

**CAPITAL FINANCIAL GLOBAL, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2016**

**(Unaudited)**

**CAPITAL FINANCIAL GLOBAL, INC.  
AND SUBSIDIARY  
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**Capital Financial Global, Inc. and Subsidiary**  
**Consolidated Balance Sheets**

	September 30, 2016 (Unaudited)	December 31, 2015 (Unaudited)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 4,889	\$ 368
Interest income receivable, net of allowance	2,291	219
Note held for sale, net of allowance	-	-
Other notes receivable	23,000	23,000
Total Current Assets	<u>30,180</u>	<u>23,587</u>
 Property and equipment, net	 -	 -
Investment in mining property	548,835	548,835
<b>Total Assets</b>	<b><u>\$ 579,015</u></b>	<b><u>\$ 572,422</u></b>
 <b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current Liabilities		
Accounts payable	\$ 94,283	\$ 94,283
Accrued interest payable	357,332	304,928
Accrued compensation and payroll taxes	565,977	469,100
Convertible notes payable	12,000	17,230
Notes payable - related party	35,895	35,611
Current notes payable	136,571	112,042
Other current liabilities	11,000	11,000
Total Current Liabilities	<u>1,213,057</u>	<u>1,044,194</u>
 Long term notes payable	 881,805	 881,805
Total Liabilities	<u>2,094,862</u>	<u>1,925,999</u>
 Stockholders' Equity (Deficit)		
Preferred stock		
Series A, \$0.001 par value, 100 shares authorized, 100 shares issued and outstanding;	2,634,025	2,634,025
Series B, \$0.001 par value, 20,000,000 shares authorized, 2,679,200 shares and		
2,429,200 shares issued and outstanding, respectively	2,679,200	2,429,200
Common stock, \$0.001 par value, 1,850,000,000 shares authorized,		
1,786,275,318 shares and 1,626,275 shares issued and outstanding, respectively	1,786,275	1,626,275
Additional paid-in capital	(335,448)	(180,678)
Accumulated deficit	(8,279,899)	(7,862,399)
Total Stockholders' Equity (Deficit)	<u>(1,515,847)</u>	<u>(1,353,577)</u>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b><u>\$ 579,015</u></b>	<b><u>\$ 572,422</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**Capital Financial Global, Inc. and Subsidiary**  
**Consolidated Statements of Operations**

