

**ECO-PETROLEUM SOLUTIONS, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**

**FINANCIAL STATEMENTS**  
**(Unaudited)**

**SEPTEMBER 30, 2014, AND 2013**

**ECO-PETROLEUM SOLUTIONS, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**INDEX TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014, AND 2013**  
**(Unaudited)**

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**ECO-PETROLEUM SOLUTIONS, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**BALANCE SHEETS (NOTE 2)**  
**AS OF SEPTEMBER 30, 2014, AND DECEMBER 31, 2013**  
**(UNAUDITED)**

**ASSETS**

	<b>As of</b>	
	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Current Assets:</b>		
Cash in bank	\$ -	\$ 6,082
Accounts receivable-		
Related party - Patten Energy, Inc.	36,290	-
Current assets - Discontinued operations, net	-	378
Total current assets	36,290	6,460
<b>Property and Equipment:</b>		
Office and computer equipment	1,000	1,000
Machinery and equipment	92,100	92,100
	93,100	93,100
Less - Accumulated depreciation	(250)	-
Net property and equipment	92,850	93,100
<b>Other Assets:</b>		
Deferred equity formation costs	-	126,667
Intangible assets, net of accumulated amortization of \$1,167 in 2013	-	33,833
Goodwill	-	645,008
Total other assets	-	805,508
<b>Total Assets</b>	<b>\$ 129,140</b>	<b>\$ 905,068</b>

**LIABILITIES AND STOCKHOLDERS' (DEFICIT)**

<b>Current Liabilities:</b>		
Checks in excess of bank balance	\$ 107	\$ -
Current portion of long-term debt - Bank loan	-	-
Short-term notes	235,206	235,206
Accounts payable - Trade	139,245	137,491
Accrued liabilities	139,580	74,345
Payroll and sales taxes payable	3,084	-
Due to related parties -		
Settlement agreement related to completed reverse merger	266,000	273,500
Promissory note - Former Director and officer	35,000	35,000
Officers, Directors, and stockholders	321,436	163,097
Current liabilities - Discontinued Operations	485,153	468,006
Total current liabilities	1,624,811	1,386,645
Total liabilities	1,624,811	1,386,645
<b>Commitments and Contingencies</b>		
<b>Stockholders' (Deficit):</b>		
Common stock, \$0.0001 par value, 1,000,000,000 shares		
authorized; 19,139,158 shares and 17,839,158 shares issued and outstanding		
in 2014 and 2013, respectively	1,914	1,784
Additional paid-in capital	8,727,390	8,621,187
Common stock subscribed	-	100,000
(Deficit) accumulated during the development stage	(10,224,975)	(9,204,548)
Total stockholders' (deficit)	(1,495,671)	(481,577)
<b>Total Liabilities and Stockholders' (Deficit)</b>	<b>\$ 129,140</b>	<b>\$ 905,068</b>

The accompanying notes to financial statements are  
an integral part of these balance sheets.

**ECO-PETROLEUM SOLUTIONS, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENTS OF OPERATIONS (NOTE 2)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
**AND CUMULATIVE FROM INCEPTION (JULY 28, 2004) THROUGH SEPTEMBER 30, 2014**  
**(UNAUDITED)**

	For the Three-Month Periods Ended September 30,		For the Nine-Month Periods Ended September 30,		Cumulative From Inception
	2014	2013	2014	2013	
<b>Continuing Operations:</b>					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenses:</b>					
General and administrative	92,680	23,600	187,527	36,283	1,158,730
Stock-based compensation for issued stock options	-	-	-	-	1,226,625
Professional fees and compensation paid by issuance of common stock	-	-	-	-	2,449,269
Settlement agreement related to completed reverse merger	-	-	-	-	283,500
Depreciation and amortization	1,833	-	5,500	1,167	6,666
Total expenses	94,513	23,600	193,027	37,450	5,124,790
<b>(Loss) from Operations</b>	(94,513)	(23,600)	(193,027)	(37,450)	(5,124,790)
<b>Other Income (Expense):</b>					
Interest (expense)	(6,232)	(3,160)	(35,851)	(9,316)	(112,908)
Impairment of goodwill	(745,008)	-	(745,008)	-	(2,022,702)
Fair market value of shares issued in excess of debt satisfied	-	-	-	-	(1,292,215)
(Loss) on disposal of fixed assets	(28,583)	-	(28,583)	-	(33,583)
(Loss) on write-off of deferred merger agreement costs	-	-	-	-	(17,367)
Total Other Income (Expense)	(779,823)	(3,160)	(809,442)	(9,316)	(3,478,775)
<b>Provision for Income Taxes</b>	-	-	-	-	-
<b>(Loss) from Continuing Operations</b>	(874,336)	(26,760)	(1,002,469)	(46,766)	(8,603,565)
<b>Discontinued Operations:</b>					
(Loss) from operations of discontinued subsidiary	(6,686)	(21,251)	(17,958)	(34,720)	(1,621,410)
Provision for Income Taxes	-	-	-	-	-
<b>(Loss) from Discontinued Operations</b>	(6,686)	(21,251)	(17,958)	(34,720)	(1,621,410)
<b>Net (Loss)</b>	<u>\$ (881,022)</u>	<u>\$ (48,011)</u>	<u>\$ (1,020,427)</u>	<u>\$ (81,486)</u>	<u>\$ (10,224,975)</u>
<b>Basic and Diluted (Loss) Per Common Share:</b>					
(Loss) from Continuing Operations	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	
(Loss) from Discontinued Operations	<u>(0.00)</u>	<u>(0.02)</u>	<u>(0.00)</u>	<u>(0.03)</u>	
<b>Net (Loss) Per Common Share - Basic and Diluted</b>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	
<b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted</b>	<u>19,095,680</u>	<u>1,124,158</u>	<u>18,643,553</u>	<u>1,124,158</u>	

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

**ECO-PETROLEUM SOLUTIONS, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENTS OF CASH FLOWS (NOTE 2)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
**AND CUMULATIVE FROM INCEPTION (JULY 28, 2004) THROUGH SEPTEMBER 30, 2014**  
**(UNAUDITED)**

	<b>For the Nine-Month Periods</b>		<b>Cumulative</b>
	<b>Ended September 30,</b>		<b>From</b>
	<b>2014</b>	<b>2013</b>	<b>Inception</b>
<b>Operating Activities:</b>			
Net (loss)	\$ (1,020,427)	\$ (17,929)	\$ (10,224,975)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Depreciation and amortization	5,500	1,915	65,548
Loss on disposal of fixed assets and patents pending	28,583	-	34,110
Loss on asset purchase agreement	-	-	356,801
Loss on write-off of deferred merger agreement costs	-	-	17,367
Impact of recapitalization from reverse merger	-	-	54,797
Common stock issued for services and compensation	-	-	2,449,269
Common stock issued for debt issuance costs	15,000	-	15,000
Settlement agreement related to completed reverse merger	-	-	283,500
Stock-based compensation for issued stock options	-	-	1,226,625
Impairment of goodwill	745,008	-	2,022,702
Fair market value of shares issued in excess of debt satisfied	-	-	1,292,215
Loss on disposal of license agreement	-	-	41,579
Write off of accounts receivable - trade	-	-	2,575
Changes in net assets and liabilities-			
Accounts receivable	(36,290)	-	(37,565)
Accounts payable - Trade	1,754	3,000	145,245
Accrued liabilities	69,213	8,657	191,894
Payroll and sales taxes	5,892	(15)	11,284
<b>Net Cash (Used in) Operating Activities</b>	<b>(185,767)</b>	<b>(4,372)</b>	<b>(2,052,029)</b>
<b>Investing Activities:</b>			
Purchases of equipment	-	-	(48,882)
Asset purchase agreements	-	-	(360,000)
Partial repayment of purchase price - Asset purchase agreement	-	-	3,199
Deferred asset purchase agreement costs	-	-	(19,850)
Deferred merger agreement costs	-	-	(17,367)
License agreement	-	-	(25,000)
Trademark	-	-	(1,559)
<b>Net Cash (Used in) Investing Activities</b>	<b>-</b>	<b>-</b>	<b>(469,459)</b>
<b>Financing Activities:</b>			
Proceeds from long-term debt - Bank loan	-	-	400,000
Payments of principal on long-term debt	(16,910)	(6,512)	(366,641)
Checks in excess of bank balance	107	-	107
Payments on settlement agreement related to completed reverse merger	(7,500)	-	(17,500)
Deferred capital formation costs	(7,000)	-	(112,667)
Issuance of common stock for cash	25,000	-	126,082
Proceeds from promissory note - EIHC - Related Party	-	-	108,500
Proceeds from loans from unrelated party	-	-	7,675
Payments on loans from unrelated party	-	-	(7,675)
Proceeds from loans from related parties - Directors and stockholders	185,988	10,884	2,105,409
Payments on loans from related parties - Directors and stockholders	-	-	(56,802)
Proceeds from short-term promissory notes	-	-	355,000
Payment on short-term loan assumed	-	-	(20,000)
<b>Net Cash Provided by Financing Activities</b>	<b>179,685</b>	<b>4,372</b>	<b>2,521,488</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(6,082)</b>	<b>-</b>	<b>-</b>
<b>Cash - Beginning of Period</b>	<b>6,082</b>	<b>-</b>	<b>-</b>
<b>Cash - End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid during the period for:			
Interest	\$ 3,543	\$ 1,697	\$ 175,827
Income taxes	\$ -	\$ -	\$ -

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**STATEMENTS OF CASH FLOWS (NOTE 2)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
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**(UNAUDITED)**

**Supplemental Information of Noncash Investing and Financing Activities:**

Effective February 2, 2007, 451,193 shares of EMC common stock were issued in connection with a master licensing agreement with Environmental Infrastructure Holdings Corp. (fka XIOM Corp.) valued at \$26,923.

On September 16, 2008, the Company issued 123 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$55,000.

