

ENERLABS, INC.
FINANCIAL STATEMENTS

July 31, 2016

Together with Accountant's Compilation Report

C O N T E N T S

ACCOUNTANT'S COMPILATION REPORT	Page 1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Cash Flows	4

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Accountants' Compilation Report

ENERLABS, INC.
Board of Directors:

Management is responsible for the accompanying financial statements of Enerlabs, Inc., which comprise the consolidated balance sheets as of July 31, 2016 and January 31, 2016 and the related consolidated statements of income for the three and six months ended July 31, 2016 and 2015 and the consolidated statements of changes in cash flows for the six months ended April 30, 2016 and 2015, in accordance with principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles in the United States. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and changes in cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Leslie G. Pettitt, PC

Bethany, Oklahoma

September 13, 2016

ENERLABS, INC.
CONSOLIDATED BALANCE SHEETS

	July 31, 2016	January 31, 2016
ASSETS		
Current Assets		
Cash	\$ 1,494	\$ 1,663
Restricted cash	25,212	25,169
Accounts receivable	163,874	172,607
Deposits	63,339	63,339
Total Current Assets	<u>253,919</u>	<u>262,778</u>
Property and Equipment		
Oil and gas properties, using full cost accounting		
Proved properties	1,746,362	1,746,362
Less accumulated depreciation, depletion, and amortization, including impairment of \$1,669,495 and \$1,668,988 at July 31, 2016 and January 31, 2016, respectively	<u>(1,670,001)</u>	<u>(1,668,989)</u>
	76,361	77,373
Other, net of accumulated depreciation of \$50,632 and \$49,746 at July 31, 2016 and January 31, 2016, respectively	<u>1,534</u>	<u>2,421</u>
	<u>77,895</u>	<u>79,794</u>
Goodwill	146,703	146,703
Property held for resale	<u>290,000</u>	<u>290,000</u>
Total Assets	<u><u>\$ 768,517</u></u>	<u><u>\$ 779,275</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 935,085	\$ 921,692
Due to related parties	562,949	550,673
Drilling advances	41,626	41,684
Current portion of lease	2,329	2,074
Current asset retirement obligation	-	-
Total Current Liabilities	<u>1,541,989</u>	<u>1,516,123</u>
Asset Retirement Obligation	9,061	9,818
Long-term lease	253	2,169
Total Liabilities	<u>1,551,303</u>	<u>1,528,110</u>
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 20,000,000 share authorized, no shares issued and outstanding July 31, 2016 and January 31, 2016, respectively	-	-
Common stock, \$.001 par value 100,000,000 shares authorized 12,367,184 and 12,367,184 shares issued and outstanding at July 31, 2016 and January 31, 2016 respectively	12,367	12,367
Additional paid in capital	20,928,611	20,928,611
Retained (deficit)	<u>(21,723,764)</u>	<u>(21,689,813)</u>
Total Stockholders' Equity	<u>(782,786)</u>	<u>(748,835)</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 768,517</u></u>	<u><u>\$ 779,275</u></u>

See Accountants' Compilation Report.

ENERLABS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2016 AND 2015

	Three months ended		Six months ended	
	2016	2015	2016	2015
Revenue				
Oil and gas sales	\$ 5,527	\$ 6,800	\$ 9,076	\$ 14,711
Overhead and marketing revenue	(100)	200	(212)	116
Pipeline revenue	1,976	2,048	3,974	4,450
Total Revenue	<u>7,403</u>	<u>9,048</u>	<u>12,838</u>	<u>19,277</u>
Operating Expenses				
Lease operating expense	980	3,834	3,168	7,300
Pipeline and gathering expense	225	675	675	1,350
General and administrative expense	18,618	71,517	43,983	187,426
Depreciation, depletion and amortization	948	444	1,899	1,452
Total Operating Expenses	<u>20,771</u>	<u>76,470</u>	<u>49,725</u>	<u>197,528</u>
Operating (Loss)	<u>(13,368)</u>	<u>(67,422)</u>	<u>(36,887)</u>	<u>(178,251)</u>
Other (Expenses) Income				
Other income		-	11,647	7,526
Interest income	22	16	44	31
Interest expense	(154)	(8,582)	(8,755)	(17,005)
Total Other (Expense)	<u>(132)</u>	<u>(8,566)</u>	<u>2,936</u>	<u>(9,448)</u>
Net Income (Loss) before Income Taxes	(13,500)	(75,988)	(33,951)	(187,699)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (13,500)</u>	<u>\$ (75,988)</u>	<u>\$ (33,951)</u>	<u>\$ (187,699)</u>
Net (Loss) per Share, Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average of number of shares outstanding	<u>12,367,184</u>	<u>13,817,184</u>	<u>12,367,184</u>	<u>13,435,968</u>

See Accountants' Compilation Report.

ENERLABS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JULY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Net Income (Loss)	\$ (33,951)	\$ (187,699)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation, depletion and amortization	1,899	1,452
Common stock issued for services	-	52,500
Gain on settlement of debt	(6,647)	(7,526)
(Increase) Decrease in:		
Restricted cash	(43)	(31)
Accounts receivable	8,733	(3,245)
Deposits	-	(61)
Increase (Decrease) in:		
Accounts payable and accrued expenses	20,040	54,767
Drilling advances	(58)	-
Asset retirement obligation	(757)	661
Net Cash Flows Used By Operating Activities	<u>(10,784)</u>	<u>(89,182)</u>
Cash Flows From Investing Activities		
(Investment in) oil and gas properties	<u>-</u>	<u>-</u>
Payments on note receivable	<u>-</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities		
Advances from related parties and stockholders	12,276	89,876
Payments on capital lease	<u>(1,661)</u>	<u>(726)</u>
Net Cash Provided By Financing Activities	<u>10,615</u>	<u>89,150</u>
Increase (Decrease) in Cash	(169)	(32)
Cash at Beginning of Period	1,663	621
Cash at End of Period	<u>\$ 1,494</u>	<u>\$ 589</u>

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