpretation at February 1, 2007 did not have a material effect on the Company's financial position.

Segment Reporting – Accounting guidance requires a public entity to report financial and descriptive information about its reportable operating segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

The majority of the operations involve the operation, development and production of oil and gas properties. An incidental amount of assets (less than 10%) are associated with pipeline activities and the pipeline is operated solely to serve specific properties. Therefore management does not consider the pipeline activities to be separable from the oil and gas activities and the operations are reported herein as a single operating segment.

Reclassifications – Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements – In November 2015, the FASB issued guidance simplifying the presentation of deferred tax liabilities and assets requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The new standard is effective for the fiscal year beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements

February 2016, the Financial Accounting Standards Board ("FASB") issued a comprehensive standard related to lease accounting to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most significantly, the new guidance requires lessees to recognize operating leases with a term of more than 12 months as lease assets and lease liabilities. The adoption will require a modified retrospective approach at the beginning of the earliest period presented. The new standard is effective for the fiscal year beginning after December 15, 2018, with early adoption permitted. We are evaluating the impact of this standard on our consolidated financial statements.

3. RELATED PARTY

The Company's offices are occupied under a month to month lease requiring rental payments of $4,000 per month to George G. Shaw, the Company's President and owner of the building. During the years ended January 31, 2016 and 2015 the Company accrued rent of $48,000 and $48,000, respectively, to the Company's President.

As of January 31, 2016 and 2015 the Company has advances from the Company's President of $439,371 and $435,590, respectively. These advances have no stated interest and are due on demand.

4. INCOME TAXES

As of January 31, 2016, the Company has approximately $15,744,000 of net operating losses expiring through 2036 that may be used to offset future taxable income but are subject to various limitations imposed by rules and regulations of the Internal Revenue Service. The net operating losses are limited each year to offset future taxable income, if any, due to the change of ownership in the Company's outstanding shares of common stock. These net operating loss carry-forwards may result in future income tax benefits of approximately $6,298,000; however, because realization is uncertain at this time, a valuation reserve in the same amount has been established. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

A reconciliation of the provision (benefit) for income taxes with the amounts determined by applying the U.S. federal income tax rate to income before income taxes is as follows:

	Year Ended January 31	
	2016	2015
Computed at the federal statutory rate of 34%	$ 13,000	$ (83,000)
State tax (benefit) at statutory rates	2,000	(14,000)
Property impairments and cost pool	100,000	99,000
Change in valuation allowance	(115,000)	(2,000)
Income tax expense	$ -	$ -

Significant components of the Company's deferred tax liabilities and assets are as follows:

	As of January 31	
	2016	2015
Deferred tax liabilities – timing in full cost pool	$ (907,000)	$ (807,000)
Deferred tax assets – net operating losses	6,298,000	6,313,000
Deferred tax assets – asset impairment	1,166,000	1,160,000
Valuation allowance for deferred tax assets	(6,557,000)	(6,666,000)
Net deferred tax assets	$ -	$ -

The changes in the valuation allowance are as follows:

	Year Ended January 31	
	2016	2015
Beginning balance, February 1,	$(6,666,000)	$(6,668,000)
Current year net operating losses	15,000	(97,000)
Asset impairment	(6,000)	(-)
Changes in timing of full cost pool	100,000	99,000
Ending balance, January 31,	$(6,557,000)	$(6,666,000)

The ability of the Company to utilize NOL carryforwards to reduce future federal taxable income and federal income tax of the Company is subject to various limitations under the Internal Revenue Code of 1986, as amended. The utilization of such carryforwards may be limited upon the occurrence of certain ownership changes, including the issuance or exercise of rights to acquire stock, the purchase or sale of stock by 5% stockholders, as defined in the Treasury regulations, and the offering of stock by the Company during any three-year period resulting in an aggregate change of more than 50% in the beneficial ownership of the Company.