As part of the reverse merger transaction effected on September 16, 2008, former Directors and officers of the Company forgave the amount of \$18,435 owed to them. The amount forgiven of \$18,435 has been classified as additional paid-in capital.

On February 9, 2009, the Company issued 30 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$50,000.

On June 19, 2009, the Company issued 11 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$84,121.

On August 20, 2009, the Company issued 201 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$78,000.

On October 9, 2009, the Company issued 275 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$75,000.

On November 9, 2009, the Company issued 120 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$48,000.

On November 12, 2009, the Company issued 70 shares of common stock (post reverse stock split) for professional services. The value of the transaction was \$17,500.

On January 22, 2010, the Company issued 160 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$40,000.

On January 27, 2010, the Company issued 15 shares of common stock (post reverse stock split) to an employee and to an officer as compensation for services. The value of the transaction was \$75,000.

On February 1, 2010, the Company issued 178 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$44,500.

On February 1, 2010, the Company issued 100 shares of common stock (post reverse stock split) to shareholders as payment on debt owed. The value of the transaction was \$25,000.

On February 1, 2010, the Company issued 80 shares of common stock (post reverse stock split) to a Director and officer as compensation for services. The value of the transaction was \$20,000.

On February 12, 2010, the Company issued 220 shares of common stock (post reverse stock split) as payment on a promissory note. The value of the transaction was \$55,000.

On February 25, 2010, the Company issued 30 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$7,500.

On March 4, 2010, the Company issued 214 shares of common stock (post reverse stock split) as payment on a promissory note. The value of the transaction was \$53,500.

On March 11, 2010, the Company issued 144 shares of common stock (post reverse stock split) on the exercise of 200 options in a cashless transaction.

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**STATEMENTS OF CASH FLOWS (NOTE 2)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
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**Supplemental Information of Noncash Investing and Financing Activities (Continued):**

On May 13, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) to the shareholders of Reflectkote as required under the Asset Purchase Agreement with Reflectkote. The value of the transaction was \$456,000.

On May 14, 2010, the Company issued 40 shares of common stock (post reverse stock split) for the partial payment on accounts payable. The value of the transaction was \$24,000.

On May 19, 2010, the Company issued 400 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$100,000.

On May 19, 2010, the Company issued 1,600 shares of common stock (post reverse stock split) to a Director and to an officer of the Company for partial payment of \$400,000 on loans from these related parties.

On July 23, 2010, the Company issued 200 shares of common stock (post reverse stock split) to a Consultant for services to be rendered. The value of the transaction was \$50,000.

On July 27, 2010, the Company issued 69 shares of common stock (post reverse stock split) to a related party for services rendered. The value of the transaction was \$12,000.

On July 27, 2010, the Company issued 38 shares of common stock (post reverse stock split) to a related party for services rendered. The value of the transaction was \$6,675.

On July 27, 2010, the Company issued 1,500 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement entered into. The value of the transaction was \$75,000.

On July 27, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement. The value of the transaction was \$50,000.

On July 27, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement. The transaction was valued at \$50,000.

On July 27, 2010 the Company issued 500 shares of common stock (post reverse stock split) to a Consultant for services to be rendered. The value of the transaction was \$25,000.

On July 27, 2010 the Company issued 500 shares of common stock (post reverse stock split) for legal services rendered. The value of the transaction was \$25,000.

On November 2, 2010, the Company issued 20,000 shares of common stock (post reverse stock split) as payment on debt. The value of the transaction was \$2,000,000.

On November 2, 2010, the Company issued 2,000 shares of common stock (post reverse stock split) for partial payment on debt and consulting services. The value of the transactions was \$200,000.

On November 2, 2010, the Company issued 12,000 shares of common stock (post reverse stock split) for partial payment on debt and compensation of officers and directors for services. The value of the transactions was \$960,000.

On November 2, 2010, the Company issued 6,000 shares of common stock (post reverse stock split) for consulting and professional fees. The value of the transactions as \$500,000.

On December 21, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt. The value of the transaction was \$87,500.

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**STATEMENTS OF CASH FLOWS (NOTE 2)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
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**Supplemental Information of Noncash Investing and Financing Activities (Continued):**

On December 28, 2010, the Company issued 100 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt. The value of the transaction was \$6,250.

On December 28, 2010, two stockholders of the Company forgave \$33,351 owed to them. The amount forgiven of \$33,351 has been classified as additional paid-in capital.

On January 11, 2011, the Company issued 400 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$12,500.

On January 28, 2011, the Company issued 940 shares of common stock (post reverse stock split) for consulting services. The value of the transaction was \$11,000.

On February 24, 2011, the Company issued 1,300 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt. The value of the transaction was \$81,250.

On March 29, 2011, the Company issued 2,100 shares of common stock (post reverse stock split) for legal fees and consulting services. The value of the transaction was \$31,500.

On April 1, 2011, the Company issued 3,600 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt. The value of the transaction was \$135,000.

On May 20, 2011, the Company issued 1,500 shares of common stock (post reverse stock split) for legal fees. The value of the transaction was \$27,000.

On June 7, 2011, the Company issued 2,000 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt. The value of the transaction was \$32,000.

On September 14, 2011, the Company issued 18,000 shares of common stock (post reverse stock split) for the payment of principal and interest on a promissory note. The value of the transaction was \$42,220.

On September 21, 2011, the Company issued 20,000 shares of common stock (post reverse stock split) for the payment of professional fees. The value of the transaction was \$40,000.

On October 3, 2011, the Company issued 20,000 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company. The value of the transactions was \$50,000.

On October 4, 2011, the Company issued 1,500 shares of common stock (post reverse stock split) for the payment of consulting fees of a stockholder, and former officer and director of the Company. The value of the transaction was \$1,875.

On November 3, 2011, the Company issued 4,000 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company. The value of the transactions was \$20,000.

On November 18, 2011, the Company issued 4,167 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company. The value of the transactions was \$13,437.

On February 14, 2012, the Company issued 350,000 shares of registered common stock (post reverse stock split) and 200,000 shares of restricted common stock (post reverse stock split) to a consultant for services rendered, and for the repayment of debt owed by the Company. The value of the transactions was \$510,000.

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**STATEMENTS OF CASH FLOWS (NOTE 2)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014, AND 2013,**  
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**(UNAUDITED)**

**Supplemental Information of Noncash Investing and Financing Activities (Continued):**

On February 14, 2012, the Company issued 50,000 shares of registered common stock (post reverse stock split) to a note holder as payment of principal on a promissory note. The value of the transaction was \$50,000.

On February 14, 2012, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to an officer and Director of the Company for services rendered. The value of the transaction was \$160,000.

On February 14, 2012, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to a former Director of the Company for services rendered. The value of the transaction was \$160,000.

On November 16, 2012, the Company declared a 1-for-500 reverse stock split of its issued and outstanding common stock. Such reverse stock split was effective as of February 7, 2013.

On October 29, 2013, the Company issued 400,000 shares of restricted common stock (post reverse stock split) to a former officer and Director of the Company for services rendered. The value of the transaction was \$16,000.

On October 29, 2013, the Company issued 14,800,000 shares of restricted common stock (post reverse stock split) to three individuals as the stockholders of Challenger Brands Corp., two of whom are officers and Directors of the Company, and the remaining individual is a Director of the Company, in connection with the closing of the Asset Purchase Agreement. The value of the common stock issued was \$592,000.

On October 29, 2013, the Company issued 1,500,000 shares of restricted common stock (post reverse stock split) to a note holder as payment of principal and interest on a promissory note. The value of the transaction was \$60,000.

On October 29, 2013, the Company issued 15,000 shares of restricted common stock (post reverse stock split) in satisfaction of a debt owed to an individual which was assumed in connection with the closing of the Asset Purchase Agreement with Challenger Brands Corp. The value of the transaction was \$5,000.

On February 11, 2014, in connection with the issuance of a promissory note, the Company issued 100,000 shares of common stock (post reverse stock split) to an entity as an incentive to continue working with the Company on its capital formation and other merger activities. The value of the transactions was \$5,000.

On February 11, 2014, as a condition of the issuance of a promissory note, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to an entity as an incentive to make a loan of \$100,000. The value of the transaction was \$10,000.

On February 27, 2014, the Company issued 500,000 shares of common stock (post reverse stock split) in satisfaction of a debt owed to an individual which was assumed in connection with the closing of the Asset Purchase Agreement with Challenger Brands Corp. The value of the transactions was \$100,000.

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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014, AND 2013**  
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**(1) Summary of Significant Accounting Policies**

*Basis of Presentation and Organization*

Eco-Petroleum Solutions, Inc. (“Eco-Petroleum” or the “Company”) is a Delaware corporation in the development stage. The Company was incorporated under the laws of the United Kingdom as T&T Homes Limited on July 28, 2004. On November 25, 2004, the Company changed its name to Falcon Media Services, Ltd. On November 12, 2008, the Company changed its name to Extreme Mobile Coatings Corp., Ltd. On March 2, 2009, the Company changed its name to Extreme Mobile Coatings Worldwide Corp. On May 19, 2010, the Company changed its name to Structural Enhancement Technologies Corp. (“Structural”). Lastly, on November 16, 2012, the Company amended its name to Eco-Petroleum Solutions, Inc. to indicate a change in its business plan to expand its operations by entering into the renewable sector to conduct the business of blending, bottling, and distributing reprocessed private label motor oil, transmission fluid, and related products for the automotive aftermarket.

On September 16, 2008, the Company entered into a Share Exchange Agreement (the “Share Exchange Agreement #1”) with Extreme Mobile Coatings, Inc. (“EMC”), a Delaware corporation, and its stockholders pursuant to which the Company agreed to acquire 100 percent of the outstanding shares of EMC in exchange for 2,701 shares of common stock (post reverse stock split) of the Company. On that date, the Company began to focus on a new business plan, which was the establishment of franchises to market, use, and sell coating products and equipment from Environmental Infrastructure Holdings Corp. (“EIHC” and formerly XIOM Corp.) The Company continued with that business plan (with the EIHC technology) until early January 2011. At that time, the EIHC License Agreement was written off, and the Company entered into a new license agreement with another coating products provider.