	For the Nine Months Ended September 30,	
	2016	2015
	(Unaudited)	(Unaudited)
<b>Revenues</b>		
<b>Interest Income</b>		
Interest and fees on loans	\$ 12,072	\$ 288,355
<b>Total Interest Income</b>	<u>12,072</u>	<u>288,355</u>
<b>Interest Expense</b>		
Interest on credit lines	-	-
<b>Total Interest Expense</b>	<u>-</u>	<u>-</u>
<b>Net Interest Income</b>	12,072	288,355
<b>Noninterest Income</b>		
Net realized trading gains (losses)	-	465
Net unrealized trading gains (losses)	-	-
Loan origination commissions	-	-
Loan servicing fees	-	-
<b>Total non-interest income</b>	<u>-</u>	<u>465</u>
<b>Net Revenue</b>	<u><b>12,072</b></u>	<u><b>288,820</b></u>
<b>Operating Expenses</b>		
Compensation and benefits	296,885	97,290
Marketing	133	4,952
Communications & technology	522	1,178
Occupancy	-	2,588
Professional fees	13,521	15,899
Other general and administrative	8,103	11,988
Depreciation and amortization	-	592
<b>Total operating expense</b>	<u>319,164</u>	<u>134,488</u>
<b>Operating Income (Loss)</b>	<u><b>(307,092)</b></u>	<u><b>154,332</b></u>
<b>Other Expenses</b>		
Non-operating interest expense	(60,408)	(80,614)
Provision for loan losses	(50,000)	-
Loss before income taxes	(417,500)	73,718
Provision for income tax	-	-
<b>Net Loss</b>	<u><b>(417,500)</b></u>	<u><b>73,718</b></u>
Series A preferred dividends	-	8,400
Series B preferred dividends accumulated and unpaid	-	(94,875)
<b>Net loss applicable to common shareholders</b>	<u><u><b>\$ (417,500)</b></u></u>	<u><u><b>\$ (12,758)</b></u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Capital Financial Global, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**  
(Unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2012	100	\$ 2,261,337	1,270,000	\$ 1,270,000	175,187,260	\$ 175,187	\$ 868,669	\$ (4,359,485)	\$ 215,708
Issuance for directors fees; \$0.001 per share; January 2013	-	-	-	-	4,000,000	4,000	-	-	4,000
Issuance for cash; \$0.001 per share; July 2013	-	-	-	-	10,000,000	10,000	-	-	10,000
Issuance for cash; \$0.001 to \$0.00125 per share; August 2013	-	-	-	-	27,000,000	27,000	3,000	-	30,000
Issuance for cash; \$0.00125 per share; September 2013	-	-	-	-	20,000,000	20,000	5,000	-	25,000
Issuance for cash; \$0.00111 to \$0.0006 per share; October 2013	-	-	-	-	50,000,000	50,000	(10,000)	-	40,000
Issuance for cash; \$0.00036 per share; December 2013	-	-	-	-	28,000,000	28,000	(18,000)	-	10,000
Series A preferred dividends	-	124,950	-	-	-	-	-	(124,950)	-
Net loss	-	-	-	-	-	-	-	(640,342)	(640,342)
Balance, December 31, 2013	100	2,386,287	1,270,000	1,270,000	314,187,260	314,187	848,669	(5,124,777)	(305,634)
Issuance for cash; \$0.00003 per share; January 2014	-	-	-	-	50,000,000	50,000	(35,000)	-	15,000
Issuance for cash; \$0.001 per share; April 2014	-	-	-	-	15,000,000	15,000	-	-	15,000
Common Stock issued for conversion of debt	-	-	-	-	550,020,258	550,020	(409,932)	-	140,088
Common Stock issued for Director Compensation	-	-	-	-	20,000,000	20,000	4,000	-	24,000
Series B preferred shares issued for notes receivable	-	-	1,701,200	1,701,200	-	-	-	-	1,701,200
Series B Shares issued for officer compensation	-	-	200,000	200,000	-	-	-	-	200,000
Series A preferred dividends	-	203,793	-	-	-	-	-	(203,793)	-
Net loss	-	-	-	-	-	-	-	(473,604)	(473,604)
Balance, December 31, 2014	100	\$ 2,590,080	3,171,200	\$ 3,171,200	949,207,518	\$ 949,207	\$ 407,737	\$ (5,802,174)	\$ 1,316,050
Common Stock issued for conversion of debt	-	-	-	-	677,067,800	677,068	(642,603)	-	34,465
Series B Shares issued for cash	-	-	28,000	28,000	-	-	-	-	28,000
Series A preferred dividends	-	43,946	-	-	-	-	-	(43,946)	-
Cancellation of Series B Shares	-	-	(770,000)	(770,000)	-	-	-	-	(770,000)
Sale of note held for sale	-	-	-	-	-	-	54,187	-	54,187
Net loss	-	-	-	-	-	-	-	(2,016,280)	(2,016,280)
Balance, December 31, 2015	100	\$ 2,634,025	2,429,200	\$ 2,429,200	1,626,275,318	\$ 1,626,275	\$ (180,679)	\$ (7,862,399)	\$ (1,353,577)
Common Stock issued for conversion of debt	-	-	-	-	160,000,000	\$ 160,000	\$ (154,770)	-	5,230
Series B Preferred Shares issued for officer compensation	-	-	200,000	200,000	-	-	-	-	200,000
Series B Preferred Shares issued per settlement agreement	-	-	50,000	50,000	-	-	-	-	50,000
Net Income	-	-	-	-	-	-	-	(417,500)	(417,500)
Balance, September 30, 2016	100	\$ 2,634,025	\$ 2,679,200	\$ 2,679,200	1,786,275,318	\$ 1,786,275	\$ (335,449)	\$ (8,279,899)	\$ (1,515,847)

The accompanying notes are an integral part of these consolidated financial statements.

