# OTC Markets

# Alternative Reporting Standard

# Financial Statements

# For the Quarter Ended June 30, 2013

# August 14, 2013

10184 Park Meadows Drive
Lone Tree, Colorado 80124
Phone: 720 484-5706
Kevin Norris – CEO
investorrelations@1stnrg-corp.com

**1ST NRG CORP.**
**BALANCE SHEETS**
(Unaudited)

| ASSETS | | June 30 2013 | | December 31 2012 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash | $ | 32,852 | $ | 1,616 |
| Accounts receivable | | 13 | | - |
| Total current assets | | 32,865 | | 1,616 |
| **Property & Equipment** | | | | |
| Oil & gas properties - successful efforts method | | | | |
| Oil & gas properties | | 2,774,926 | | 2,774,926 |
| Equipment | | 18,090 | | 18,090 |
| Asset retirement obligation | | 8,305 | | 8,965 |
| Undeveloped Properties | | 159,721 | | 159,721 |
| Total property & equipment | | 2,961,042 | | 2,961,702 |
| Less accumulated depreciation, depletion & accretion | | (62,333) | | (57,227) |
| Net property & equipment | | 2,898,709 | | 2,904,475 |
| **Other Assets** | | | | |
| Restricted Cash | | 14,416,278 | | 14,443,014 |
| **TOTAL ASSETS** | | 17,347,852 | | 17,349,106 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable | $ | 648,586 | $ | 747,637 |
| Accrued management compensation | | 2,565,772 | | 2,395,322 |
| Short term loans payable | | 205,078 | | 102,418 |
| Advances by related parties | | 109,550 | | 136,582 |
| Current portion of long term debt | | 3,213,218 | | 2,634,968 |
| Total current liabilities | | 6,742,205 | | 6,016,928 |
| **Long Term Liabilities** | | | | |
| Asset retirement obligation | | 7,975 | | 8,635 |
| Secured promissory note | | 225,000 | | 675,000 |
| Total long term liabilities | | 232,975 | | 683,635 |
| Total liabilities | | 6,975,180 | | 6,700,563 |
| **Stockholders Equity (Deficit)** | | | | |
| Preferred stock - 5,000,000 authorized - par value $0.001 | | | | |
| Series A - issuable | | 449 | | 449 |
| Series A - issued | | | | |
| Series D - issuable | | 501 | | 500 |
| Additional paid in capital - preferred stock | | | | |
| Restricted Cash | | | | |
| Preferred stock subscription receivable | | | | |
| Unfilled agreements to issue shares | | (949) | | (949) |
| Common Stock - 20,000,000,000 authorized - par value $0.00001 | | | | |
| 16,714,945,919 Shares issued and outstanding at June 30, 2013 and 107,311,919 shares issued and outstanding at December 31, 2012. | | 152,703 | | 113,777 |
| 6,610,953, Shares to be issued at June, 2013 and December 31, 2012 | | 99,110 | | 99,110 |
| Shares reserved for issuance | | 500 | | 500 |
| Additional paid in capital | | 20,588,205 | | 20,314,131 |
| Retained earnings (deficit) | | (9,878,975) | | (8,996,959) |
| Period net income (loss) | | (588,871) | | (880,891) |
| Total stockholders’ equity (deficit) | | 10,372,673 | | 10,649,668 |
| **TOTAL LIABILITIES AND STOCKHOLDERS EQUITY** | | 17,347,852 | | 17,350,231 |

**See notes to the financial statements**

# 1ST NRG CORP.
## STATEMENTS OF OPERATIONS
(Unaudited)

| | Three months ended | | Six Months ended | |
|---|---|---|---|---|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| **Revenues** | | | | |
| Natural Gas Sales | $ 7,476 | $ 5,991 | $ 15,017 | $ 12,820 |
| Total revenues | 7,476 | 5,991 | 15,017 | 12,820 |
| **Costs and Expenses of Operations** | | | | |
| Transportation/gathering | 2,947 | 2,577 | 5,993 | 5,321 |
| Lease operating Expense | 8,800 | 7,057 | 13,104 | 12,764 |
| Production Taxes | 822 | 585 | 1,611 | 1,266 |
| Total costs and expenses of operations | 12,569 | 10,218 | 20,708 | 19,351 |
| Operating Margin | (5,093) | (4,227) | (5,691) | (6,531) |
| **Expenses** | | | | |
| Management compensation | 252,500 | 83,750 | 336,250 | 167,500 |
| General and administrative | (58,326) | 13,012 | (39,117) | 24,947 |
| Total Expenses | 194,174 | 96,762 | 297,133 | 192,447 |
| **Income (loss) from operations** | (199,267) | (100,989) | (302,825) | (198,978) |
| **Other Income (Expense)** | | | | |
| Depreciation, depletion & accretion | (2,621) | (3,649) | (5,107) | (7,261) |
| Interest Expense | (70,065) | (67,529) | (280,940) | (135,059) |
| Total Other Income (Expense) | (72,686) | (71,179) | (286,046) | (142,319) |
| **Net Income (Loss)** | $ (271,953) | $ (172,167) | $ (588,871) | $ (341,297) |
| **Net Income (Loss) Per Common Share** | $ (0.000) | $ (0.007) | $ (0.000) | $ (0.015) |
| **Average Number of Shares Outstanding** | 16,721,556,872 | 23,245,970 | 16,721,556,872 | 23,245,970 |