Given that EMC is considered to have acquired the Company by a reverse merger through the Share Exchange Agreement #1, and its former stockholders had voting control of the Company, the accompanying financial statements and related disclosures in the notes to financial statements present the financial position as of September 30, 2014, and December 31, 2013, and the operations for the three-month and nine-month periods ended September 30, 2014, and 2013, and cumulative from inception of EMC under the name of Eco-Petroleum. The reverse merger was recorded as a recapitalization of the Company, with the net assets of EMC and Eco-Petroleum brought forward at their historical bases. The costs associated with the reverse merger were expensed as incurred (see Note 7 for additional information pertaining to discontinued operations).

On March 2, 2009, the Company completed a second Share Exchange Agreement (the “Share Exchange Agreement #2”) between the Company, as Extreme Mobile Coatings Corp, Ltd. and Extreme Mobile Coatings Worldwide Corp., a newly formed Delaware corporation. The Share Exchange Agreement #2 was completed in order to change the domicile of the Company from the United Kingdom to the State of Delaware, the authorized common stock to 500,000,000 shares, par value \$0.0001 per share, and the name of the Company from Extreme Mobile Coatings Corp. Ltd. to Extreme Mobile Coatings Worldwide Corp. The Company exchanged 3,583 shares of its common stock (post reverse stock split) for a like number of shares of common stock of the newly formed Delaware Corporation. In addition, the Certificate of Incorporation of Extreme Mobile Coatings Worldwide Corp. became the Certificate of Incorporation of the Company.

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On November 25, 2008, the Company effected a 2-for-1 forward stock split of its common stock. Effective March 12, 2009, the Company effected a 5-for-1 forward stock split of its common stock. On May 19, 2010, the Company effected a 1-for-100 reverse stock split of its issued and outstanding common stock. On November 16, 2012, the Company changed its name to Eco-Petroleum Solutions, Inc. and effected a 1-for-500 reverse stock split of its issued and outstanding common stock. Such actions were completed on February 7, 2013. The accompanying financial statements have been retroactively adjusted to reflect these stock splits.

The accompanying financial statements were prepared from the accounts of the Company under the accrual basis of accounting.

*Unaudited and Unreviewed Financial Statements*

The accompanying financial statements of Eco-Petroleum as of September 30, 2014, and December 31, 2013, and for the three-month and nine-month periods ended September 30, 2014, and 2013, and cumulative from inception, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying financial statements have not been audited or reviewed. In the opinion of management, the financial statements include all known adjustments (which consist primarily of normal, recurring accruals, estimates, and assumptions that impact the financial statements) necessary to present fairly the financial position as of the balance sheet dates and the results of operations for the periods then ended, and cumulative from inception.

*Cash and Cash Equivalents*

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

*Property and Equipment*

Property and equipment are recorded at historical cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the results of operations for the respective period. The Company uses the straight-line method of depreciation. The estimated useful lives for significant property and equipment categories are as follows:

Office and computer equipment	3-7 years
Machinery and equipment	5-10 years
Trailer	5 years

*License Agreement*

The Company capitalizes the costs incurred to acquire franchise rights. Such costs are amortized over the remaining useful life of the related rights.

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*Trademark*

The Company obtained a servicemark from the State of Kentucky effective December 26, 2007, and registered it with the U.S. Patent and Trademark Office. The servicemark covers the name “Extreme Mobile Coating”. The cost of obtaining the servicemark was capitalized by the Company, and fully amortized over a period of five years.

*Patents*

The Company acquired two pending patents in the Asset Purchase Agreement with Reflectkote, Inc. dated March 10, 2010. The costs of obtaining the patents were capitalized by the Company. Such costs were to be amortized once the related patents were issued, and a useful life determined. As of December 31, 2012, the Company discontinued its pursuit of the patents, and wrote off the value of the patents pending.

*Revenue Recognition*

The Company recognizes revenues from the sale of franchises and products in the automotive aftermarket. Revenues are recognized for financial reporting purposes when delivery has occurred provided there is persuasive evidence of an agreement, acceptance has been approved by the customer, the fee is fixed or determinable, and collection of the related receivable is probable.

*Impairment of Long-Lived Assets*

The Company evaluates the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. The Company records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. During the periods ended September 30, 2014, and December 31, 2013, no events or circumstances occurred for which an evaluation of the recoverability of long-lived assets was required.

*Loss per Common Share*

Basic loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

*Stock-Based Compensation Arrangements*

The Company accounts for stock-based compensation arrangements in accordance with guidance provided by the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). This guidance addresses all forms of share-based payment awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights, as well as share grants and other awards issued to employees and non-employees under free-standing arrangements. These awards are recorded at costs

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that are measured at fair value on the awards' grant dates, based on the estimated number of awards that are expected to vest and will result in charges to operations.

From time to time, the Company's shares of common stock have been issued as payment to employees and non-employees for services and the reduction of debt. These are non-cash transactions that require management to make judgments related to the fair value of the shares issued, which affects the amounts reported in the Company's accompanying financial statements for certain of its assets and expenses.

*Income Taxes*

For the period ended December 31, 2007, and through January 25, 2008, EMC was a partnership for income tax purposes. Income or losses from EMC were combined with the income and expenses of the members from other sources and reported in the members' individual federal and state income tax returns. EMC was not a taxpaying entity for federal and state income tax purposes; therefore, no income tax expense was recorded in the financial statements. Income of EMC was taxed to the members on their respective income tax returns.

Subsequent to January 25, 2008, EMC became a corporation for income tax purposes. As such, the Company and EMC account for income taxes pursuant to ASC Topic 740, "*Income Taxes*". Under ASC Topic 740, deferred tax assets and liabilities are determined based on temporary differences between the bases of certain assets and liabilities for income tax and financial reporting purposes. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences.

*Fair Value of Financial Instruments*

The Company estimates the fair value of financial instruments using the available market information and valuation methods. Considerable judgment is required in estimating fair value. Accordingly, the estimates of fair value may not be indicative of the amounts the Company could realize in a current market exchange. As of September 30, 2014, and December 31, 2013, the carrying value of financial instruments approximated fair value due to the short-term maturity of these instruments.

*Deferred Offering Costs*

The Company defers as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering be terminated, deferred offering costs are charged to operations during the period in which the offering is terminated.

*Concentration of Risk*

In July 2013, the Company opened a new bank account at a commercial bank. As of September 30, 2014, and December 31, 2013, the balance in the Company's new bank account was subject to FDIC coverage. Previously, as of August 31, 2012, the Company maintained its cash account at one commercial bank. The balance in that bank account was subject to FDIC coverage. In September 2012, the Company closed its bank account subject to FDIC coverage.

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*Common Stock Registration Expenses*

The Company considers incremental costs and expenses related to the registration of equity securities with the SEC, whether by contractual arrangement as of a certain date or by demand, to be unrelated to original issuance transactions. As such, subsequent registration costs and expenses are reflected in the accompanying financial statements as general and administrative expenses and are expensed as incurred.

*Advertising Costs*

The Company expenses advertising costs as incurred. Such costs amounted to \$0 and \$0 for the three-month periods ended September 30, 2014, and 2013, respectively, and \$0 and \$0 for the nine-month periods ended September 30, 2014, and 2013, respectively.

*Lease Obligations*

All noncancellable leases with an initial term greater than one year are categorized as either capital leases or operating leases. Assets recorded under capital leases are amortized according to the methods employed for property and equipment or over the term of the related lease, if shorter.

*Reclassification*

Certain items have been reclassified in 2013 in order to be compatible with corresponding amounts in the financial statement presentation in 2014.

*Recent Accounting Pronouncements*

The management of the Company does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

*Estimates*

The accompanying financial statements are prepared on the basis of accounting principles generally accepted in the United States of America. 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 as of September 30, 2014, and December 31, 2013, and revenues and expenses for the three-month and nine-month periods ended September 30, 2014, and 2013, and cumulative from inception. Actual results could differ from those estimates made by management.

**(2) Development Stage Activities and Going Concern**

Eco-Petroleum is currently in the development stage, and, the business plan of the Company is to conduct the business of blending, bottling, and distributing of reprocessed private label motor oil, transmission fluid, and related products for the automotive aftermarket (see Note 7 for additional information pertaining to discontinued operations). Initial activities of the Company through September 30, 2014, include organization and incorporation, target market identification, marketing plans, entering into license agreements, a reverse merger

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with EMC, and other business expansion transactions by merger or asset purchase, as well as capital formation and initial operating activities.

While the management of the Company believes that the Company will be successful in its capital formation and operating activities, there can be no assurance that it will be able to raise additional equity capital, or be able to generate sufficient revenues to sustain its operations. The Company also intends to conduct additional capital formation activities through the issuance of its common stock to establish sufficient working capital, and, expand its operations.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred an operating loss since inception and the cash resources of the Company are insufficient to meet its planned business objectives. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

**(3) Asset Purchase Agreements**

*Reflectkote Asset Purchase*

On March 11, 2010, the Company entered into an Asset Purchase Agreement with Reflectkote, Inc. ("Reflectkote"), dated March 10, 2010, wherein Reflectkote sold certain assets to the Company, and the Company assumed certain liabilities, as well as the obligation to issue 1,000 shares of restricted common stock of the Company (post reverse stock split) to the stockholders of Reflectkote. The current Vice-President and Director of the Company, James W. Zimbler was also a Director of Reflectkote, Inc. The assets purchased included pending patents for a permanently applied reflective coating that does not come off in the manner that reflective tape can. Reflectkote coatings do not corrode and protect the surface applied to as well. Reflectkote is a plastic and glass combination prepared in a proprietary manner. The agreement was closed on May 13, 2010, when 1,000 shares of restricted common stock of the Company (post reverse stock split) were issued to the stockholders of Reflectkote. The value of the transaction was \$1,282,694, with \$5,000 allocated for the patents pending, and the balance allocated to goodwill in the amount of \$1,277,694. As consideration for the transaction, the Company assumed liabilities of \$826,694, and the restricted common stock issued had a value of \$456,000.