**Capital Financial Global, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**

	For the Nine Months Ended September 30,	
	2016	2015
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net loss	\$ (417,500)	\$ 73,717
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	-	592
Net unrealized trading gains	-	-
Net provision for loan losses on Notes held for sale	-	-
Net provision for uncollectible interest income	-	-
Loss on extinguishment of debt	-	-
Series B Preferred Shares issued for officer compensation	200,000	-
Series B Preferred Shares issued per settlement agreement	50,000	-
Common Stock Issued for Services	-	-
Amortization of debt discount	-	-
Changes in operating assets and liabilities:		
Investment in fixed maturity trading securities	-	-
Interest income receivable	(2,072)	(288,355)
Accounts payable and accrued liabilities	-	600
Accrued interest payable	52,404	65,465
Accrued compensation and payroll liabilities	96,876	95,311
Net cash provided (used) by operation activities	<u>(20,292)</u>	<u>(52,669)</u>
<b>Cash flows from investing activities</b>		
Investment in note receivable	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Common stock issued, net of paid-in capital	5,230	34,466
Series A Preferred Stock dividends	-	-
Series B Preferred Stock	-	-
Net proceeds (payments) on debt	(5,230)	(28,965)
Net proceeds from notes payable	24,529	15,759
Net proceeds from related party note payable	284	31,630
Net cash provided (used) by financing activities	<u>24,813</u>	<u>52,889</u>
Net increase (decrease) in cash and cash equivalents	4,521	220
Cash and cash equivalents, beginning of period	368	420
<b>Cash and cash equivalents, end of period</b>	<u>\$ 4,889</u>	<u>\$ 640</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash financing activities:		
Series A preferred dividends	\$ -	\$ 8,400
Series B preferred shares issued per settlement agreement	50,000	-
Common stock issued for conversion of debt	160,000,000	837,067,800
Common stock issued for services	200,000	-

The accompanying notes are an integral part of these consolidated financial statements.

**Capital Financial Global, Inc.  
And Subsidiary  
Notes to the Consolidated Financial Statements  
September 30, 2016 (unaudited)**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying interim consolidated financial statements were prepared by the Company without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. In management's opinion all necessary adjustments, which consist primarily of normal recurring adjustments, to the consolidated financial statements have been made to present fairly the consolidated financial position and results of operations and cash flows. The results of operations for the respective periods presented are not necessarily indicative of the results for the respective complete years. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual financial statements as of and for the year ended December 31, 2015.

Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued during the periods presented in the accompanying consolidated financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's consolidated financial statements.

**NOTE 2 – BUSINESS CONDITION**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has had recurring losses along with an accumulated deficit totaling \$ 8,279,899 as of September 30, 2016. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans concerning these matters are to obtain additional debt and equity financing and expand lending to produce future revenues.

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash, notes and other receivables, accounts payable and notes payable. The carrying amounts of cash, notes and other receivables, and accounts payable approximate their fair value due to their short maturities.

The financial instrument assets carried at fair value on a recurring basis at December 31, 2015 are as follows:

Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable	\$ 23,000	\$ -	\$ -	\$ 23,000
Note held for sale	0	-	-	0
Total	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,000</u>

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**NOTE 4 – OTHER NOTES RECEIVABLE**

On December 2, 2015, the Company made a loan to Quantum Refiners, LLC in the amount of \$23,000, accruing interest at 12%, with a maturity date of December 31, 2017.

**NOTE 5 – NOTE HELD FOR SALE**

As of September 30, 2016, the Company does not have any notes held for sale. However, the Company is actively pursuing the acquisition of notes held for sale as part of its core business model.

**NOTE 6 – INVESTMENT IN MINING PROPERTY**

On September 29, 2011, the Company executed an Asset Purchase and Sale Agreement wherein it acquired 100% interest in 85.5 acres of land containing five patented lode mining claims along with water rights and certain property and equipment and other assets composing the St. Louis Mine, in Clark County, Nevada. The purchase price consisted of \$20,000 cash, a secured note for \$250,000, and an unsecured note for \$730,000, both bearing interests at 6% and, as amended on December 30, 2014, are due and payable on June 30, 2018. The Company determined that the acquisition value of the mining property discounting the notes payable at a 30% risk rate as of the date of acquisition, plus the cash consideration, was \$548,835. The mining property has not yet been put into operation since the date of acquisition. As of this reporting period, no further discounts to the acquisition value of those assets have been recognized.