The company is delinquent in filing tax returns with the Internal Revenue service and state taxing authorities. The Company is in the process of completing and filing these delinquent returns. The filing of these returns could result in changes to the net operating loss (NOL) carry forwards as currently estimated.

Effective February 1, 2007 the Company adopted accounting guidance which prescribes a more-likely-than-not threshold for financial statement recognition and measurement to a tax position taken or expected to be taken in a tax return. This guidance also provides guidance on derecognition of income tax income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for income taxes in interim periods and income tax disclosures.

The Company is subject to examination in the U.S. federal and state tax jurisdiction of the 2002 to 2015 tax years. There are not current examinations of the Company's prior tax returns. The Company has not filed any U.S or state income tax returns since 2001. The penalty and interest charges on the delinquent returns is estimated to be minimal due to net operating losses incurred in each year of operations.

No penalty and interest on any tax positions have been computed and the Company does not anticipate there will be a charge in the uncertain tax position in the next 12 months.

5. EARNINGS PER SHARE

Accounting guidance requires a reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) computations.

The following reconciles the components of the EPS computation for the years ended January 31, 2016 and 2015:

	2016	2015
Basic and Diluted (loss) per share computation		
Numerator:		
Net income (loss)	$ 38,297	$ (243,296)
Denominator:		
Weighted average common shares outstanding	12,351,157	12,264,437
Basic (loss) per share	$ (0.00)	$ (0.02)

6. ASSET RETIREMENT OBLIGATION

The following table provides a roll forward of the asset retirement obligations:

	Year Ended January 31, 2016	Year Ended January 31, 2015
Asset retirement obligation beginning balance	$ 6,079	$ 9,247
Liabilities incurred	—	—
Liabilities settled	-	-
Revisions	3,520	(4,171)
Accretion expense	219	1,003
Asset retirement obligation ending balance	6,079	6,079
Less current portion	-	-
Asset retirement obligation, long-term	$ 9,818	$ 6,079

7. CAPITAL LEASE

The Company has a lease on a copier through August, 2017. This lease has been classified as a capital lease as the lease term is more than 75% of the estimated economic life of the copier. The balances on the lease are as follows:

	Year Ended January 31, 2016	Year Ended January 31, 2015
Remaining lease payments	$ 4,696	$ 6,618
Imputed interest	(453)	(1,191)
Copier lease balance	4,243	$ 5,427
Less current portion	(2,074)	(1,848)
Copier lease, long-term	$ 2,169	$ 3,579

Future principal payments over the next five years are as follows: 2017 - $2,645, 2018 - $1,598, 2019 - $0, 2020 - $0, 2021 - $0.

8. ISSUANCE OF STOCK

During the year ended January 31, 2016 the Company issued 50,000 shares of common stock with a fair value at issuance of $8,750 for consulting services.

9. MAJOR PURCHASERS

The Company's natural gas production is sold under contracts with one purchaser.

10. CONTINGENCIES

In the normal course of its operations, the Company may, from time to time, be named in legal actions seeking monetary damages. While the outcome of these matters cannot be estimated with certainty, management does not expect, based upon consultation with legal counsel, that they will have a material effect on the Company's business or financial condition or results of operations.

11. STOCK-BASED COMPENSATION

Incentive Stock Option Plan. The Company's Incentive Stock Option Plan authorizes the issuance of up to 2,000,000 shares of the Company's common stock to persons that exercise options granted pursuant to the Plan. Only Company employees may be granted options pursuant to the Incentive Stock Option Plan. The option exercise price is determined by the Company's Board of Directors but cannot be less than the market price of the Company's common stock on the date the option is granted.

Non-Qualified Stock Option Plan. The Company's Non-Qualified Stock Option Plan authorizes the issuance of up to 1,000,000 shares of the Company's common stock to persons that exercise options granted pursuant to the Plans. The Company's employees, directors, officers, consultants and advisors are eligible to be granted options pursuant to the Plans, provided however that bona fide services must be rendered by such consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction. The option exercise price is determined by the Company's Board of Directors.