As of December 31, 2010, the Company determined that the goodwill recorded as part of the Reflectkote transaction was substantially impaired as a result of the EIHC bankruptcy. This bankruptcy limited the Company's ability to obtain the equipment and blended powder required to be used in the patented coating process. As such, the entire goodwill amount of \$1,277,694 was written off as disclosed in the accompanying statements of operations.

As of December 31, 2012, the Company discontinued its pursuit of the patents, and wrote off the value of the patents pending which amounted to \$5,000.

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*Challenger Brands Corp. Asset Purchase*

Effective November 16, 2012, the Company entered into a Share Exchange Agreement (the “Share Exchange Agreement #3”) with Challenger Brands Corp. (“CBC”), a Delaware corporation, and its stockholders pursuant to which the Company agreed to acquire 100 percent of the outstanding shares of CBC in exchange for 10,000,000 shares of newly issued common stock (post reverse stock split) and 1,000,000 of convertible preferred stock, to be authorized and issued by the Company. The convertible preferred stock was to be convertible into 10 shares of common stock for each share of convertible preferred stock only after the Company realized revenues of a minimum of \$2,000,000 in calendar 2013, and other such rights, preferences and obligations as determined by the Board of Directors of the Company. The 10,000,000 shares of common stock and 1,000,000 shares of convertible preferred stock were to be issued by the Company to Messrs. James W. Zimbler and Jeffrey Gates, the principle stockholders of CBC. Each individual was to receive 5,000,000 shares of newly issued common stock, and 500,000 shares of convertible preferred stock in exchange for their shares of common stock of CBC. Mr. Zimbler is an officer and Director of the Company. He is also a stockholder of the Company. Mr. Gates is a current Director and officer of the Company, and is also a stockholder.

The Company was to acquire CBC by a reverse merger through the Share Exchange Agreement #3, as its current stockholders would have demonstrated voting control of the Company. The reverse merger was to have been recorded as a recapitalization of the Company with the net assets of CBC and Eco-Petroleum brought forward at their historical bases. The costs associated with the reverse merger were to be expensed as incurred.

Effective May 23, 2013, the Share Exchange Agreement #3 was cancelled, and the Company and CBC entered into an Asset Purchase Agreement whereby the Company was to acquire, effective October 29, 2013, the company name, trade secrets, the customer list, and other tangible assets of CBC in exchange for the issuance of 9,000,000 newly issued shares of common stock of Eco-Petroleum. On October 29, 2013, the Board of Directors of the Company amended the Asset Purchase Agreement to allow for the issuance of 14,800,000 shares of common stock to the principal stockholders of CBC (Messrs. James W. Zimbler – 7,000,000 shares; Jeffrey Gates – 7,000,000 shares, and Andrew Mazzone – 800,000 shares), with a value of \$592,000, as payment for the assets acquired, and the assumption of certain liabilities of CBC that pertain to the capital formation activities of the Company with Chasson, debt owed to Mr. Jeffrey Gates, and other liabilities.

On October 29, 2013, the Asset Purchase Agreement was closed between the parties. By way of this and other transactions, the Company intends to expand its operations by entering into the renewable energy sector by acquisition to conduct the business of blending, bottling, and distributing reprocessed private label motor oil, transmission fluid, and related products for the automotive aftermarket.

The allocation of the purchase price to the assets acquired, and the assumption of liabilities to reflect the fair value of the common issued in the transaction are presented as follows:



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Description	Amount
Assets Acquired:	
Machinery and equipment	\$ 92,100
Intangible assets	35,000
Deferred capital formation costs	20,000
Goodwill	745,008
Liabilities assumed	(279,058)
Other - Transaction expenses	(21,050)
Fair value of common stock issued	<u>\$ 592,000</u>

Effective September 30, 2014, the Company wrote-off \$745,008 of Goodwill and \$28,583 of the remaining book value of intangible assets acquired from CBC to reflect its new operational focus in the business of blending, bottling, and distributing reprocessed private label motor oil, transmission fluid, and related products for the automotive aftermarket. The write-off of these assets has been reflected in the accompanying Statements of Operations for the three-month and nine-month periods ended September 30, 2014.

**(4) Related Party Transactions**

As part of the reverse merger transaction effected on September 16, 2008, former Directors and officers of the Company forgave the amount of \$18,435 owed to them. The amount forgiven of \$18,435 has been classified as additional paid-in capital.

As of September 30, 2014, and December 31, 2013, the Company owed to Directors, officers and stockholders of the Company \$321,436 and \$163,097, respectively. The amounts are unsecured, non-interest bearing, and have no terms for repayment. The individual amounts owed to Directors, officers and stockholders are presented as follows:

	As of	
	September 30, 2014	December 31, 2013
James W. Zimbler	\$ 91,088	\$ 19,039
Ernest B. Remo	61,000	-
Jeffrey Gates	169,348	144,058
	<u>\$ 321,436</u>	<u>\$ 163,097</u>

On May 20, 2010, a Director and former officer of the Company loaned \$35,000, and received a promissory note from the Company with an annual interest rate of 8%. The note has a term of six months, at which time, the principal and accrued interest are due and payable. The note can be prepaid at any time and from time to time at par and accrued interest. The principal and interest of the note are also convertible to 20,000 shares of the Company's common stock (post reverse stock split) at the end of the six-month term at the designation of the holder. As of September 30, 2014, and December 31, 2013, the promissory note was in default, and

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the amount of \$35,000 of principal on the note was due and payable to the note holder plus accrued interest of \$12,207, and \$10,107, respectively. Interest expense related to this loan was \$700 and \$700 for the three-month periods ended September 30, 2014, and 2013, respectively. Interest expense related to this loan was \$2,100 and \$2,100 for the nine-month periods ended September 30, 2014, and 2013, respectively.

**(5) Income Taxes**

The provision (benefit) for income taxes for the nine-month periods ended September 30, 2014, and 2013, were as follows (assuming a 40 percent effective tax rate):

	<b>For the Nine-month Periods</b>	
	<b>Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Federal and state- Taxable income	\$ -	\$ -
Total current tax provision	\$ -	\$ -
Federal and state- Loss carryforwards	\$ 408,171	\$ 19,204
Change in valuation allowance	(408,171)	(19,204)
Total deferred tax provision	\$ -	\$ -

The Company had deferred income tax assets as of September 30, 2014, and December 31, 2013, as follows:

	<b>As of</b>	
	<b>September 30,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
Loss carryforwards	\$ 3,921,355	\$ 3,513,184
Less - Valuation allowance	(3,921,355)	(3,513,184)
Total net deferred tax assets	\$ -	\$ -

The Company has provided a valuation allowance equal to the deferred income tax assets for the nine-month periods ended September 30, 2014, and 2013, because it is not presently known whether future taxable income will be sufficient to utilize the loss carryforwards.

As of September 30, 2014, and December 31, 2013, the Company had approximately \$9,803,387 (\$8,603,565 from continuing operations and \$1,199,822 from discontinued operations) and \$8,782,960, respectively, in tax loss carryforwards that can, upon filing of the appropriate tax returns, be utilized in future periods to reduce taxable income, which expire in 2028 through 3034.

The management of the Company has not filed federal or state income tax returns for the years 2008 – 2013 with the respective tax authorities.

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**(6) Notes Payable and Long-term Debt**

Notes payable and long-term debt as of September 30, 2014, and December 31, 2013, consisted of the following:

Short-term notes payable as of September 30, 2014, and December 31, 2013, consisted, in part, of two separate notes given to the same holder, one for \$100,000, dated November 3, 2009, and the other for \$50,000, dated January 11, 2010. Both notes had six-month terms and accrued interest at 8 percent per annum. As of September 30, 2014, and December 31, 2013, both notes were in default and, as such, the holder has the right to convert the amounts to shares of restricted common stock at a 25 percent discount to the thirty-day average closing price prior to the date of conversion. Subsequent to December 31, 2010, the holder agreed not to convert the debt to shares and to settle these obligations for \$150,000, plus accrued interest, in connection with the completion of a merger transaction with Landmark Consulting, Inc. The transaction with Landmark was not completed by the Company. Subsequently, on February 14, 2012, the Company issued 50,000 shares of registered common stock to the holder (post reverse stock split) in satisfaction of \$50,000 in principal on the notes. In addition, on October 29, 2013, the Company issued 1,500,000 shares of restricted common stock in satisfaction of \$30,206 of accrued interest, and \$29,794 of principal on the notes, and paid an additional \$10,000 of accrued interest in cash.

As part of the Asset Purchase Agreement with Reflectkote dated March 10, 2010, the Company acquired a settlement agreement to pay an unrelated party \$400,000 in monthly payments for a period of three years with an annual interest rate of 6 percent. The monthly payments were to have started February 28, 2010. As part of the Asset Purchase Agreement with Reflectkote dated March 10, 2010, the Company acquired a settlement agreement to pay an unrelated party \$270,000 in monthly payments for a period of eighteen month with no interest accrued. The monthly payments were to have started November 15, 2009.

In October 2010, the Company entered into a Debt Conversion Agreement with the two unrelated parties related to the Reflectkote transaction to convert the \$670,000 owed, plus accrued interest and penalties in the amount of \$37,785, by issuing 20,000 free trading shares of common stock (post reverse stock split). The fair market value of the shares issued (\$2,000,000) in excess of the debt converted (\$707,785) was \$1,292,215, and has been separately disclosed in the accompanying statements of operations. The value of the shares issued in satisfaction of the debt converted was guaranteed, jointly and severally, by Keystone Capital Resources LLC and James W. Zimbler, a stockholder and former consultant of the Company, and current Director and officer of the Company, in favor of the two unrelated parties.