**NOTE 7 – CONVERTIBLE NOTES PAYABLE**

On October 28, 2011, the Company issued a \$50,000 note payable (net of a \$5,000 discount, which was fully amortized in 2011), which matured April 28, 2012. The note was convertible at 50% of the market value of the Company's common stock, which valued the note at \$100,000 with the additional \$50,000 expensed in full during the year ended December 31, 2011. The note provided for 12% interest per annum until maturity, after which the note would be in default and assume a rate of 24%. During the 2014 and 2015 calendar years, the note holder elected to convert several amounts of the note to common stock. As a result, the \$50,000 assessment for convertibility was reversed. As of September 30, 2016, the remaining unconverted principal on this note was \$12,000.

On November 1, 2011, the Company issued an additional \$50,000 note payable (net of a \$5,000 discount, which was fully amortized in 2011), which matured on April 20, 2012. The note was convertible at 50% of the market value of the Company's common stock, which valued the note at \$100,000 with the additional \$50,000 expensed in full during the year ended December 31, 2011. The note provided for 12% interest per annum until maturity after which the note would be in default and assume a rate of 24%. During the 2014 calendar year, the entire note was converted to common stock and the \$50,000 assessment for convertibility was reversed.

As explained in Note 11—During the twelve months ended December 31, 2015, portions of each of the foregoing notes were converted to common stock. No conversions have been made during the current reporting period.

**NOTE 8 – RELATED PARTY NOTES PAYABLE**



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During the twelve months ended December 31, 2015, the Company issued, and subsequently partially repaid, several promissory notes to the Company's CEO in consideration of cash advances to the Company. The notes bear interest at 12% per annum and mature in 12 months. Accordingly, these debt obligations have been included in current liabilities in the accompanying consolidated financial statements. As of September 30, 2016, the net value of amounts owed on related party notes was \$35,895.

**NOTE 9 – LONG-TERM NOTES PAYABLE**

On September 29, 2011, the Company executed an Asset Purchase and Sale Agreement with an unrelated party wherein it acquired 100% interest in 85.5 acres of property consisting of five patented lode mining claims along with water rights and certain property and equipment and other assets composing the St. Louis Mine, in Clark County, Nevada (see Note 6). The purchase price consisted of \$20,000 cash, a note for \$250,000 secured by a deed of trust on the property purchased, and an unsecured note for \$730,000. Both notes bear interest at 6% and, as amended on December 30, 2014, are due and payable on June 30, 2018. A discounted rate of 30% representing approximate market risk value was used to recognize an initial discount of \$451,165.

**NOTE 10 – PREFERRED STOCK**

The Company has a total of 50,000,100 shares of Preferred Stock authorized, 100 shares of which have been designated as Series A Preferred Stock and 20,000,000 as Series B Preferred Stock. The remaining 30,000,000 shares of Preferred Stock have not yet been designated.

Series A Preferred Stock

The 100 shares of Series A preferred stock, with par value \$0.001 per share, are convertible into 105% of the common shares outstanding immediately prior to conversion. The 100 shares of Series A Preferred stock were initially issued to the current Chairman of the Board, CEO, and President of the Company as part of the acquisition of the assets of Capital Financial Services, Inc. in May 2010. Conversion of the 100 shares of Series A Preferred Stock was initially contingent upon certain milestones being met. All milestones were met on May 24, 2011 and on that date the Series A Preferred shares became unconditionally convertible into common shares of the Company. Subsequent to initial issuance, as additional shares of common stock have been issued, the holder of the Series A Preferred Shares has the right to obtain additional shares of common stock upon conversion as a result of the 105% conversion provision. The value of the right to obtain those additional shares of common stock has been recognized as additional value of the Series A Preferred Shares and consideration to the holder of the Series A Preferred Shares in the form of a preferred stock dividend. Accordingly, the value of the Series A preferred stock amounted to \$2,634,025, as of the current period end.