**See notes to the financial statements**

**1ST NRG CORP.**
**STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Six months ended | |
|---|---|---|
| | June 30, 2013 | June 30, 2012 |
| **Cash flow from operating activities** | | |
| Net loss | $ (588,871) | $ (341,297) |
| Adjustments to reconcile net income (loss) to net cash from operations | | |
| Depreciation, depletion & accretion expense | 5,107 | 7,261 |
| Changes in current assets and liabilities | | |
| (Increase) decrease in accounts receivable | (13) | 888 |
| Increase (decrease) in accounts payable | (99,051) | 28,663 |
| Increase (decrease) in accrued management compensation | 170,450 | 167,500 |
| Increase (decrease) in short term loans payable | 102,660 | 5,357 |
| Increase (decrease) in advances by related parties | (27,032) | 1,379 |
| Increase (decrease) in current portion of long term debt | 578,250 | 578,250 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 141,499 | 448,001 |
| **Investing activities** | | |
| Purchase oil & gas properties | - | - |
| Purchase equipment | - | - |
| Asset Retirement | 660 | 660 |
| Restricted Cash | 26,736 | |
| NET CASH USED BY INVESTING ACTIVITIES | 27,396 | 660 |
| **Financing activities** | | |
| Long term note payable | (450,000) | (450,000) |
| Asset Retirement Obligation | (660) | (660) |
| Series D - issuable | 1 | |
| Additional paid in capital - Common stock stock | 274,074 | - |
| Restricted Cash | - | 2,250 |
| Common stock | 38,926 | |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | (137,659) | (448,410) |
| **Change in cash and cash equivalents** | 31,236 | 251 |
| **Cash and cash equivalents at the beginning of the period** | 1,616 | 114 |
| **Cash and cash equivalents at the end of the period** | $ 32,852 | $ 365 |

**See notes to the financial statements**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

*Organization* - The Company is a State of Delaware corporation and maintains a December 31 fiscal year end.

*Nature of Operations* - 1st NRG Corp. is an exploration and production company headquartered in Denver, Colorado. The Company currently holds natural gas (CBM) assets in the Powder River Basin of Wyoming. We own working interests in producing and prospective CBM wells in the Clabaugh Ranch Field, a development of 6,025 gross acres in the Powder River Basin in northeast Wyoming. We are attempting to expand our activities into unconventional shale potential which includes 7,150 acres the Utica Shale in Eastern Ohio.

*Basis of Presentation* - The accompanying financial statements were prepared by the Company and include 1st NRG's share of assets, liabilities, income and expenses from the properties in which the Company has a participating working interest. The Company has no subsidiaries or affiliates with which intercompany transactions are recorded. The Company uses the accrual basis of accounting for financial statement purposes and these statements have not been audited.

*Risks and Uncertainties* - Historically, oil and natural gas prices have experienced significant fluctuations and natural gas prices have been particularly depressed in recent years. If the Company's assets do not generate income sufficient to meet operating expenses, the Company's perceived market value could adversely be affected. Income from, and the value of, the Company's assets may be adversely affected by the general economic climate, oil & natural gas market conditions such as an oversupply of related assets or a reduction in demand for natural gas or natural gas assets in the areas in which the Company's assets are located, and competition from other energy companies. Revenues from the Company's assets are also affected by such factors as the costs of production and local market conditions.

*Cash - Restricted* - 1st NRG Corp closed a transaction with nine qualified investors in January 2011, pursuant to which the Investors purchased a private placement of Units consisting of Preferred Shares (convertible into Common Shares) and Warrants to purchase Common Shares. The total Unit purchase was $14,452,014.45 (16,057.79 per Unit) and $14,416,278 is currently reflected on the Company's Balance Sheet as restricted cash. Under the terms of the Unit Subscription Agreement (USA), the Investor's cash and the Securities purchased (in certificate form) have been deposited in a restricted account with an Intermediary whereby an Account Management Agreement (AMA) between the Investors, the Company and the Intermediary governs the release of funds to the Company from the restricted account. The Investors may NOT request a return of capital without the agreement of 1st NRG and 1st NRG may not request to unwind or alter the transaction without agreement of the Investors. The shares are fully paid and non assessable.

The funds were to be released to the Company in 36 periodic installments pursuant to the AMA and a schedule approved by the Company and the Investors. Trading volumes at or above a minimum bid price will release a percentage of each periodic "Breakout" funds to the Company. There are provisions within the agreement which address release of funds to the Company in the event that 1) trading volume is below the minimums, and 2) average bid prices are above or below the minimums. These provisions are in place to ensure the offering goes forward in a smooth and timely manner and all the funds are disbursed to the Company and the shares distributed to the Investors. During the six months ended June 30, 2013, there was a net $26,736 released to the Company form the restricted cash account. The Company and the Investors are negotiating changes to the AMA to continue release of funds to the Company given the recent share price, share structure and trading volumes.

*Revenue Recognition* - The Company recognizes oil and gas revenues for only its ownership percentage of total production under the entitlement method. Purchase, sale and transportation of natural gas are recognized upon completion of the sale and when transported volumes are delivered according to the terms of the contract.

*Accounts Receivable* - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management will provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that would remain outstanding after management has used reasonable collection efforts would be written off through a charge to the valuation allowance and a credit to trade receivables. Accounts receivable are short-term, non-interest bearing and uncollateralized. The Company did not record any allowance for uncollectable receivables in 2013 or 2012.

*Concentrations of Credit Risk* - Financial instruments that subject the Company to credit risk consist principally of cash and receivables. Cash balances are maintained in local financial institutions and at times the balances may be in excess of federally insured limits. Management believes the risk of loss to be minimal. Receivables consist primarily of amounts due from natural gas purchasers primarily located in the Rocky Mountain region of the United States. The Company does not ordinarily require collateral, but in the case of receivables for joint interest operations, the Company will have the ability to offset amounts due against the participant's share of production from the related property. At June 31, 2013, the Company did not conduct any joint interest operations.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. The Company's significant estimates include estimated life of long lived assets, use of reserves in the estimation of depletion of oil and gas properties and the impairment of oil and gas properties and asset retirement obligations.