On April 13, 2012, the Company issued a promissory note, due October 31, 2012, to a stockholder for \$15,000. The note carries an interest rate of 10 percent per annum, and may be either repaid, at the election of the note holder in cash plus the issuance of shares of common stock of the Company in the amount of \$30,000 in value, or by the conversion of the principal and interest due into a total of \$45,000 in value of common stock of the Company, along with additional warrants to purchase common stock of the Company with an additional value of \$10,000, with such warrants being exercisable within one year from the date of issuance, and shall have an exercise price equal to 50 percent of the average closing price of the common stock of the Company on the five trading days prior to exercise. As of September 30, 2014, and December 31, 2013, the promissory note was in default. The promissory note is guaranteed by shares of common stock of the Company owned by James W. Zimbler, a Director, officer, and stockholder of the Company.

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On September 25, 2013, the Company issued a promissory note, due December 24, 2013, to an unrelated entity for \$50,000 in proceeds. The note carries an interest rate of 10 percent per annum, and may be repaid with appropriate interest to the note holder by the Company on the earlier of the due date or the date the Company raises in excess of \$500,000 from its current capital formation activities, or all or a portion of the principal and accrued and unpaid interest may be converted, at the election of the note holder, into shares of common stock of the Company at a price equal to 85 percent of the market price (meaning the average of the lowest two trading prices for the five-day trading period before the date of conversion) of the Company's common stock. As of September 30, 2014, and December 31, 2013, the promissory note was in default, and the Company obtained a written waiver from the note holder dated March 26, 2014, and a subsequent verbal waiver, confirming that all terms and conditions contained in the promissory note would remain in effect as the Company was continuing with its capital formation activities. Further, on February 11, 2014, the Company issued 100,000 shares of common stock to the note holder, with a value of \$5,000, as an incentive to continue working with the Company on its capital formation and other merger activities.

On October 18, 2013, the Company issued a second promissory note, due January 16, 2014, to the same note holder as the September 25, 2013 promissory note, for \$100,000 in proceeds. The note carries an interest rate of 10 percent per annum, and may be repaid with appropriate interest to the note holder by the Company on the earlier of the due date or the date the Company raises in excess of \$750,000 from its current capital formation activities, or all or a portion of the principal and accrued and unpaid interest may be converted, at the election of the note holder, into shares of common stock of the Company at a price equal to 85 percent of the market price (meaning the average of the lowest two trading prices for the five-day trading period before the date of conversion) of the Company's common stock. As of September 30, 2014, and January 16, 2014, the promissory note was in default, and the Company obtained a written waiver from the note holder dated March 26, 2014, and a subsequent verbal waiver, confirming that all terms and conditions contained in the promissory note would remain in effect as the Company was continuing with its capital formation and other merger activities. Further, on February 11, 2014, as a condition of the promissory note, the Company issued 200,000 shares of common stock to the note holder, with a value of \$10,000, as an incentive to make the loan.

Included below is a summary of the Company's notes payable and long-term debt:

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	<b>As of</b>	
	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Convertible promissory notes, due on April 28, 2010, interest at 8.0% per annum; unsecured	\$ 70,206	\$ 70,206
Convertible promissory note, due on December 24, 2013, interest at 10.0% per annum; unsecured	50,000	50,000
Convertible promissory note, due on January 16, 2014, interest at 10.0% per annum; unsecured	100,000	100,000
Convertible promissory note, due on October 31, 2012, interest at 10.0% per annum; unsecured	15,000	15,000
	235,206	235,206
Less - Current portion	(235,206)	(235,206)
Long-term portion	\$ -	\$ -

Future minimum long-term debt payments required are as follows:

<b>Twelve Months Ending September 30,</b>	<b>Amount</b>
2014	\$ 235,206
2015	-
Total	\$ 235,206

**(7) Discontinued Operations**

Effective September 30, 2014, the Board of Directors of the Company resolved to discontinue the operations of EMC, its wholly owned subsidiary. As such, the assets and accumulated depreciation of EMC's property and equipment were removed from the accounts, and all remaining liabilities were classified as Discontinued Operations in the accompanying Balance Sheets. As of September 30, 2014, and December 31, 2014, the summaries of liabilities pertaining to discontinued operations were as follows:

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	As of	
	September 30, 2014	December 31, 2013
Bank loan, monthly payments of \$2,736 through 2015, interest at 8.50% per annum; secured	\$ 33,359	\$ 50,269
Accounts payable - Trade	6,000	6,000
Accrued liabilities	36,800	33,200
Payroll and sales taxes payable	8,200	5,392
Due to related party - Stockholder	400,794	373,145
Totals	<u>\$ 485,153</u>	<u>\$ 468,006</u>

The impacts of the discontinued operations of EMC are also disclosed in the accompanying Statements of Operations.

Various development stage activities were conducted by EMC, which are described as follows:

*EIHC Master License Agreement and Change of Technology to EcoActive*

On October 25, 2006, EMC entered into a Master License Agreement (the “License Agreement”) with EIHC, a related party Delaware corporation. EIHC developed, manufactured, marketed, and sold certain products, including spray-on coating materials and equipment. Through the License Agreement, EMC was granted the exclusive right to establish franchises, sell franchise rights, and assign certain rights to franchisees in the contiguous states of the United States of America. The License Agreement was to expire in the year 2026. EMC had the option to extend the License Agreement for 10 successive three-year periods. The cost of obtaining the License Agreement amounted to \$51,923, and was being amortized over a period of 19.6 years. A total of 451,193 shares of EMC common stock was issued, valued at \$26,923, in exchange for the License Agreement, and along with \$25,000 in legal fees incurred.

On April 28, 2008, EMC entered into a promissory note with EIHC, a stockholder of the Company. Per the terms of the Note (as amended November 14, 2009), EMC was able to borrow up to \$158,000 from EIHC, at an annual interest rate of 5 percent. On February 12, 2010, the Company issued 220 shares of restricted common stock (post reverse stock split) to EIHC as a principal repayment of \$55,000 on the note. On March 4, 2010, the Company issued an additional 214 shares of restricted common stock (post reverse stock split) to EIHC as a principal payment of \$53,500 on the note.

On March 25, 2011, EIHC filed a voluntary petition in the United States Bankruptcy Court (District of Delaware) under Chapter 7 of the United States Bankruptcy Code requesting liquidation of the assets and liabilities of EIHC.

Effective December 31, 2010, EMC wrote off the remaining value of the EIHC License Agreement, which amounted to \$41,579, and changed its business plan to align itself with another coating technology provider. Effective January 13, 2011, EMC entered into a License and Development Agreement with EcoActive Surfaces,

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Inc. for the use of its products and processes for coating applications. The term of the agreement was for two years, with the opportunity to extend the agreement with the consent of both parties. EMC incurred nominal costs in obtaining the License and Development Agreement. EMC agreed to bear all costs of performing under the agreement in exchange for favored pricing of products from EcoActive for its franchise base, once established, and related activities. Subsequent to January 12, 2013, EMC did not extend the License and Development Agreement with EcoActive Surfaces, Inc.

*SABA Asset Purchase*

On March 5, 2007, EMC entered into a non-binding Letter of Intent with SABA Contracting, Inc. (“SABA”), an unrelated New York corporation, to purchase certain construction equipment and vehicles (the “SABA Equipment”) for \$360,000. Under the terms of the Letter of Intent, the parties agreed that the transaction was to be evidenced by a written Purchase and Sale of Equipment Agreement (the “Asset Purchase Agreement”) which was to be signed at the closing of the transaction. In order to complete the acquisition of the SABA Equipment, EMC obtained a term loan from Central Bank FSB, of Nicholasville, KY in the amount of \$400,000. EMC, in good faith, provided proceeds of \$360,000 from the bank loan to SABA before the closing of the transaction which was used to pay off SABA’s equipment-related debt of \$60,000 and purchase the SABA Equipment. EMC also advanced an additional \$18,200 to SABA in connection with the transaction, and SABA agreed to provide the funds to pay three payments on the Bank Loan totaling \$25,519. The parties were not able to evidence the transaction under the terms of the Letter of Intent with an Asset Purchase Agreement, and the transaction was never closed. EMC has not been able to obtain clear title to the SABA Equipment for the purpose of selling the equipment to recover sufficient funds to repay the bank loan. As of December 31, 2007, EMC wrote off \$356,801 related to the transaction which is reflected as other expense in the accompanying statements of operations. As of September 30, 2014, and December 31, 2013, EMC owed \$33,359, and \$50,269, respectively, on the loan from Central Bank FSG related to the Asset Purchase Agreement.

**(8) Common Stock**

On June 27, 2004, the Company issued one share of common stock (post reverse stock split) to a Director of the Company valued at a price of \$2 per share for cash.

On December 13, 2005, the Company commenced a capital formation activity through a Private Placement Offering (“PPO”), exempt from registration under the Securities Act of 1933, to issue up to four shares of its common stock (post reverse stock split). The PPO was closed on May 6, 2006, and proceeds amounted to \$1,080. Because the authorized common stock of the Company was insufficient at the time of the completion of the PPO, the stock certificates related thereto were not issued until December 26, 2007.

On December 26, 2007, the Company issued 253 shares of common stock (post reverse stock split) to its sole Director and officer for services rendered, for total value of \$1,263.

The Company entered into a one-year Consulting Agreement on December 1, 2007, with Kingsgate Development, Ltd. (a British Virgin Islands Corporation and “Kingsgate”) whereby Kingsgate agreed to assist the Company in becoming publicly traded, by utilizing its skills and by bearing up to \$90,000 of registration costs on behalf of the Company. In exchange for its services, Kingsgate was issued 400 shares of common stock

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(post reverse stock split) for a value of \$90,000 or \$225 per share to satisfy this obligation. The Company issued the shares to Kingsgate on December 26, 2007.

