

GREYSON INTERNATIONAL, INC.

Financial Statements

For the Period Ended

March 31, 2012 and March 31, 2011

Prepared By  
Charles E. Heath CPA, P.A.  
32C SE Osceola Street  
Stuart, FL 34994  
772-286-5669



# Charles E. Heath CPA, P.A.

MEMBER:  
FLORIDA INSTITUTE OF CPAs  
OKLAHOMA SOCIETY OF CPAs

P.O. BOX 2315  
STUART, FLORIDA 34994  
(772) 286-5669  
(772) 286-6537 FAX  
[www.flbeancounter.com](http://www.flbeancounter.com)

To the Board of Directors

GREYSON INTERNATIONAL, INC.  
6601 Lyons Road  
Suite #D-10  
Coconut Creek, FL 33073

We have compiled the accompanying statement of assets, liabilities, and equity - income tax basis of GREYSON INTERNATIONAL, INC., a Corporation, as of March 31, 2012 and March 31, 2011 and the related statements of revenues, expenses, and stockholders' equity- income tax basis for the periods then ended. 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 the income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting 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.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, expenses, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Charles E. Heath CPA, P.A.*

Charles E. Heath CPA, P.A.  
License #AC35898  
June 21, 2012

**GREYSON INTERNATIONAL, INC.**  
**Balance Sheet**  
**As of March 31, 2012 and March 31, 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash on Hand & in Bank	\$ 113,539.57	\$ 40,451.13
Accounts Receivable - Trade	8,166.92	10,628.64
A/R - Member Legal Fees	4,711.00	0.00
Inventory	<u>143,281.70</u>	<u>104,467.64</u>
<b>Total Current Assets</b>	<u>269,699.19</u>	<u>155,547.41</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture & Equipment	36,280.86	31,209.58
Less: Accumulated Depreciation	<u>(28,933.31)</u>	<u>(27,673.75)</u>
<b>Net Property and Equipment</b>	<u>7,347.55</u>	<u>3,535.83</u>
<b>OTHER ASSETS</b>		
Investment-Oil & Gas	2,986,589.00	0.00
Prepaid Expenses	0.00	10,306.94
Refundable Deposits	2,318.75	0.00
Patents and Trademarks	11,774.50	11,774.50
Equity in Private Oil & Gas Entity	<u>630,689.82</u>	<u>0.00</u>
<b>Total Other Assets</b>	<u>3,631,372.07</u>	<u>22,081.44</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,908,418.81</u>	<u>\$ 181,164.68</u>

"Restricted for Management's Use Only"  
See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**Balance Sheet**  
As of March 31, 2012 and March 31, 2011

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 32,781.31	\$ 4,900.50
Sales Tax Payable	0.00	38.73
Due to Pitney Bowes Cr Cd	<u>5,385.41</u>	<u>7,883.19</u>
<b>Total Current Liabilities</b>	<u>38,166.72</u>	<u>12,822.42</u>
<b>LONG-TERM LIABILITIES</b>		
<b>Total Long-Term Liabilities</b>	<u>0.00</u>	<u>0.00</u>
<b>Total Liabilities</b>	<u>38,166.72</u>	<u>12,822.42</u>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock	11,912.73	8,019.19
Capital Stock Subscribed	17.95	0.00
Capital Stock - Preferred	100.00	100.00
Paid in Excess	15,423,652.33	10,860,680.77
Net Income	(498,287.27)	(212,356.83)
Retained Earnings	<u>(11,067,143.65)</u>	<u>(10,488,100.87)</u>
<b>Total Stockholders' Equity</b>	<u>3,870,252.09</u>	<u>168,342.26</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,908,418.81</u>	<u>\$ 181,164.68</u>

"Restricted for Management's Use Only"  
See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**Statement of Revenues & Expenses**  
**For the 3 Months Ended March 31, 2012**