*Impairment* - Long-lived assets, including oil and gas properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected undiscounted future cash flow from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized and measured using the asset's fair value or discounted cash flows. Management does not believe the oil and gas properties are impaired as of June 30, 2013 or at December 31, 2012. No provision for impairment has been previously recorded for proved properties.

*Fair Value Measurement and Financial Instruments* - The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The fair market value of these financial instruments approximates or is equal to the book value. In 2009, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement and Disclosures* including the application of the statement to non-recurring, non financial assets and liabilities. The adoption of ASC 820 did not have a material impact on the Company's fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
Level 3 - Unobservable inputs based on the Company's own assumptions.

ASC 820 requires the use of observable market date if such data is available without undue cost and effect.

*Industry Segment and Geographic Information* - The Company operates in one industry segment, the exploration, development, production and sale of natural gas. All of the Company’s operations are conducted in the continental United States and consequently, the Company currently reports as a single industry segment.

*Earnings per Share* - Basic earnings per share (“EPS”) is calculated by dividing net income (loss) attributable to common stock by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share incorporates the treasury stock method to measure the dilutive impact of potential common stock equivalents by including the effect of outstanding vested and unvested stock options and unvested stock awards in the average number of common shares outstanding during the period.

The following table shows the calculation of basic and diluted weighted average shares outstanding and EPS for the periods indicated:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2013** | **2012** |
| Income (loss) attributable to common stock | **(588,871)** | **(341,297)** |
| Weighted average shares | | |
| Weighted average shares—basic | **16,721,556,872** | **23,245,970** |
| Earnings (loss) per share - basic | **(0.000)** | **(0.015)** |

## NOTE 2 - COMMITMENTS AND CONTINGENCIES

*Environmental Issues* - The Company is engaged in oil and gas exploration and production and may become subject to certain liabilities as they relate to environmental cleanup of well sites or other environmental restoration procedures as they relate to the drilling of oil and gas wells and the operation thereof. In the Company's acquisition of existing or previously drilled well bores, the Company may not be aware of what environmental safeguards were taken at the time such wells were drilled or during such time the wells were operated. Should it be determined that a liability exists with respect to any environmental clean up or restoration, the liability to cure such a violation could fall upon the Company.

Management believes its properties are operated in conformity with local, state and Federal regulations. No claim has been made, nor is the Company aware of any uninsured liability which the Company may have, as it relates to any environmental cleanup, restoration or the violation of any rules or regulations relating thereto.

*Government Regulation* - Many aspects of the oil and gas industry are extensively regulated by Federal, state, and local governments in all areas in which the Company has operations. Regulations govern such things as drilling permits, environmental protection and pollution control, spacing of wells, the unitization and pooling of properties, reports concerning operations, royalty rates, and various other matters, including taxation. Oil and gas industry legislation and administrative regulations are periodically changed for a variety of political, economic and other reasons. The Company has not been fined or cited for any violations of governmental regulations that would have a material adverse effect upon the financial condition, capital expenditures, earnings, or competitive position of the Company in the oil and gas industry

## Note 3 - PREFERRED STOCK AND STOCKHOLDER'S EQUITY

*Preferred Class A* - 1st NRG Corp closed a transaction with nine qualified investors in January 2011, pursuant to which the Investors purchased a private placement of Units consisting of Preferred Shares (convertible into Common Shares) and Warrants to purchase Common Shares. The total Unit purchase was $14,452,014.45 (16,057.79 per Unit) and $14,416,278 is currently reflected on the Company's Balance Sheet as restricted cash. Under the terms of the Unit Subscription Agreement (USA), the Investor's cash and the Securities purchased (in certificate form) have been deposited in a restricted account with an Intermediary whereby an Account Management Agreement (AMA) between the Investors, the Company and the Intermediary governs the release of funds to the Company from the restricted account. The Investors may NOT request a return of capital without the agreement of 1st NRG and 1st NRG may not request to unwind or alter the transaction without agreement of the Investors. The shares are fully paid and non assessable.

The funds were to be released to the Company in 36 periodic installments pursuant to the AMA and a schedule approved by the Company and the Investors. Trading volumes at or above a minimum bid price will release a percentage of each periodic "Breakout" funds to the Company. There are provisions within the agreement which address release of funds to the Company in the event that 1) trading volume is below the minimums, and 2) average bid prices are above or below the minimums. These provisions are in place to ensure the offering goes forward in a smooth and timely manner and all the funds are disbursed to the Company and the shares distributed to the Investors. During the six months ended June 30, 2013, there was a net $26,736 released to the Company form the restricted cash account. The Company and the Investors are negotiating changes to the AMA to continue release of funds to the Company given the recent share price, share structure and trading volumes.

If the Average bid for the Company's Common Stock is less than the bid requirements in any Breakout Period the Company at its sole discretion may utilize a pool of 134,781 Preferred "A" Shares (convertible to 13,478,100 Common) which are available to be deposited with the Intermediary to be held for use as the Pricing Workout Pool, (the "PWP"). The PWP would provide additional shares in the event pricing does not meet the expected levels. The existence of the PWP will allow the offering to proceed in a smooth and timely manner.

An additional 314,488 Series "A" Preferred shares make up the Value Added Model (VAM) for the management team. The VAM will bonus shares on a quarterly basis for performance of corporate valuation. Each series of VAM must be preceded by the fulfillment (Delivery or exercise) of either the completed Breakout for that VAM disbursement period as detailed in the AMA. Such bonus pool will be divided as the Company sees fit, but a complete plan will be approved by the Series "A" Investors.