On December 1, 2007, the Company entered into a one-year Consulting Agreement with Eastern Glow Investments, Ltd, (a British Virgin Islands Corporation and “Eastern Glow”) whereby Eastern Glow agreed to assist the Company in becoming publicly traded, by utilizing its skills on behalf of the Company as well as a commitment to loan to the Company up to a maximum of \$50,000, at the Libor interest rate plus 2.5 percent for the marketing plan of the Company. In exchange for its services, Eastern Glow was issued 225 shares of common stock of the Company (post reverse stock split) for a value of \$49,500 or \$220 per share to satisfy this obligation. The Company issued the shares to Eastern Glow on December 26, 2007.

Effective September 16, 2008, the Company entered into a Share Exchange Agreement with the stockholders of EMC, whereby the Company acquired all of the issued and outstanding capital stock of EMC (135,050,850 shares) in exchange for 2,701 shares of common stock (post reverse stock split) of the Company. As a result of the Share Exchange, the stockholders of EMC controlled the Company, and EMC has been determined to have effected a reverse merger for financial reporting purposes as of the date of the Share Exchange. The reverse merger has been recorded as a recapitalization of the Company, with the net assets of the Company and EMC brought forward at their historical bases. In connection with the issuance of 2,701 shares of common stock (post reverse stock split), 123 of such shares (post reverse stock split) were issued for professional services valued at \$55,000.

On November 25, 2008, the Company declared a 2-for-1 forward stock split of its issued and outstanding common stock to the holders of record on that date. Such forward stock split was effective as of November 25, 2008. The accompanying financial statements and related notes thereto have been adjusted accordingly to reflect this forward stock split.

In February 2009, the Company entered into a verbal agreement with Aires Capital, Inc. whereby Aires Capital, Inc. agreed to perform introductory services related to capital formation activities. On February 5, 2009, the Company issued 30 shares of common stock (post reverse stock split) to Aires Capital, Inc. for such services. The services were valued at \$50,000.

On March 2, 2009, the Company completed a second Share Exchange Agreement (the “Share Exchange Agreement #2”) between the Company, as Extreme Mobile Coatings Corp, Ltd. and Structural Enhancement Technology Corp. a newly formed Delaware corporation. The Share Exchange Agreement #2 was completed in order to change the domicile of the Company from the United Kingdom to the State of Delaware, the authorized common stock to 500,000,000 shares, par value \$0.0001 per share, and the name of the Company from Extreme Mobile Coatings Corp. Ltd. to Extreme Mobile Coatings Worldwide Corp. The Company exchanged 3,583 shares of its common stock (post reverse stock split) for a like number of shares of the newly formed Delaware corporation. In addition, the Certificate of Incorporation of Extreme Mobile Coatings Worldwide Corp. became the Certificate of Incorporation of the Company. The Share Exchange Agreement #2 has been treated as a reverse merger. The reverse merger has been recorded as a recapitalization of the Company, with the net assets of Extreme Mobile Coatings Corp. Ltd. and the Company brought forward at their historical bases. The costs associated with the reverse merger have been expensed as incurred.



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On March 2, 2009, the Company declared a 5-for-1 forward stock split of its issued and outstanding common stock to the holders of record on that date. Such forward stock split was effective as of March 12, 2009. The accompanying financial statements and related notes thereto have been adjusted accordingly to reflect this forward stock split.

On May 27, 2009, the Company issued 11 shares of common stock (post reverse stock split) for consulting services valued at \$84,121.

On August 20, 2009, the Company issued 201 shares of common stock (post reverse stock split) for professional services valued at \$78,000.

On October 9, 2009, the Company issued 275 shares of common stock (post reverse stock split) for professional services valued at \$75,000.

On November 9, 2009, the Company issued 120 shares of common stock (post reverse stock split) for professional services valued at \$48,000.

On November 12, 2009, the Company issued 70 shares of common stock (post reverse stock split) for consulting services valued at \$17,500.

On January 28, 2010, the Company increased the amount of authorized shares of common stock from 500,000,000 shares (post forward stock split) with a par value of \$.0001 per share to 1,000,000,000 shares (post forward stock split) with a par value of \$.0001 per share.

On January 22, 2010, the Company issued 160 shares of common stock (post reverse stock split) for consulting services related to the reverse merger. The services were valued at \$40,000.

On January 27, 2010, the Company issued 15 shares of common stock (post reverse stock split) to an employee and to an officer of the Company as compensation for services rendered valued at \$75,000.

On January 27, 2010, the Company filed an S-8 registration statement in order to register 500 shares of the Company's common stock (post reverse stock split) issuable under the 2010 Employee and Consultant Stock Plan.

On February 1, 2010, the Company issued 178 shares of common stock (post reverse stock split) for consulting services valued at \$44,500.

On February 1, 2010, the Company issued 100 shares of common stock (post reverse stock split) valued at \$25,000 to stockholders as payment on debt owed to the stockholders.

On February 1, 2010, the Company issued 80 shares of common stock (post reverse stock split) to a Director and officer of the Company as compensation for services rendered valued at \$20,000.

On February 12, 2010, the Company issued 220 shares of common stock (post reverse stock split) to EIHC as a principal payment of \$55,000 on the promissory note owed to EIHC.

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On February 25, 2010, the Company issued 30 shares of common stock (post reverse stock split) for consulting services valued at \$7,500.

On March 4, 2010, the Company issued 214 shares of common stock (post reverse stock split) to EIHC as a principal payment of \$53,500 on the promissory note owed to EIHC.

On March 11, 2010, a stockholder of the Company exercised 200 options in a cashless transaction, and was issued 144 shares of common stock (post reverse stock split).

On May 13, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) valued at \$456,000 to the stockholders of Reflectkote as required under the Asset Purchase Agreement with Reflectkote.

On May 14, 2010, the Company issued 40 shares of common stock (post reverse stock split) for the partial payment of \$24,000 on an accounts payable debt.

On May 19, 2010, the Company issued 400 shares of common stock (post reverse stock split) for consulting services valued at \$100,000.

On May 19, 2010, the Company issued 1,600 shares of common stock (post reverse stock split) to a Director and to an officer of the Company for partial payment of \$400,000 on loans from these related parties.

On May 10, 2010, the Company declared a 1-for-100 reverse stock split of its issued and outstanding common stock to the holders of record on that date. Such reverse stock split was effective as of May 19, 2010. The accompanying financial statements and related notes thereto have been adjusted accordingly to reflect this reverse stock split.

On July 23, 2010, the Company issued 200 shares of common stock (post reverse stock split) to a Consultant for services to be rendered. The transaction is valued at \$50,000.

On July 27, 2010, the Company issued 107 shares of common stock (post reverse stock split) valued at \$18,675 for a debt related to a settlement agreement.

On July 27, 2010, the Company issued 1,500 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement. The transaction was valued at \$75,000.

On July 27, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement. The transaction was valued at \$50,000.

On July 27, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) to a Director and to an officer of the Company regarding an employment agreement. The transaction was valued at \$50,000.

On July 27, 2010, the Company issued 500 shares of common stock (post reverse stock split) to a Consultant for services to be rendered. The value of the transaction was \$25,000.

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On July 27, 2010, the Company issued 500 shares of common stock (post reverse stock split) for legal services rendered. The value of the transaction was \$25,000.

On November 2, 2010, the Company issued 20,000 shares of common stock (post reverse stock split) as payment on debt valued at \$2,000,000.

On November 2, 2010, the Company issued 2,000 shares of common stock (post reverse stock split) for partial payment on debt and consulting services valued at \$200,000.

On November 2, 2010, the Company issued 12,000 shares of common stock (post reverse stock split) for partial payment on debt and compensation of officers and directors for services valued at \$960,000.

On November 2, 2010, the Company issued 6,000 shares of common stock (post reverse stock split) for consulting and professional fees valued at \$500,000.

On December 21, 2010, the Company issued 1,000 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt valued at \$87,500.

On December 28, 2010, the Company issued 100 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt valued at \$6,250.

On December 28, 2010, two stockholders of the Company forgave \$33,351 owed to them. The amount forgiven of \$33,351 has been classified as additional paid-in capital.

On January 11, 2011, the Company issued 400 shares of common stock (post reverse stock split) for consulting services valued at \$12,500.

On January 28, 2011, the Company issued 940 shares of common stock (post reverse stock split) for consulting services valued at \$11,000.

On February 24, 2011, the Company issued 1,300 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt valued at \$81,250.

On March 29, 2011, the Company issued 2,100 shares of common stock (post reverse stock split) for legal fees and consulting services valued at \$31,500.

On April 1, 2011, the Company issued 3,600 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt valued at \$135,000.

On May 20, 2011, the Company issued 1,500 shares of common stock (post reverse stock split) for legal fees valued at \$27,000.

On June 7, 2011, the Company issued 2,000 shares of common stock (post reverse stock split) from escrow in connection with the payment for the conversion of debt valued at \$32,000.

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On September 14, 2011, the Company issued 18,000 shares of common stock (post reverse stock split) for the payment of principal and interest on a promissory note valued at \$42,220.

On September 21, 2011, the Company issued 20,000 shares of common stock (post reverse stock split) for the payment of professional fees valued at \$40,000.

On October 3, 2011, the Company issued 20,000 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company valued at \$50,000.

On October 4, 2011, the Company issued 1,500 shares of common stock (post reverse stock split) for the payment of consulting fees of a stockholder, and former officer and director of the Company valued at \$1,875.

On November 3, 2011, the Company issued 4,000 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company valued at \$20,000.

On November 18, 2011, the Company issued 4,167 shares of common stock (post reverse stock split) for the payment of debt and consulting fees of a stockholder, and former officer and director of the Company valued at \$13,437.

On February 14, 2012, the Company issued 350,000 shares of registered common stock (post reverse stock split) and 200,000 shares of restricted common stock (post reverse stock split) to a consultant for services rendered, and for the repayment of debt owed by the Company. The value of the transaction was \$510,000.