Stock Bonus Plan. The Company's Stock Bonus Plan allows for the issuance of up to 4,000,000 shares of common stock. Such shares may consist, in whole or in part, of authorized but unissued shares, or treasury shares. Under the Stock Bonus Plan, the Company's employees, directors, officers, consultants and advisors are eligible to receive a grant of the Company's shares, provided however that bona fide services must be rendered by consultants or advisors and such services must not be in connection with the offer or sale of securities in a capital-raising transaction.

The following table shows the weighted average exercise price of the outstanding options granted pursuant to the Company's Incentive and Non-Qualified Stock Option Plans as of January 31, 2016. The Company's Incentive and Non-Qualified Stock Option Plans were not approved by the Company's shareholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options [a]	Weighted-Average Exercise Price of Outstanding options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column [a]
Incentive Stock Option Plan	—	—	2,000,000
Non-Qualified Stock Option Plan	—	—	750,000

The following table provides information as of January 31, 2016 concerning the stock options and stock bonuses granted by the Company pursuant to the Plans. Each option represents the right to purchase one share of the Company's common stock.

Name of Plan	Total Shares Reserved Under Plans	Shares Reserved for Outstanding Options	Shares Issued As Stock Bonus	Remaining Options/Shares Under Plans
Incentive Stock Option Plan	2,000,000	—	N/A	2,000,000
Non-Qualified Stock Option Plan	1,000,000	—	N/A	750,000
Stock Bonus Plan	4,000,000	—	203,698	3,796,302

The following table summarizes the options and stock bonuses granted pursuant to the Plans as of January 31, 2016:

Incentive Stock Options

Shares Subject to Option	Exercise Price	Date of Grant	Expiration Date of Option	Options Exercised as of January 31, 2016
None	—	—	—	—

Non-Qualified Stock Options

Shares Subject to Option	Exercise Price	Date of Grant	Expiration Date of Option	Options Exercised as of January 31, 2016
25,000	$ 0.03	6-30-03	7-15-05	25,000

Stock Bonus Plan

Name	Shares Issued as Stock Bonus	Date Issued
George Shaw	10,000	10/30/03
Scott Shaw	10,000	10/30/03
Employees and consultants	183,698	Various dates
	203,698	

12. SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES

Net Capitalized Costs

The Company's aggregate capitalized costs related to natural gas and oil producing activities are summarized as follows:

	January 31, 2016	January 31, 2015
Natural gas and oil properties and		
Related lease equipment:		
Proved	$ 1,746,362	$ 1,729,362
Unproved	-	-
	1,746,362	1,729,362
Accumulated depreciation, depletion and impairment	(1,668,988)	(1,646,895)
Net capitalized costs	$ 77,374	$ 82,467

Unproved properties not subject to amortization consisted mainly of leasehold acquired through acquisitions. The Company will continue to evaluate its unproved properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred

Costs incurred in natural gas and oil property acquisition, exploration and development activities that have been capitalized are summarized as follows:

	Years Ended January 31,	
	2016	2015
Development costs	$ 17,001	$ -
Investment in Snyder Well Partnership	-	-
	$ 17,001	$ -

Results of Operations for Natural Gas and Oil Producing Activities

The Company's results of operations from natural gas and oil producing activities are presented below for the fiscal years ended January 31, 2016 and 2015. The following table includes revenues and expenses associated directly with the Company's natural gas and oil producing activities. It does not include any interest costs and general and administrative costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of the Company's natural gas and oil operations.