	3 Months Ended March 31, 2012	3 Months Ended March 31, 2011
<b>Sales</b>		
Sales	\$ 453.03	\$ 7,187.88
Other Income	869.06	819.92
Management Fee Income	7,500.00	0.00
Less: Returns & Allowances	<u>0.00</u>	<u>0.00</u>
<b>Total Sales</b>	<u>8,822.09</u>	<u>8,007.80</u>
<b>Cost of Goods Sold</b>		
Material Purchases	1,233.54	8,193.53
Freight out	1,620.79	0.00
Equipment Rental	462.58	304.62
Repairs and Maintenance	<u>1,610.94</u>	<u>0.00</u>
<b>Total Cost of Goods Sold</b>	<u>4,927.85</u>	<u>8,498.15</u>
<b>Gross Profit</b>	<u>3,894.24</u>	<u>(490.35)</u>
<b>Operating Expenses</b>		
Auto Repair Expense	0.00	254.99
Officer's Medical Expense	4,648.74	9,032.54
Bank Charges and Fees	129.00	65.75
Credit Card Fees	157.02	301.65
Stock Expense	4,431.30	32,178.70
Legal and Accounting	29,525.00	6,500.00
Public Relations Expense	15,000.00	10,500.00
Patent Expense	1,535.00	0.00
Insurance	723.34	5,561.96
Postage	592.87	3,308.61
Insurance-Health	0.00	2,405.40
Licenses and Taxes	1,918.23	0.00
Internet Expense	59.80	71.94
Office Supplies	1,568.79	(887.06)
Computer Supplies & Expense	595.00	0.00
Dues and Subscriptions	10,270.79	134.85
Gas Expense	907.62	966.77
Miscellaneous Expense	1,460.00	0.00
Meals & Entertainment	1,288.64	6,134.77
Travel & Lodging	2,344.57	11,457.80
Rent	9,735.20	14,745.84
Utilities	1,873.26	578.07
Telephone Expense	2,248.62	2,384.31
Repairs and Maintenance	1,053.91	0.00
Security Expense	245.91	0.00
Advertising	0.00	1,500.00
Web Expense	11,604.85	675.00
Consulting Fees	388,720.10	77,706.94
Auto Lease Expense	3,939.24	2,673.13

See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**Statement of Revenues & Expenses**  
**For the 3 Months Ended March 31, 2012**

	<b>3 Months Ended March 31, 2012</b>	<b>3 Months Ended March 31, 2011</b>
Sales Tax	11.47	44.92
Research and Development	4,110.05	20,632.48
Interest Expense	307.86	446.15
Depreciation	<u>1,181.73</u>	<u>2,506.94</u>
<b>Total Operating Expenses</b>	<u>502,187.91</u>	<u>211,882.45</u>
<b>Operating Income (Loss)</b>	<u>(498,293.67)</u>	<u>(212,372.80)</u>
<b>Other Income (Expense)</b>		
Interest Earned	<u>6.40</u>	<u>15.97</u>
<b>Total Other Income (Expense)</b>	<u>6.40</u>	<u>15.97</u>
<b>Net Income (Loss) Before Taxes</b>	<u>(498,287.27)</u>	<u>(212,356.83)</u>
<b>Net Income (Loss)</b>	<u>\$ (498,287.27)</u>	<u>\$ (212,356.83)</u>

See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**Statement of Cash Flows**  
**For the Periods Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ (498,287.27)	\$ (212,356.83)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:		
Depreciation and Amortization	1,181.73	2,506.94
Losses (Gains) on sales of Fixed Assets	0.00	0.00
Decrease (Increase) in Operating Assets:		
Accounts Receivable	95,289.00	100,550.00
Inventory	1,233.54	4,382.75
Other	0.00	(3,494.44)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	17,311.60	3,249.49
Accrued Liabilities	0.00	0.00
Total Adjustments	<u>115,015.87</u>	<u>107,194.74</u>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>(383,271.40)</b>	<b>(105,162.09)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(4,649.45)	0.00
Proceeds From Sale of Fixed Assets	<u>0.00</u>	<u>0.00</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(4,649.45)</b>	<b>0.00</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds From Sale of Stock	<u>4,063,095.62</u>	<u>88,788.01</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>4,063,095.62</b>	<b>88,788.01</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,675,174.77</b>	<b>(16,374.08)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>49,653.88</u>	<u>199,922.07</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 113,539.57</u></u>	<u><u>\$ 40,451.13</u></u>

"Restricted for Management's Use Only"  
See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**Statement of Retained Earnings**  
**For the 1 Quarter Ended March 31, 2012 and March 31, 2011**

Retained Earnings-Beginning	\$ (11,067,143.65)	\$ (10,488,100.87)
Plus: Net Income	(498,287.27)	(212,356.83)
Less: Dividends Paid	<u>0.00</u>	<u>0.00</u>