On February 14, 2012, the Company issued 50,000 of registered common stock (post reverse stock split) to a note holder as payment of principal on a promissory note with a value of \$50,000.

On February 14, 2012, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to an officer and Director of the Company for services rendered. The value of the transaction was \$160,000.

On February 14, 2012, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to a former Director of the Company for services rendered. The value of the transaction was \$160,000.

On November 16, 2012, the Company declared a 1-for-500 reverse stock split of its issued and outstanding common stock. Such reverse stock split was effective as of February 7, 2013. The accompanying financial statements and related notes thereto have been adjusted accordingly to reflect this reverse stock split.

On October 29, 2013, the Company issued 400,000 shares of restricted common stock (post reverse stock split) to a former officer and Director of the Company for services rendered. The value of the transaction was \$16,000.

On October 29, 2013, the Company issued 14,800,000 shares of restricted common stock (post reverse stock split) to three individuals as the stockholders of Challenger Brands Corp., two of whom are officers and

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Directors of the Company, and the remaining individual is a Director of the Company, in connection with the closing of the Asset Purchase Agreement. The value of the common stock issued was \$592,000.

On October 29, 2013, the Company issued 1,500,000 shares of restricted common stock (post reverse stock split) to a note holder as payment of principal and interest on a promissory note. The value of the transaction was \$60,000.

On October 29, 2013, the Company issued 15,000 shares of restricted common stock (post reverse stock split) in satisfaction of a debt owed to an individual which was assumed in connection with the closing of the Asset Purchase Agreement with Challenger Brands Corp. The value of the transaction was \$5,000.

On February 11, 2014, in connection with the issuance of a promissory note, the Company issued 100,000 shares of common stock (post reverse stock split) to an entity as an incentive to continue working with the Company on its capital formation and other merger activities. The value of the transaction was \$5,000.

On February 11, 2014, as a condition of the issuance of a promissory note, the Company issued 200,000 shares of restricted common stock (post reverse stock split) to an entity as an incentive to make a loan of \$100,000. The value of the transaction was \$10,000.

On February 27, 2014, the Company issued 500,000 shares of common stock (post reverse stock split) in satisfaction of a debt owed to an individual which was assumed in connection with the closing of the Asset Purchase Agreement with Challenger Brands Corp. The value of the transaction was \$100,000.

*Capital Formation Activities*

On September 25, 2013, the Company commenced an equity formation activity through a Private Placement Offering ("PPO #2") consisting of 8,000,000 units at a price of \$0.25 per unit, with each unit consisting of one share of common stock and one warrant to purchase one-half share of common stock at an exercise price of \$0.50 per share. The warrants have a term of three years, but can be callable by the Company, if the common stock trades at a price of \$1.00 for at least twenty consecutive trading days. The Company intended to raise between \$500,000 - \$2,000,000.

As of March 31, 2014, and December 31, 2013, the Company had incurred \$133,667 and \$126,667, respectively, in deferred equity formation costs. As of December 31, 2013, the Company had received \$100,000 in proceeds for 400,000 shares of subscribed common stock. On January 14, 2014, the Company received an additional \$25,000 in proceeds for 100,000 shares of subscribed common stock.

Effective April 30, 2014, the Board of Directors of the Company closed PPO#2 and issued certain rescission rights to the two investors in PPO#2. The investors declined to exercise the rescission rights, and the issuance of common stock related to PPO#2 was completed on July 9, 2014. The amount of common stock issued amounted to 500,000 shares with a value of \$125,000.

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*Stock Options*

On February 8, 2010, the Company granted two members of the Company's Board of Directors nonqualified stock options to purchase up to 400 shares each (800 combined shares) (post reverse stock split) of the Company's common stock, exercisable at a price of \$0.50 per share.

On May 10, 2010, the Company granted nonqualified stock options to a Director to purchase up to 500 shares of the Company's common stock (post reverse stock split), exercisable at a price of \$0.50 per share. On the same date, the Company granted nonqualified stock options to the Company's General Counsel to purchase up to 400 shares of the Company's common stock (post reverse stock split), exercisable at a price of \$0.50 per share.

On July, 27, 2010, the Company granted three members of the Company's Board of Directors nonqualified stock options to purchase up to 500 shares each (1,500 combined shares) (post reverse stock split) of the Company's common stock, exercisable at a price of \$0.20 per share. The Company also granted a consultant as well as the Company's general counsel nonqualified stock options to purchase up to 500 shares each (1,000 combined shares) (post reverse stock split) of the Company's common stock, exercisable at a price of \$0.20.

The fair value of each option granted has been estimated on the date of grant using the Black-Scholes pricing model, using the following assumptions:

	<u>2010</u>
Risk Free Rate of Return	75%
Dividend Yield	0%
Volatility	149%
Average Expected Term (Years to Exercise)	2.5

A summary of the status of the options granted as of September 30, 2014, is as follows:

Outstanding - December 31, 2013	4,200
Granted	-
Exercised	-
Forfeited	-
Expired	-
Outstanding - September 30, 2014	<u><u>4,200</u></u>

A summary of the status of options outstanding as of September 30, 2014, and December 31, 2013, is presented as follows:

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	Weighted Range of Average Exercise Prices	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable
September 30, 2014	\$ 0.32	4,200	0.69	\$ 0.32	4,200
December 31, 2013	\$ 0.32	4,200	1.44	\$ 0.32	4,200

**(9) Change in Management**

Effective June 11, 2012, Mr. Jeffrey Gates was elected to the Board of Directors of the Company as Director and President. Mr. Gates replaced Mr. Andrew B. Mazzone as Interim President of the Company. On July 21, 2010, Mr. Andrew B. Mazzone was elected to the Board of Directors of the Company as a Director and Interim President. Effective October 8, 2014, Mr. Mazzone was elected as President, CEO, and Chairman of the Board of Directors of the Company. Mr. Gates remains as a member of the Board of Directors. Messrs. Gates and Mazzone currently serve as Directors and officers of the Company without compensation.

On January 10, 2012, Mr. Charles Woodward resigned as a Director of the Company, and continued as an employee of the Company's subsidiary for total compensation of \$10,000 per month. On July 21, 2010, Mr. Woodward resigned as the President of the Company, effective July 30, 2010, and assumed the position of President of the Company's subsidiary, Extreme Mobile Coatings, Inc. under an employment agreement. He resigned as President of the Company's subsidiary on November 10, 2010. Mr. Woodward's resignation as an officer and Director did not, in any way, imply that there was any dispute or disagreement relating to the Company's operations, policies, or practices.

On July 27, 2010, the Company entered into an employment agreement with Mr. James W. Zimbler. Mr. Zimbler was a Director and Vice President of Business Development for the Company. The term of the employment agreement was for a period of one year and automatically renewed for successive one-year terms, unless either party provided written notice not to renew, within 60 days prior to the end of any term. On November 10, 2010, Mr. Zimbler resigned as an officer and Director of the Company. He assumed a position as a consultant to the Company under a consulting agreement for consulting fees of \$10,000 per month, plus expenses. The consulting agreement was discontinued by the Company subsequent to March 31, 2012, and Mr. Zimbler continued to consult to the Company as a principle stockholder for no fee through June 30, 2013.

On August 15, 2013, Mr. Zimbler was re-appointed by the Board of Directors as Vice President and Director of the Company. Also, on October 8, 2014, Mr. Zimbler was re-elected to the Board as a Director and Vice President of the Company. During the year ended December 31, 2013, Mr. Zimbler provided services to the Company as a consultant through Advanta Management Consulting, Inc., a corporation wholly owned by Mr. Zimbler for fees and reimbursements of expenses amounting to \$69,164. During the nine-month period ended September 30, 2014, Mr. Zimbler continued to provide services to the Company for fees and reimbursements of expenses amounting to \$107,687.

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On October 28, 2013, the Board of Directors of the Company appointed Mr. Ernest B. Remo as a Director of the Company.

In addition, on November 14, 2013, the Company entered into a Consulting Agreement with Mr. Remo for a term of one year commencing on November 1, 2013. The Consulting Agreement provides for monthly fees of \$2,000, plus reimbursable expenses, and the issuance of 250,000 shares of common stock as additional compensation for services. For the nine-month period ended September 30, 2014, the Company accrued \$18,000 in consulting fees for Mr. Remo. To date, the issuance of 250,000 shares of common stock has not been completed.

Mr. Remo resigned from the Board of Directors effective October 8, 2014.

**(10) Commitments and Contingencies**

*Operating Leases*

On September 1, 2014, the Company entered into a month-to-month, sub-lease for office space located in Nesconset, New York. The office space is approximately 705 square feet. The monthly lease expense for the entire office space is \$1,000, of which the Company is obligated to pay \$400. For the three-month period ended September 30, 2014, the Company accrued \$400 in rent expense.

From January 1, 2014, through August 31, 2014, the Company had a month-to-month sub-lease for approximately 200 square feet of office space located in Locust Valley, New York. For the three-month and nine-month periods ended September 30, 2014, rent expense amounted to \$1,650, and \$6,600, respectively.

During 2013, the Company leased, on a month-to-month basis, approximately 600 square feet of office space located in Commack, New York. The office space was shared with Advanta Management Consulting, Inc., a company owned by Mr. James W. Zimbler, an officer, Director, and stockholder of the Company. Rent expense for the year ended December 31, 2013, amounted to \$2,225.

During 2013, the Company also leased, on a month-to-month basis, approximately 2,000 square feet of office space located in Smithtown, New York. Rent expense for the year ended December 31, 2013, amounted to \$12,000.