Series B Preferred Stock

The Company's Series B Preferred Stock includes terms that provide for a 4% cumulative dividend, payable quarterly from the date of issuance starting in July 2010, when, as, and if declared by the Company's Board of Directors. As of September 30, 2016, there were 2,629,200 shares of Series B preferred stock outstanding, and no such dividends had been declared.

**NOTE 11 – COMMON STOCK**

During the nine months ended September 30, 2016, there were 1,786,275,318 shares of common issued and outstanding, materially all of which are freely tradeable. No shares were issued in connection with

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convertible debt.

**NOTE 12 – MATERIAL RELATED-PARTY EVENTS**

Assumption of \$5,100,000 Note Receivable

On April 8, 2014, Gold Rush Refiners, LLC, the maker of a \$5,100,000 consolidated note to the Company, sold all of its assets to a company owned by the Company's president and chief executive officer, Gold Rush Refiners International, LLC (now, Quantum Refiners, LLC), which assumed the obligation on the consolidated note and granted a security interest in all of the assets acquired from Gold Rush Refiners, LLC, as security for repayment of the obligation evidenced by the note. Due to the uncollectibility of this balance, the Company has determined to impair the value of this note to \$0.00 (see Note 14).

New loan made to Quantum Refiners, LLC.

On December 2, 2015, the Company made a loan Quantum Refiners, LLC in the amount of \$23,000, accruing interest at 12%, with a maturity date of December 31, 2017.

**NOTE 13 –LITIGATION AND SETTLEMENT**

Original Legal Action

In mid-2012, the Company issued to Zermatt Life/Health Insurance Trust (Zermatt), an unrelated party, \$770,000 in Series B Preferred Stock, with a 4% cumulative dividend payable if, as, and when declared. Also in mid-2012, the Company used the proceeds from this preferred stock sale to loan Benefits for Corporate America Deferred Compensation Trust (BCA), an unrelated third party, \$770,000. The borrower delivered to the Company a promissory note secured by the third party's accommodation pledge of all of its assets, including its interest in 64 life insurance policies having a cash surrender balance of more than \$4 million. At the time of the foregoing preferred stock sale and loan, the purchaser of the stock (Zermatt) and the borrower (BCA) were represented to be unrelated to each other. The borrower defaulted in note payments, and the Company initiated and then accelerated efforts to collect payment of the \$770,000 note. Following such collection efforts, it was discovered that the preferred stockholder and borrower were affiliated or related in that BCA has refused to repay the note balance due, which is more than \$1 million, unless the Company agrees to repurchase all the Series B Preferred Stock held by Zermatt, which totals 1,470,000 shares. The Company believes that it is not obligated to repurchase the shares held by Zermatt and is entitled to collect from BCA. In response to the Company's position, in April 2014, Benefits for Corporate America, Inc., et al., filed a lawsuit against the Company, a subsidiary, and Paul Norat, the Company's president and chief executive officer, entitled *Benefits for Corporate America, Inc., et al., vs. Capital Financial, LLC, et al.*, Third Judicial District Court, Salt Lake County, Utah, case no. 140902802, alleging breach of contract, fraud, violation of the Utah Uniform Securities Act, and failure of consideration and seeking a declaratory judgment that certain notes are not enforceable and for unspecified damages, costs, and attorneys' fees.

The defendants denied the substantive allegations of the complaint, and the Company's subsidiary, Capital Financial, LLC, filed a counterclaim seeking to recover previously incurred costs \$104,325, plus interest. The counterclaim defendants denied the substantive allegations in the counterclaim.

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Capital Financial, LLC, filed an amended counterclaim further asserting breach of contract and foreclosure on the collateral securing over \$1.0 million in indebtedness. The counterclaim defendants denied all substantive allegations of the amended counterclaim.

Settlement of Benefits for Corporate America, Inc., et al., vs. Capital Financial, LLC, et al.

On March 21, 2016, the parties reached an agreement for the settlement of all claims arising out of or relating to the litigation, and executed a Settlement Agreement and Mutual Release.