<b>RETAINED EARNINGS</b>		
<b>END OF PERIOD</b>	<u>\$ (11,565,430.92)</u>	<u>\$ (10,700,457.70)</u>

See Accountant's Compilation Report

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

General

Greyson International, Inc. (“Greyson” or the “Company”) was incorporated under the Laws of the State of Delaware on October 17, 1997. The Company develops, researches, manufactures, distributes and sells health and beauty products.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of these financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting where revenues and expenses are recognized in the period in which they were incurred. The basis of accounting conforms to accounting principles generally accepted in the United States of America.

Going Concern

As shown in the accompanying financial statements, the Company has incurred net losses of \$498,287 and \$ 212,357 for the periods ended March 31, 2012 and 2011, respectively. These conditions create an uncertainty as to the Company’s ability to continue as a going concern. Management’s plans in regard to this matter are to continue to raise equity capital, increase advertising through the internet on its existing line of cosmetics and market their products through retailers. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

As previously discussed Greyson has purchased a company that has an investment with considerable upside potential in the oil and gas industry. This raises the possibility for Greyson to be able to monetize this asset in many ways.

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Uncollectible Amounts

Accounts receivable represents amounts billed to customers but uncollected. Accounts receivable are recorded at the invoiced amounts and are non-interest bearing. Based on

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

its experience with its customers, management expects to collect all receivables, and as a result, a provision for doubtful accounts has not been recorded.

Revenue Recognition

The Company recognizes revenue in accordance with the provisions of Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition", which states that revenue is realized and earned when all of the following criteria are met:

- (a) persuasive evidence of the arrangement exists,
- (b) delivery has occurred or services have been rendered,
- (c) the seller's price to the buyer is fixed and determinable and
- (d) collectibility is reasonably assured.

Earnings per share

The Company computes basic and diluted loss per share amounts for March 31, 2012 and 2011, pursuant to the Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings per Share." Basic earnings per share are computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if dilutive potential common stock had been converted to common stock.

Concentration of Credit Risk

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. At March 31, 2012 and 2011, the Company's cash balance did not exceed the federally insured limits.

Income Taxes

The Company records income taxes on the periods' taxable income for federal and state income tax reporting purposes. Deferred income taxes are recognized for the tax consequences in future periods for differences between the tax basis of assets and liabilities and their financial reporting amounts at each period-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period of deferred tax assets and liabilities.

The Company accounts for income taxes under the provisions of FASB Accounting Standards Codification ("ASC") 740, *Income Taxes* (formerly referenced as FASB

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109*), which changed the framework for accounting for

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*uncertainty in income taxes. The adoption of this standard does not have an impact on the Company's results of operations or financial position.*

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, related party receivable, accounts payable, and related party payable approximate fair value at March 31, 2012 and 2011 because of the relatively short maturity of the instruments.

Inventories

Inventories, which consist of items available for sale, are recorded using the first-in, first-out method and valued at the lower of cost or market. As of March 31, 2012 and 2011, the inventory totaled \$ 143,282 and \$ 104,468.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the useful lives of the assets, which range from three months to ten years. The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The carrying value of assets sold or retired is removed from the accounts and any resulting gain or loss is reflected in results of operations.

Accounting for Shipping and Handling Costs

The Company records shipping and handling costs incurred in cost of sales and records shipping and handling costs billed to customers in net sales.

Advertising

Advertising costs are expensed as incurred and are included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. The Company incurred advertising expenses of \$ 0 and \$ 1,500 during the periods ended March 31, 2012 and 2011 respectively.

Stock Based Compensation

All share-based payments to employees, including the grants of employee stock options, are recognized in the Company's financial statements based on their fair values, but only to the extent that vesting is considered probable. Compensation cost for awards that vest will not be reversed if the awards expire without being exercised. The fair value of stock options is determined using the Black-Scholes option-pricing model. Compensation costs for awards are amortized over the vesting period. Option pricing model input

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

assumptions such as expected term, expected volatility and risk-free interest rate impact the fair value estimate. Further, the forfeiture rate impacts the amount of aggregate

**NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions are based on or determined from external data and other assumptions may be derived from the Company's historical experience with share-based arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and Equipment consisted of:

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Equipment	\$36,281	\$31,210
Less Accumulated Depreciation	<u>(28,933)</u>	<u>(27,674)</u>
Total	<u>\$ 7,347</u>	<u>\$ 3,536</u>

The Company recognized \$ 1,182 and \$ 2,507 in depreciation expense for the periods ended March 31, 2012 and 2011, respectively.