*Mergenthaler Settlement and Extension Agreements*

Effective September 21, 2012, the Company entered into a Settlement Agreement with Mr. Peter Mergenthaler, individually and as the agent for Eastern Glow Investments, Ltd. and Kingsgate Development, Ltd., entities who were initial stockholders of the Company when it was known as Falcon Media Services, Ltd., James W. Zimbler, Challenger Brands Corp., and the Company. The purpose of the Settlement Agreement is resolve and compromise all outstanding amounts due and owing from the allegation that full consideration was not paid at the time of the completion of the Share Exchange Agreement #1 between the Company and EMC (September 16, 2008).

On that date, the Company entered into Share Exchange Agreement #1 with EMC and its stockholders pursuant to which the Company agreed to acquire 100 percent of outstanding shares of EMC in exchange for 2,701 shares



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of common stock (post reverse stock split) of the Company. The unpaid consideration referred to in the Settlement Agreement was not an obligation of the Company at the time of completion of the exchange, and since the transaction was treated as a reverse merger for financial reporting purposes, with all expenses of the transaction being expensed as incurred, the consideration called for by the Settlement Agreement is considered to be an expense of the reverse merger by the Company for financial reporting purposes.

The unpaid consideration due to Mr. Mergenthaler amounts to a total of \$283,500, and was addressed in three parts: (i) a cash payment of \$75,000; (ii) the issuance of 600,000 newly issued shares of common stock (post reverse stock split) with a value of \$150,000 which shares shall remain in a pro rata *pari passu* relationship to the total number of shares of common stock held by Mr. James W. Zimbler, as of the date of the agreement or in the future, for a period of one year; and (iii) the payment of \$58,500 in monthly installments of \$3,250 over a period of 18 months commencing January 1, 2013. The payment of the unpaid amount of consideration called for by the Settlement Agreement was contingent upon the closing and funding of the reverse merger transaction (the Share Exchange Agreement #3), subsequently changed to the Asset Purchase Agreement, between Challenger Brands Corp. and the Company which closed on October 29, 2013.

Effective August 14, 2013, the Settlement Agreement was amended by an Extension Agreement between Mr. Mergenthaler and the Company which contains the following terms and conditions: (i) All dates in the Settlement Agreement pertaining to activities of the Company related to capital formation and equity funding transactions were extended to September 30, 2014; (ii) Mr. James W. Zimbler and Challenger Brands Corp. were removed as parties to the Settlement Agreement and released from all obligations and conditions of the Settlement Agreement; and, (iii) references in the Settlement Agreement to capital formation and equity funding transactions between the Company and Challenger Brands Corp. were replaced with the Company as the responsible party for the completion of pending and future capital formation and equity funding transactions.

In addition, the cash payment due to Mr. Mergenthaler was increased from \$75,000 to \$133,500, and the term in the Settlement Agreement dealing with monthly payments of \$3,250 over a period of 18 months was deleted.

Lastly, the Extension Agreement provides that in the event that the Company does not complete and close its pending and future capital formation and equity capital funding transactions by September 30, 2014, then the Extension Agreement was to be null and void.

However, effective September 30, 2014, by agreement between the Company and Mr. Mergenthaler, all dates in the Settlement Agreement pertaining to activities of the Company related to capital formation and equity-funding transactions were extended to January 5, 2015.

During the year ended December 31, 2013, the Company paid \$10,000 to Mr. Mergenthaler as partial satisfaction of the cash amount owed to him. For the nine-month period ended September 30, 2014, the Company paid an additional \$7,500 to Mr. Mergenthaler as partial satisfaction of the cash amount owed to him. Subsequent to September 30, 2014, the Company paid an additional \$2,700 to Mr. Mergenthaler as partial satisfaction of the cash amount owed to him.

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*Investment Banking Agreement*

On September 13, 2012, CBC entered into a Letter Agreement with the Chasson Group, Inc. (“Chasson”) whereby Chasson would act as CBC’s exclusive investment banking advisor, and in a general financial and business advisory capacity, for debt and equity transactions related to CBC’s short-term and long-term financing requirements. The term of the Letter Agreement is from September 13, 2012, through August 31, 2013. Chasson is currently working with the Company on its capital formation and equity/debt funding activities related to its business expansion transactions. A retainer fee of \$20,000 was paid to Chasson by CBC in October 2012.

On October 29, 2013, with the closing of the Asset Purchase Agreement between the Company and Challenger Brands Corp., the Company determined that the obligations under the Letter Agreement with Chasson would be assumed by the Company including the liability to repay \$20,000 pertaining to the retainer fee of Chasson to Mr. Jeffrey Gates, a principal stockholder of CBC, and also a stockholder, officer and Director of the Company.

*Failed Merger Transactions*

*Southwest Oil, Inc.*

On January 25, 2013, the Company executed a Stock Purchase Agreement to acquire, by cash purchase, 100 percent of the outstanding capital stock of Southwest Oil, Inc. (“SWO”), an Illinois corporation. The purchase price of the outstanding capital stock of SWO was \$2,650,000 to be paid at closing. The closing date was established as on or before April 15, 2013. The initial closing date was extended by the parties to May 15, 2013.

SWO is in the business of processing and reconditioning for sale used oil, and the related recovery and disposal services of oil and other products. SWO was to operate as a wholly owned subsidiary of the Company subsequent to the completion of the acquisition.

On May 15, 2013, the Company cancelled the Stock Purchase Agreement with SWO in order to pursue other business activities.

*American Oil & Chemical, Inc.*

Effective October 28, 2013, the Company entered into a non-binding Memorandum of Understanding (“MOU - American”) with American Oil and Chemical, Inc., a California corporation (“AMCI”), whereby the Company was to acquire 100 percent of the issued and outstanding shares of common stock of AMCI in exchange for 7,000,000 shares of common stock of the Company. The transaction also called for the Company to provide \$1,000,000 in working capital to AMCI, with \$400,000 of such amount to be provided at closing, and the remainder within 60 days from the closing date. The terms of the MOU - American also provided for a closing date on or before November 30, 2013. If the transaction between the parties was not consummated on or before November 30, 2013, then the MOU - American would be automatically void and of no further effect.

On November 30, 2013, the transaction between the parties was not closed, and the Company subsequently cancelled the transaction in order to pursue other business activities. The deferred acquisition costs pertaining to the transaction, amounting to \$17,367, were written-off to expense during the year ended December 31, 2013.

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*Patten Energy, Inc.*

On February 12, 2014, the Company entered into a non-binding Memorandum of Understanding (“MOU – Patten”) with Patten Energy, Inc. of Los Angeles, California (“Patten Energy”), whereby the Company will acquire 100 percent of the issued and outstanding shares of stock of Patten Energy in exchange for 5,000,000 shares of common stock of the Company. The transaction also calls for the Company to provide \$1,000,000 in working capital to Patten Energy, with \$500,000 of such amount to be provided at closing, and the remainder within 90 days of the closing. Bridge capital in the amount of \$100,000 is to be provided by the Company to Patten Energy upon the completion of the capital formation activities of the Company. In addition, the Company is to provide a revolving line of credit to Patten Energy for the purchase of oil product in the minimum amount of \$1,000,000, and not to exceed \$2,000,000. Upon the completion of the merger transaction, among other terms and conditions, Patten Energy will become a wholly owned subsidiary of the Company, and a member of management of Patten Energy will remain as President of that entity, enter into an employment agreement with the subsidiary, and become a Director of the Company.

On May 19, 2014, the Company entered into an Amended and Extended Memorandum of Understanding (“Amended and Extended MOU – Patten”) with Patten Energy and Integrated Energy Solutions, Inc. (a corporation of which Mr. Ernest B. Remo, a former Director of the Company, is a Director and Interim Chief Executive Officer, and Mr. James W. Zimbler has, during the month of August 2014 become a controlling stockholder), whereby the Company was to acquire 100 percent of the issued and outstanding shares of stock of Patten Energy in exchange for 5,000,000 shares of common stock of the Company, plus the assumption of all liabilities. The transaction also called for the Company to provide \$1,000,000 in working capital to Patten Energy, with \$500,000 of such amount to be provided at closing, and the remainder within 90 days of the closing. Bridge capital in the amount of \$100,000 was to be advanced by the Company to Patten Energy within ten (10) days of the signing of the Amended and Extended MOU prior to the closing. In addition, the Company was to provide a revolving line of credit to Patten Energy for the purchase of oil product in the minimum amount of \$1,000,000, and not to exceed \$2,000,000. Upon the completion of the merger transaction, among other terms and conditions, Patten Energy was to become a wholly owned subsidiary of the Company, and a member of management of Patten Energy will remain as President of that entity, enter into an employment agreement with the subsidiary, and become a Director of the Company. Lastly, the period for closing was extended to July 18, 2014.

In addition, during the three-month period ended June 30, 2014, the Company, Mr. Jeffrey Gates, a Director of the Company, and Integrated Energy Solutions, Inc. provided the funds to loan a total of \$36,289 to Patten Energy for working capital purposes. The loan amount is unsecured, non-interest bearing, and has no terms for repayment or offset other than through the closing of the acquisition with Patten Energy, Inc.

On July 18, 2014, the transaction with Patten Energy was not closed. The Company is currently evaluating its alternatives for the recovery of the receivable amount of \$36,289 from Patten Energy.

*Other Commitments*

On July 1, 2010, the Company entered into a consulting agreement with an unrelated consultant. The consultant agreed to assist with financial, accounting and tax matters. The term of the agreement terminated on December

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31, 2010. On July 13, 2010, the Company issued 500 shares of common stock (post reverse stock split) of the Company to the consultant valued at \$25,000. On November 2, 2010, the consultant received an additional 1,000 of restricted stock for services valued at \$80,000.

**(11) Subsequent Events**

*Other Business Activities*

The Company is currently exploring other business combination transactions, including the potential to participate in a multi-party combination of other oil companies, located primarily in the Chicago, Illinois area, and a separate publicly traded company. These discussions are in the preliminary stage, and there is no way to determine if they will proceed or result in a successful business transaction for the Company. If they proceed, it is possible that the Company may end up in a totally unrelated business activity, compared to those in which it currently operates, with investments in the new entity combination.