*Series D Issuance* - As part of the private placement of Series "A' Issuance described above and the AMA agreements the Company provides for the issue of 500,000 shares of Series "D" Preferred Shares to the Management of the Company. The Super voting Shares are lodged with the Company's Compliance Attorney and ensure the Company maintains compliance with the Unit subscriptions and AMA agreements. The Series "D" provide management with 51% of the shareholder voting of all common shares. The anti dilution clause accrete votes to the holders so that the holders will always hold 51% of the votes of the common shares until expiration. This super voting power will have the effect of reducing all other votes in effect until the expiration of the Series D. Such increase could have an anti-takeover effect, in that additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover of the Company more difficult. For example, additional shares could be issued by the Company so as to dilute the voting rights of persons seeking to obtain control of the Company, even if the persons seeking to obtain control of the Company offer an above-market premium that is favored by a majority of the independent shareholders. Similarly, the issuance of additional shares to certain persons allied with the Company's management could have the effect of making it more difficult to remove the Company's current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The Company has no plans or proposals to adopt other provisions or enter into other arrangements that may have material anti-takeover consequences.

In December 2009, the Company entered into an agreement with Natural Gas Fuel Company, LLC (NGFCLLC) whereby NGFCLLC agreed to assign certain rights and agreements it held to purchase assets in Wyoming to the Company, in exchange for 500,000 Preferred Class C Shares. The NGFCLLC Preferred shares were converted into 5,000,000 common shares pursuant to a conversion request dated July 6, 2011. Mr. Kevin Norris, a Director and the Company's CEO was the managing member of NGFCLLC. In addition to Mr. Norris, Mssrs. William Ellingson and Jon Roddy, both current Directors of the Company were also Members of NGFC, LLC. Mr. Norris, Mr. Ellingson and Mr. Roddy hold 2,086,810, 1,043,405 and 834,725 Common Shares as a result of converting the Preferred Class C Shares respectively. At June 30, 2013 these shares still remain unissued.

In February 2012, the Company engaged Ascendiant Capital Partners Client on a non-exclusive basis, to render such assistance, advice, consultation, information, and services to the Officers and/or Directors of Client regarding general business matters including, Capital Structure, Financial Modeling, Merger/Acquisition Activities, Qualifications for Stock Exchange Listings, Corporate Governance, and other Public Company matters. The Company has agreed to issue Ascendiant 300,000 Common Shares in consideration for entering into the consulting arrangement. At June 30, 2013 these shares still remain unissued.

On April 10th 2012, the company received notice that Mr. Robert Cox, a non affiliated individual, had purchased a promissory note between the company and Orange Investments with a principal amount outstanding of $25,000. Concurrently, the company received notice that Mr. Cox had assigned portions of the Note which had elected to convert portions of the note into common stock of the company. In total, six non affiliated entities converted $12,250.00 of principal into 12,249.996 shares of common stock.

As discussed above, 1st NRG Corp closed a transaction with nine qualified investors in January 2011, pursuant to which the Investors purchased a private placement of Units consisting of Preferred Shares (convertible into Common Shares) and 47,438,030 Warrants to purchase Common Shares. The total Unit purchase was $14,452,014.45 ($16,057.79 per Unit) and is currently reflected on the Company's Balance Sheet as restricted cash. In October 2012, the Investors converted the Series A Preffered Shares into 44,926,902 shares of the Company's common stock.

On December 18th 2012, the Company received notice that Mr. Robert Cox, had assigned portions of the Note he had acquired and those assignees had elected to convert portions of the note into common stock of the company. In total, four non affiliated entities converted $12,750.00 of principal into 12,750,000 shares of common stock.

On December 28th 2012, the Company received notice that four non affiliated entities, had purchased a portion of a promissory note between the company and Orange Investments with a principal amount outstanding of $20,000. Concurrently, the company received notice that the four had elected to convert portions of the note into common stock of the company. In total, four non affiliated entities converted $3,300.00 of principal into 33,000,000 shares of common stock.

On March 7th 2013, the Company received notice that seven non affiliated entities, had purchased a portion of a promissory note between the company and Orange Investments with a principal amount outstanding of $20,000. Concurrently, the company received notice that the seven had elected to convert portions of the note into common stock of the company. In total, the seven non affiliated entities converted $13,000 of principal into 130,000,000 shares of common stock.

June 13, 2013, the Company issued 7,500,000,000 of common stock each, to Mr. William Ellingson and Mr. Kevin Norris for services rendered. Mr. Ellingson and Mr. Norris are on the Company Board of Directors. Additionally, Mr. Norris is the Company's CEO.

On June 25th 2013, the Company received notice that a non affiliated entities, had purchased a promissory note between the Company and Sean T. Norris with a principal amount outstanding of $11,500. Concurrently, the company received notice that the purchaser had elected to convert the note into 1,477,634,000 shares of common stock of the company.

## Management's Discussion and Analysis of Financial Condition or Plan of Operation

*The following discussion and analysis of our financial condition or plan of operation should be read in conjunction with our financial statements and related notes included elsewhere in this report. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions, or beliefs about future events may, and often do, vary from actual results and the differences can be material. Some of the key factors which could cause actual results to vary from our expectations include changes in commodity prices, the timing of planned capital expenditures, availability of acquisitions, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, the condition of the capital markets generally, as well as our ability to access them and uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting our business, as well as those factors discussed below, all of which are* *difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.*

## Our Company

1st NRG Corp. is an exploration and production company headquartered in Denver, Colorado. We currently hold natural gas (CBM) assets in the Powder River Basin of Wyoming. The working interests we own are in producing and prospective CBM wells in the Clabaugh Ranch Field, a development of 6,025 gross acres in the Powder River Basin in northeast Wyoming. We are planning to expand our activities into unconventional shale potential which includes 7,150 acres the Utica Shale in Eastern Ohio. The Utica Shale not only has potential oil reserves, but also natural gas and natural gas liquids.