	Years Ended January 31,	
	2016	2015
Production revenues	$ 25,843	$ 56,697
Production and transportation costs	(11,176)	(14,088)

Impairment of property	(15,896)	--
Gain on sale of properties	--	--
Depletion expense	(3,947)	(2,251)
	(5,176)	(40,358)
Imputed income tax provision (1)	-	-
Results of operation for natural gas/oil producing activity	$ (5,176)	$ (40,358)

(1) The imputed income tax provision is hypothetical (at the statutory rate) and determined without regard to the Company's deduction for general and administrative expenses, interest costs and other income tax credits and deductions, nor whether the hypothetical tax provision will be payable.

Natural Gas and Oil Reserve Quantities

The following schedule contains estimates of proved natural gas and oil reserves attributable to the Company. Proved reserves are estimated quantities of natural gas and oil that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those which are expected to be recovered through existing wells with existing equipment and operating methods. Reserves are stated in thousand cubic feet (mcf) of natural gas and barrels (bbl) of oil. Geological and engineering estimates of proved natural gas and oil reserves at one point in time are highly interpretive, inherently imprecise and subject to ongoing revisions that may be substantial in amount. Although every reasonable effort is made to ensure that the reserve estimates are accurate, due to their nature reserve estimates are generally less precise than other estimates presented in connection with financial statement disclosures.

	Gas – mcf	Oil - bbls
Proved reserves:		
Balance, January 31, 2014	197,247	--
Revisions of previous estimates	(16,404)	--
Production	(15,688)	--
Balance, January 31, 2015	165,155	--
Revisions of previous estimates	(14,977)	--
Production	(14,548)	--
Balance, January 31, 2016	135,630	--
Proved developed reserves:		
Balance, January 31, 2016	135,630	--
Balance, January 31, 2015	165,155	--

Standardized Measure of Discounted Future Net Cash Flows:

The following schedule presents the standardized measure of estimated discounted future net cash flows from the Company's proved reserves for the fiscal years ended January 31, 2016 and 2015. Estimated future cash flows are based on independent reserve data. Because the standardized measure of future net cash flows was prepared using the prevailing economic conditions existing during the year ended January 31, 2016 and at January 31, 2015, it should be emphasized that such conditions continually change. Accordingly, such information should not serve as a basis in making any judgment on the potential value of the Company's recoverable reserves or in estimating future results of operations.

	Years Ended January 31,	
	2016	2015
Future production revenues (1)	$ 248,378	$ 614,378
Future production costs	(130,226)	(268,620)
Future development costs	—	—
Future income tax	—	—
Future net cash flows	118,655	345,758
Effect of discounting future annual cash flows at 10%	(40,108)	(132,214)
Standardized measure of discounted net cash flows	$ 78,547	$ 213,544

(1) The weighted average natural gas and oil wellhead prices used in computing the Company's reserves were $1.84 per mcf for the year ended January 31, 2016 as compared to $3.72 per mcf at January 31, 2015.

The following schedule contains a comparison of the standardized measure of discounted future net cash flows to the net carrying value of proved natural gas and oil properties at January 31, 2015 and 2014:

	Years Ended January 31,	
	2016	2015
Standardized measure of discounted future net cash flows	$ 78,547	$ 213,544
Proved natural gas & oil property net of Accumulated depreciation, depletion and amortization, including impairment of $1,649,146 and $1,646,895 at January 31, 2015 and 2014, respectively	77,374	80,216
Standardized measure of discounted future net cash flows in excess of net carrying value of proved natural gas & oil properties	$ 1,173	$ 133,328

The following reconciles the change in the standardized measure of discounted future net cash flow for the years ended January 31, 2016 and 2015.

	Years Ended January 31,	
	2016	2015
Beginning balance	$ 213,544	$ 241,352
Sales of oil and gas produced, net of net of production costs	(25,843)	(56,697)
Net changes in prices and production costs	(190,247)	(7,234)
Sales of reserves in place	—	—
Purchase of reserves in place	—	—
Revisions of estimates, less related production Costs	(8,140)	(18,114)
Accretion of discount	21,354	24,135
Net change in income taxes	—	--
Other	67,879	30,102
Ending balance	$ 78,547	$ 213,544