**NOTE 4 – OTHER ASSETS**

Infomercial

Infomercial costs consist of expenditures to develop and film a television infomercial that promotes the corporate cosmetic product line and can be used for an extended period of time with minimal alteration expense. During 2011, the infomercial was written off due to obsolescence and is included in general and administrative expenses.

Deposits

Deposits consisted of a deposit placed on the lease of the Company's office at the inception of the lease. This deposit was fully recovered at the end of the lease..

Other assets consisted of :

	<u>March 31</u>	
	<u>2012</u>	<u>2011</u>
Infomercial	\$ 0	\$ 0
Patents and Trademarks	11,775	11,775
Refundable Deposits	<u>2,319</u>	<u>0</u>
	14,094	11,775

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 4 – OTHER ASSETS (CONTINUED)

Less Accumulated Amortization	( 0 )	( 0 )
Total	<u>\$ 14,094</u>	<u>\$ 11,775</u>

The Company recognized \$ 0 and \$ 0 in amortization expense for the periods ended March 31, 2012 and 2011, respectively.

NOTE 5 – MERGER WITH A PRIVATE ENTITY WITH A SIGNIFICANT INTEREST IN OIL AND GAS

The company acquired all of the assets and liabilities of a private entity with a significant interest in oil and gas on March 12, 2012 for 20 million shares of Greyson International, Inc. Company management represent that this merger will result in considerable upside potential in the oil and gas industry. This raises the possibilty for Greyson to be able to monetize this asset in many ways.

Assets

Cash – Chase Bank	\$ 280
A/R-Member Legal Pool Contributions	4,711
Investments - Oil & Gas	<u>630,690</u>
Total Assets	<u>\$ 635,681</u>

Liabilities

Accounts Payable	\$ <u>200</u>
Total Liabilities	<u>\$ 200</u>

Equity

Members Equity	\$ 659,662
Net Income	<u>(24,180)</u>
Total Liabilities and Equity	<u>\$ 635,681</u>

**Fair Value Measurements**

Financial Accounting Standards Board Statement No. 157, *Fair Value Measureaments* (FASB Statement No. 157), establishes a framework for measuring fair value. That

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

**NOTE 5 – MERGER WITH A PRIVATE ENTITY WITH A SIGNIFICANT INTEREST IN OIL AND GAS**

unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1                      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2                      Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3                      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 12, 2012.

Accounts Receivable-Member Legal Pool : Valued at the closing price reported on the active market on which the individual securities are traded.

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

Investments: Valued at the transaction cost to the private entity at the time of original acquisition of Oil & Gas.

**NOTE 5 – MERGER WITH A PRIVATE ENTITY WITH A SIGNIFICANT INTEREST IN OIL AND GAS**

Oil and Gas Investment: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Greyson believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of March 12, 2012:

ASSETS AT FAIR VALUE AS OF MARCH 12, 2012				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 280			\$ 280
A/R-Member Legal Pool	4,711			4,711
Oil & Gas Investment	630,690			630,690
Greyson Investment- Oil & Gas	<u>2,986,589</u>	<u>-0-</u>	<u>-0-</u>	<u>2,986,589</u>
Total Assets at Fair Value	<u>\$3,622,270</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$3,622,270</u>

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 6 – RELATED PARTY

Related Party Receivable

None

Related Party Payable

The Company issued 1,000,000 shares of Greyson International, Inc. common stock during 2008 to satisfy a related party payable. At December 31, 2009, the Company had a related party payable in the amount of \$30,000 to a former shareholder of the Company. During 2011, the Company repaid the liability in conjunction with the repurchase and retirement of 1,000,000 shares of common stock.

Lease

The Company leased office space from Lant Holdings, LLC through March 31, 2012. Rent expense for the years ended March 31, 2012 and 2011 were \$56,629 and \$59,250, respectively. The Company signed a new lease with Lyons Corporate Park LLP on January 23, 2012, with the lease commencing on February 1, 2012 through February 28, 2013. The rent amounts are \$ 1,500 and the CAM is an additional \$687.50 per month. Sales tax on the rent is \$ 131.25. Total of all lease payments for the lease period amounts to \$ 27,825.00.