Our average daily production for the six months ended June 31, 2013 was approximately 31 Mcf/d (25 Mcf/d net) which was down 26.56% from the approximately 42 Mcf/d (34 Mcf/d net) for the same period ended June 30, 2012. For the six months ended June 30, 2013, the Company received an average gross price of $ 3.30/net mcf, less transportation and production taxes which averaged $1.67/net mcf, resulting in a margin before lease operations and depletion of $ 1.63 per produced net mcf. Net production to the Company for this period was 4,553 mcf. The Company does not operate the current population of producing wells and as a result we have no control over lease operating expenses which averaged $2.87/net mcf for the six months ended June 30, 2013 compared to $2.05/net mcf for the same period in 2012. At June 30, 2013 eleven wells were shut in compared to ten wells at June 30, 2012. We hold an average 3.04% (2.5% net) working interest in the producing wells at June 30, 2013; however we hold a 66.66% (53.79% net) working interest in the eight permitted locations at Clabaugh Ranch. We have proposed operations to begin development of those eight locations.

## CBM – Northern Wyoming

Our current properties are characterized by what we believe to be low geologic risk and repeatable development opportunity. Clabaugh Ranch is about 18 miles northwest of Gillette Wyoming and all of the wells drilled there have encountered developed coal seams in the Warner, Upper and Lower Smith, Wyodak/Anderson Lower, Gates and Wall formations. Wire line logging shows gross pay zones of approximately 150-200 feet. The most significant of these are the Warner, Wyodak/Andersen, and Gates coals. The field is operated by Mountain Hawk Exploration, LLC.

The Clabaugh Ranch field has 42 wells drilled at June 30, 2013 with a success rate of 100%. Our drilling inventory consists of 8 permitted well locations and 28 future locations, all of which are CBM resource opportunities. We believe there is sufficient long-term pipeline takeaway capacity to accommodate our existing production.

## Utica Shale – Eastern Ohio

We have an agreement to develop approximately 7,150 acres in Eastern Ohio, one of the most active areas for oil, natural gas and natural gas liquids exploration in the United States. Recently the Ohio Department of Natural Resources released estimates of the possible Utica-Point Pleasant recoverable reserve potential in Ohio to be between 3.75 to 15.7 trillion cubic feet of natural gas and 1.3 to 5.5 billion barrels of oil. Recently the USGS released its first estimates of the reserve potential of the Utica Shale to be about 38 trillion cubic feet of undiscovered, recoverable natural gas, 940 million barrels of oil and 9 million barrels of natural gas liquids. The USGS estimates included part of Maryland, New York, Ohio, Pennsylvania, Virginia, and West Virginia

In order to execute its strategy the Company will need external sources of funds as cash flows from operations are not currently sufficient to meet the Company's capital and operational needs. In late October 2012, the Company executed a credit facility which would make up to $7,000,000 available to the Company. The facility allows the Company to draw in one or multiple tranches as agreed to between the lender and the Company. The Note will mature in three years and will bear interest at 8%. Any outstanding amounts due under the Note may be converted at maturity into the Company's common stock at the average of the lowest bid for the ten days prior to conversion. At June 30, 2013, the Company had drawn $102,660 on the facility. Also, in January 2011, 1st NRG Corp closed a transaction with nine qualified investors in January 2011, pursuant to which the Investors purchased a private placement of Units consisting of Preferred Shares (convertible into Common Shares) and Warrants to purchase Common Shares. The total Unit purchase was $14,452,014.45 (16,057.79 per Unit) and $14,416,278 is currently reflected on the Company's Balance Sheet as restricted cash. Under the terms of the Unit Subscription Agreement (USA), the Investor's cash and the Securities purchased (in certificate form) have been deposited in a restricted account with an Intermediary whereby an Account Management Agreement (AMA) between the Investors, the Company and the Intermediary governs the release of funds to the Company from the restricted account. The Investors may NOT request a return of capital without the agreement of 1st NRG and 1st NRG may not request to unwind or alter the transaction without agreement of the Investors. The shares are fully paid and non assessable.