The terms of the settlement agreement provide for, among other things, the sale of the Note Held for Sale owed to the Company by BCA to Zermatt in exchange for Zermatt's surrender of 770,000 shares of the Company's Series B Preferred Stock, and the forfeiture of any accrued dividends. Accordingly, the Company made the following accounting adjustments to its financial statements: loans held for sale were reduced in the amount of \$770,000, along with any associated provisions for loan losses and accrued interest, and; correspondingly, the number of shares of Series B Preferred Stock outstanding were reduced by 770,000 shares, along with any accrued dividends, and \$54,187.24 applied to additional paid in capital.

As a result of the settlement agreement, notes held for sale was reduced from \$508,000 in 2014 to \$0.00 in 2015. Accordingly, the associated interest income accrued was reduced from \$250,609 in 2014 to \$219 in 2015.

**NOTE 14 – SUBSEQUENT EVENTS**

In accordance with Financial Accounting Standards Board Accounting Standards Codification 855, Company management submits the following subsequent disclosures.

Legal Settlement in *Benefits for Corporate America, Inc., et al., vs. Capital Financial, LLC, et al.*

As described in Note 13 above, on March 21, 2016, the parties reached an agreement for the settlement of all claims arising out of or relating to the litigation described as Third Judicial District Court, Salt Lake County, Utah, case no. 140902802. Accordingly, the parties executed a Settlement Agreement and Mutual Release which ended the litigation with prejudice.

Cancellation of the Off-take Agreement with Noble Metal Kings

On February 4, 2016, the Company issued a press release cancelling the Off-Take Agreement with Noble Metal Kings ("Gold Concentrate Sales Agreement"), and announced a complete departure from any mining or mineral related activities. This departure marks a significant change to the business model of the Company and casts further doubt on its ability to remain solvent absent a compensating directional change in its business model.

Impairment of the Quantum Refiners Note Receivable

In March 2014, the Company entered into agreements with the holders of various notes receivable due from an unrelated entity, Gold Rush Refiners, LLC, for a total discounted purchase price of \$1,701,200, paid

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for with the issuance of 1,701,200 shares, at \$1.00 per share, of the Company's Series B Preferred Stock. The total face value of these notes receivable was approximately \$5,100,000, with varying interest rates from 0% to 36% per annum, are all currently or past due and are secured by the assets of Gold Rush Refiners, LLC.

In April 2014, the Company exchanged these notes for a new consolidated note with extended payment terms.

On April 8, 2014, the Company entered into a settlement agreement with Quantum Refiners, LLC, in which the Company exchanged the notes aggregating approximately \$5,100,000 from various makers for the issuance by Quantum Refiners, LLC, of a new, consolidated note in the principal amount of \$5,100,000, bearing interest at 12% before default and at 24% thereafter, and payable on or before April 7, 2019. Payment of the consolidated note is secured by all of the assets of Quantum Refiners.

Furthermore, in a February 4, 2016 press release, the Company announced the following:

“CFGX continues to hold approximately \$5.1 million in face amount of notes receivable that Gold Rush Refiners had issued prior to January of 2014, before it was acquired by Paul Norat and renamed Quantum Refiners. CFGX acquired these notes in March of 2014 in arm's length transactions in consideration of the issuance of about 1.7 million shares of preferred stock. These notes were written down to \$1.7 million based on concerns respecting the collectability of the notes in CFGX's September 30, 2015 financial statements. CFGX now believes the notes are uncollectable and is attempting to resolve adverse impacts on the company by addressing the previous issuance of the preferred stock.”

As a result, the Company impaired the note receivable to \$0.00 and recognized a book loss of \$2,072,429.39. In parallel, the Company is actively seeking to cancel all the shares of its Series B Preferred Stock that were issued to acquire the Gold Rush creditor claims. Accordingly, during the time that recovery of the stock is ongoing, the following accounting adjustments were made to the Company's financial statements: “Note Receivable” in the amount of \$1,701,200 was impaired to \$0.00, along with any associated accrued interest and offsetting provisions; “provisions for loan losses” were expensed in the amount of \$2,072,429.39. It is anticipated that compensating adjustments will be made to the amount of shares of Series B Preferred Stock that is outstanding resulting from the return and cancellation of preferred stock as the mitigation effort progresses.