NOTE 7 – STOCK OPTIONS

During 2010, the Board granted to its consultants stock options to purchase 7,900,000 shares of Common Stock. The stock options vest immediately. The exercise price of the stock options is \$0.05 per share, which was the price received for most recent sales of the Common Stock prior to the date of grant. The weighted-average grant-date fair value of options granted was \$0.02 per share based on the Black-Scholes option pricing model. The options expire five years from the date of grant.

During 2010, the Board granted to its consultants and employees stock options to purchase 150,000 shares of Common Stock, and during 2011, an additional 500,000 options were granted.. The stock options vest immediately. The exercise price of the stock options is \$0.10 per share, which was the price at the closing of the Common Stock prior to the date of grant. The weighted-average grant-date fair value of options granted was \$0.02 per share based on the Black-Scholes option pricing model. The options expire two years and five years, respectively, from the date of grant.

During 2010, the Company granted to its employees, stock options to purchase 10,200,000 shares of Common Stock. The stock options vest immediately. The exercise price of the stock options was \$0.06 and \$0.08 per share. The weighted-average grant-

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 7 – STOCK OPTIONS (CONTINUED)

date fair value of options granted was \$0.02 per share based on the Black-Scholes option pricing model. The options expire five years from the date of grant.

The weighted average grant date fair value of options granted during the years ended December 31, 2010 and 2011 were estimated on the date of grant using the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. Expected volatility is based on the average of the expected volatilities from the most recent audited financial statements available for three public companies that are deemed to be similar in nature to the Company. Expected dividend yield is based on historical trends. The expected term represents the period of time that the options granted are expected to be outstanding. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected terms of the options at the date of grant. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted.

The following table summarizes the assumptions the Company utilized to record compensation expense for options awarded during the periods ended March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Risk free interest rate	2.22%	2.22%
Expected life (years)	2 to 5	2
Expected volatility	55%	55%
Expected dividend	None	None

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 7 – STOCK OPTIONS (CONTINUED)

A summary of options for the periods ended March 31, 2012 and 2011 is shown below:

	2012		2011	
	Number of Share	Weighted Average Exercise Price	Number of Share	Weighted Average Exercise Price
Outstanding at beginning of period	11,800,000	0.05	3,750,000	0.07
Granted	10,700,000	0.05	8,050,000	0.05
Exercised	2,200,000	0.00	0.00	0.08
Forfeited	(0)	0.00	(0)	0.00
Expired	(0)	0.00	(0)	0.00
Outstanding at end of period	20,300,000	0.05	11,800,000	0.05
Exercisable at end of period	20,300,000		1,406,500	

NOTE 8 – EQUITY

Preferred Stock

Preferred shareholders have a right to cast a total of 25 votes for each issued and outstanding share of preferred stock on all matters that are brought for vote to the holders of common stock.

Common Stock

During the periods ended March 31, 2012 and 2011, the Company issued 4,400,000 shares of common stock for cash at an average price per share of \$0.05 for a total value of \$220,000.

During the years ended March 31, 2012 and 2011, the Company issued 240,807 shares of common stock for services at an average value per share of \$0.10 for a total value of \$24,081.

During the years ended March 31, 2012 and 2011, the Company retired 0 shares of common stock that were issued as collateral at an average value per share of \$.00 for a total value of \$0.

During the years ended March 31, 2012 and 2011, the Company repurchased and retired 0 shares of common stock at an average value per share of \$0.00 for a total value of \$0.

**GREYSON INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2012 AND 2011**

NOTE 9 – INCOME TAXES

For federal income tax purposes, an analysis of the components of the (loss) before income taxes and the related income tax (benefit) is presented in the following tables. The tax amounts have been calculated using the 34% federal and 5.5% state income tax rates.

The (provision) benefit for income taxes consists of the following:

	<u>2012</u>	<u>2011</u>
Current	\$ 0	\$ 0
Deferred	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

As of March 31, 2012 and 2011 the Company had a net operating loss carry forward of approximately \$ 3,081,492 and \$2,518,512 respectively, which will begin to expire in 2025.

NOTE 10 - SUBSEQUENT EVENTS

None.