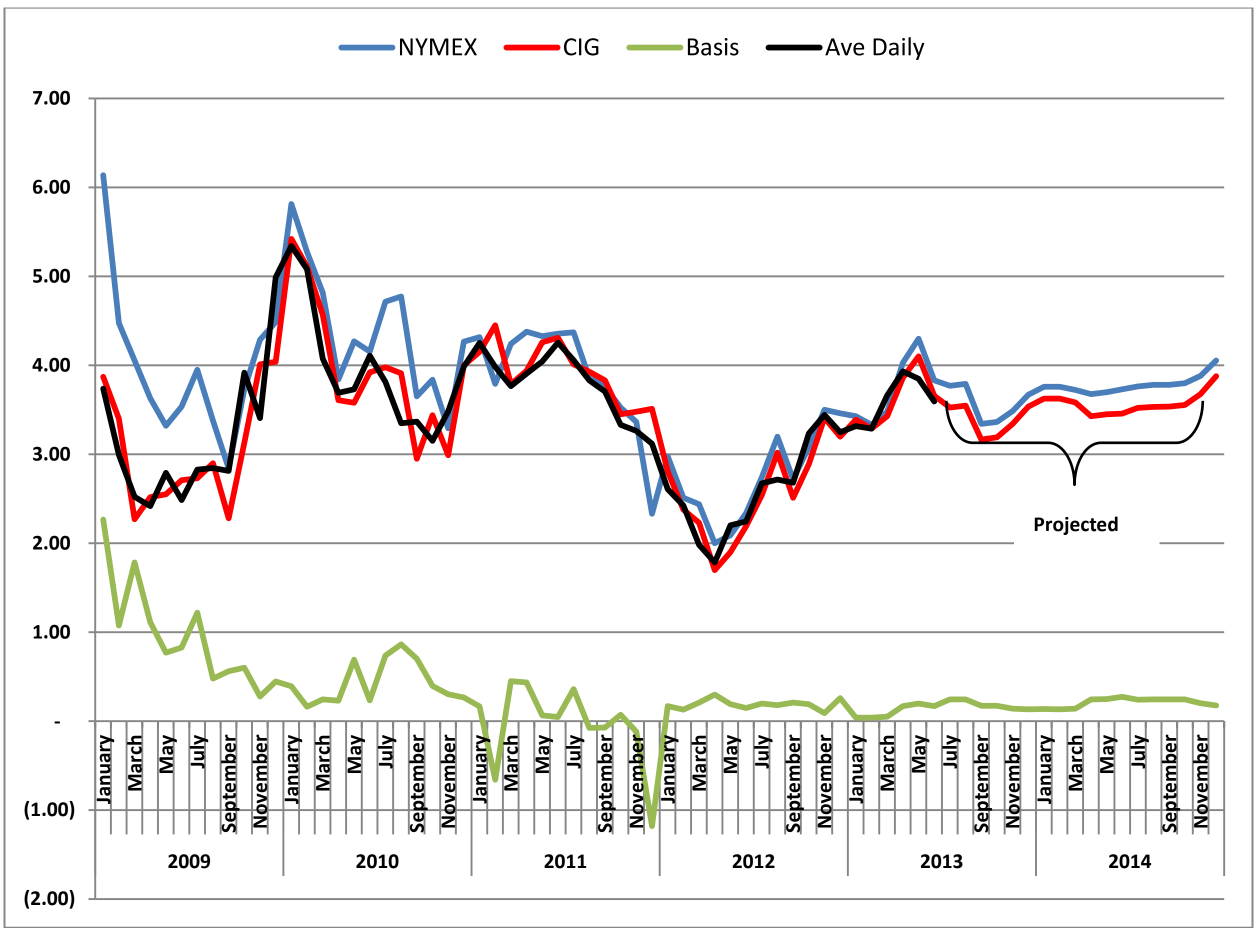
The funds were to be released to the Company in 36 periodic installments pursuant to the AMA and a schedule approved by the Company and the Investors. Trading volumes at or above a minimum bid price will release a percentage of each periodic "Breakout" funds to the Company. There are provisions within the agreement which address release of funds to the Company in the event that 1) trading volume is below the minimums, and 2) average bid prices are above or below the minimums. These provisions are in place to ensure the offering goes forward in a smooth and timely manner and all the funds are disbursed to the Company and the shares distributed to the Investors. During the six months ended June 30, 2013, there was a net $26,736 released to the Company form the restricted cash account. The Company and the Investors are negotiating changes to the AMA to continue release of funds to the Company given the recent share price, share structure and trading volumes.

If the Average bid for the Company's Common Stock is less than the bid requirements in any Breakout Period a pool of 134,781 Preferred "A" Shares (convertible to 13,478,100 Common) are designated to be deposited with the Intermediary to be held for use as the Pricing Workout Pool, (the "PWP"). The PWP would provide additional shares to make up additional shares necessary in the event pricing does not meet the expected levels. The existence of the PWP will allow the offering to proceed in a smooth and timely manner.

An additional 314,488 Series "A" Preferred shares make up the Value Added Model (VAM) for the management team. The VAM will bonus shares on a quarterly basis for performance of corporate valuation. Each series of VAM must be preceded by the fulfillment (Delivery or exercise) of either the completed Breakout for that VAM disbursement period as detailed in the AMA. Such bonus pool will be divided as the Company sees fit, but a complete plan will be approved by the Series "A" Investors.

### Source of Our Revenues

Our production revenues are entirely from the natural gas produced at Clabaugh Ranch. Natural gas prices are inherently volatile and are influenced by many factors outside of our control. Additionally, our production is currently sold by Mountain Hawk Energy, LLC, the current operator of the field, under terms of the governing joint operating agreement. Below is a chart of historical and projected natural gas prices for CIG, NYMEX and the CIG basis differential:




### Principal Components of Our Cost Structure

- *Transportation expense* - These are the costs incurred to bring the natural gas to the market and include the gathering and compression fees charged by third parties. The first stage of gathering, by Wyoming law, is not a cost that is borne by the royalty and overriding royalty interest owners and is therefore paid by the working interest owners.

- *Lease Operating Expenses* - These are the daily costs of producing, repairs and work over expenses related to our natural gas properties as incurred under terms of the Operating Agreement with Mountain Hawk Energy. Cost levels for these expenses can vary based on industry drilling and production activity levels and the resulting demand fluctuations for oilfield services.

- *Production taxes* - Production taxes consist of severance and ad valorem taxes and are paid on produced natural gas and oil based on a percentage of market prices (not hedged prices) or at fixed rates established by federal, state or local taxing authorities.

- *Depreciation, depletion and accretion* - This includes the systematic expensing of the capitalized costs incurred to acquire, explore and develop natural gas and oil. As a successful efforts company, we capitalize all costs associated with our acquisition and development efforts and all successful exploration efforts, and allocate these costs to each unit of production using the units of production method.

- *General and administrative expense* - These costs include overhead, excluding payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our production and development operations, franchise taxes, audit and other professional fees, and legal compliance.

- *Management compensation* - These costs are the current payroll and benefits for our corporate staff which are being accrued.

- *Interest expense* - We have financed a portion of our working capital requirements and acquisitions with borrowings. We also have fixed interest at 14.8% on the Jackson Energy note having a principal balance of $2.7 million. We will likely continue to incur significant interest expense as we continue to grow.

## Results of Operations

### *Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012*

The following table sets forth selected operating data for the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

| | Six months ended June 30, | | | |
|---|---|---|---|---|
| | **2013** | **2012** | **Change** | |
| Revenue | | | | |
| Natural Gas Sales - Wellhead | $ 15,017 | $ 12,820 | $ 2,196 | 17.13% |
| Total revenue | 15,017 | 12,820 | 2,196 | 17.13% |
| Costs and Expenses | | | | |
| Transportation - Wellhead | 5,993 | 5,321 | 671 | 12.61% |
| Lease operating expenses | 13,104 | 12,799 | 305 | 2.38% |
| Production taxes | 1,611 | 1,266 | 346 | 27.34% |
| Depreciation, depletion and accretion | 5,107 | 7,261 | 2,154 | 29.67% |
| Total Costs and Expenses | 25,815 | 26,646 | 3,476 | 13.05% |
| Operating Margin | (10,798) | (13,826) | (1,280) | 9.26% |
| Other Income (Expense) | | | | |
| | | | | - |
| General and administrative | (39,117) | 24,947 | 64,063 | 256.80% |
| Salaries | 336,250 | 167,500 | (168,750) | 100.75% |
| Interest expense | 280,940 | 135,059 | (145,881) | 108.01% |
| Total Other Income (Expense) | 578,073 | 327,506 | (250,567) | 76.51% |
| **NET INCOME (LOSS)** | $ (588,871) | $ (341,332) | $ (251,847) | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Natural gas (Mcf) | | 4,553 | | 6,234 | | (1,681) | -26.97% |
| Daily production (Mcf/d) | | 25 | | 34 | | (9) | -26.56% |
| **Average prices:** | | | | | | | |
| Natural gas (per Mcf) | $ | 3.2985 | $ | 2.0566 | $ | 1.2418 | 60.38% |
| **Average Costs (per Mcf):** | | | | | | | |
| Transportation expense | $ | 1.3163 | $ | 0.8537 | $ | 0.4626 | 54.20% |
| Lease operating expenses | $ | 2.8783 | $ | 2.0532 | $ | 0.8252 | 40.19% |
| Production taxes | $ | 0.3540 | $ | 0.2030 | $ | 0.1510 | 74.36% |
| Depreciation, depletion and accretion | $ | 1.1217 | $ | 1.1648 | $ | (0.0431) | -3.70% |
| Operating margin (per Mcf) | $ | (2.3718) | $ | (2.2180) | $ | (0.1538) | 6.94% |

*Natural gas sales* - Revenues from production of natural gas increased from $12,820 for the six months ended June 30, 2012 to $15,017 for the six months ended June 30, 2013, an increase of $2,196, or approximately 17.13% primarily because of higher commodity prices. Our daily net production decreased by 26.56% from 34 net Mcfd for the six months ended June 30, 2012 compared to 25 net Mcfd for the corresponding period ended June 30, 2013. The average price received per net mcf increased 60.38% from approximately $2.0566/mcf for the six months ended June 30, 2012 when compared to the approximately $3.2985 received for the six months ended June 30, 2013.

*Lease operating expenses.* Lease operating expenses increased $305 from the six months ended June 30, 2012 to $13,104 for the six months ended June 30, 2013, an increase of approximately 2.38%. On a per unit basis, lease operating expenses increased in total from $2.0532 per Mcf for the six months ended June 30, 2012 to $2.8783 for the six months ended June 30, 2013. The Company does not operate the current population of producing wells and therefore has no control over expenses at the time they are incurred. The increase in operating costs per unit of net production is reflective of the decrease in net production and an apparent delay in repairs due to depressed commodity prices.

*Gathering and transportation.* Gathering and transportation expense increased $671 or approximately 12.61% from the six months ended June 30, 2012 to $5,993 for the six months ended June 30, 2013. On a per unit basis, these expenses increased from $0.8537 per net Mcf for the six months ended June 30, 2012 to $1.3163 per net Mcf for the six months ended June 30, 2013.

*Production taxes.* Total production taxes increased by $346 or approximately 27.34% for the six months ended June 30, 2013 compared to the prior year six months ended June 30, 2012. Production taxes are based upon values received and therefore increased as a direct result of the higher commodity prices received for the six months ended June 30, 2013 versus the six months ended June 30, 2012. On a per unit basis, production taxes per Mcf increased by 74.36% from $0.2030 to $0.3540 per Mcf.

*General and administrative.* General and administrative expense decreased from $24,947 for the six months ended June 30, 2012 to ($39,117) for the six months ended June 30, 2013. The large offset was due to a recalculation of Delaware franchise taxes.

*Interest expense.* Interest expense increased $145,881 or approximately 108% for the six months ended June 30, 2012 to $280,940 during the six months ended June 30, 2013 primarily because of favorable conditions under an existing agreement allowing certain debt conversions into common stock during the first six months of 2013.

### *Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012*

The following table sets forth selected operating data for the three months ended June 30, 2013 compared to the three months ended June 30, 2012.

| | Three months ended June 30, | | | |
|---|---|---|---|---|
| | 2013 | 2012 | Change | |
| Revenue | | | | |
| Natural Gas Sales - Wellhead | $ 7,476 | $ 5,991 | $ 1,485 | 24.78% |
| Total revenue | 7,476 | 5,991 | 1,485 | 24.78% |
| Costs and Expenses | | | | |
| Transportation - Wellhead | 2,947 | 2,577 | 370 | 14.37% |
| Lease operating expenses | 8,800 | 7,057 | 1,743 | 24.69% |
| Production taxes | 822 | 585 | 237 | 40.61% |
| Depreciation, depletion and accretion | 12,569 | 10,218 | (2,350) | -23.00% |
| Total Costs and Expenses | 25,138 | 20,437 | 0 | 0.00% |
| Operating Margin | (17,661) | (14,446) | 1,485 | -10.28% |
| Other Income (Expense) | | | | |
| General and administrative | (58,326) | 13,012 | 71,338 | - 548.26% |
| Salaries | 194,174 | 96,762 | (97,412) | 100.67% |
| Interest expense | (199,267) | (100,989) | 98,278 | 97.32% |
| Total Other Income (Expense) | (63,419) | 8,785 | 72,203 | - 821.94% |
| **NET INCOME (LOSS)** | $ 45,757 | $ (23,230) | $ 73,688 | |
| Natural gas (Mcf) | 2,088 | 2,979 | (891) | -29.91% |
| Daily production (Mcf/d) | 12 | 16 | (5) | -29.52% |
| **Average prices:** | | | | |
| Natural gas (per Mcf) | $ 3.5803 | $ 2.0111 | $ 1.5692 | 78.02% |
| **Average Costs (per Mcf):** | | | | |
| Transportation expense | $ 1.4112 | $ 0.8649 | $ 0.5464 | 63.17% |
| Lease operating expenses | $ 4.2143 | $ 2.3690 | $ 1.8453 | 77.89% |
| Production taxes | $ 0.3936 | $ 0.1962 | $ 0.1974 | 100.60% |
| Depreciation, depletion and accretion | $ 6.0192 | $ 3.4301 | $ 2.5891 | 75.48% |
| Operating margin (per Mcf) | $ (8.4581) | $ (4.8491) | $ (3.6090) | 74.43% |

*Natural gas sales* - Revenues from production of natural gas increased from $5,991for the quarter ended June 30, 2012 to $7,476 for the quarter ended June 30, 2013, an increase of $1,485, or approximately 24.78%. Our daily net production decreased by 29.91% from 33 net Mcfd for the quarter ended June 30, 2012 compared to 23 net Mcfd for the corresponding period ended June 30, 2013. The average price received per net mcf increased 78.02% from approximately $2.011/mcf for the quarter ended June 30, 2012 when compared to the approximately $3.5803 received for the quarter ended June 30, 2013.

*Lease operating expenses.* Lease operating expenses increased $1,743 for the quarter ended June 30, 2012 to $8,800 for the quarter ended June 30, 2013, an increase of approximately 24.69%. On a per unit basis, lease operating expenses increased in total from $2.369 per Mcf for the quarter ended June 30, 2012 to $4.2143 for the quarter ended June 30, 2013. The Company does not operate the current population of producing wells and therefore has no control over expenses at the time they are incurred. The increase in operating costs per unit of net production is reflective of the decrease in net production and an apparent delay in repairs due to depressed commodity prices. We estimated the lease operating expense of $8,800 for the quarter based upon prior history and our knowledge of the area. The operator, Mountain Hawk Energy has not billed us since February 2013.

*Gathering and transportation.* Gathering and transportation expense increased $370 or approximately 14.37% for the quarter ended June 30, 2012 to $2,947 for the quarter ended June 30, 2013. On a per unit basis, these expenses increased from $0.8649 per net Mcf for the quarter ended June 30, 2012 to $1.4112 per net Mcf for the quarter ended June 30, 2013.

*Production taxes.* Total production taxes increased by $237 or approximately 40.61% for the quarter ended June 30, 2013 compared to the prior year quarter ended June 30, 2012. Production taxes are based upon values received and therefore increased as a direct result of the higher commodity prices received for the quarter ended June 30, 2013 versus the quarter ended June 30, 2012. On a per unit basis, production taxes per Mcf increased by 100% from $0.1962 to $0.3936 per Mcf.

*General and administrative.* General and administrative expense decreased from $13,012 for the six months ended June 30, 2012 to ($58,326) for the six months ended June 30, 2013. The large offset was due to a recalculation of Delaware franchise taxes.

*Interest expense.* Interest expense increased $98,278 or approximately 97.32% for the quarter ended June 30, 2012 to $199,267 during the quarter ended June 30, 2013 primarily because of favorable conditions under an existing agreement allowing certain debt conversions into common stock during the 1st quarter of 2013.

## Cash Flow Provided by Operating Activities

Net cash provided by operating activities was $ 141,499 and $ 448,001 for the quarters ended June 30, 2013 and 2012, respectively.

Our operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for natural gas. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic activity, weather, infrastructure, and the capacity to reach markets and other variable factors influence market conditions for natural gas. These factors are beyond our control and are difficult to predict.

## Cash Flow Used by Investing Activities

During the quarters ended June 30, 2013 and 2012, we had cash provided by investing activities of $27,396 and $660, respectively.

Our capital budget may be adjusted as business conditions warrant. The amount, timing and allocation of capital expenditures is largely discretionary and within our control. If natural gas decline to levels below our acceptable levels or costs increase to levels above our acceptable levels, we could choose to defer a significant portion of our budgeted capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. We routinely monitor and adjust our capital expenditures in response to changes in prices, availability of financing, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, success or lack of success in drilling activities, contractual obligations, internally generated cash flow and other factors both within and outside our control.

## Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our consolidated financial statements. Our more significant accounting policies and estimates include the successful efforts method of accounting for oil and gas production activities, estimates of natural gas and oil reserve quantities and standardized measures of future cash flows, and impairment of unproved properties. We believe these accounting policies reflect our more significant estimates and assumptions used in preparation of our financial statements.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than operating leases.

Issuer's Certifications

I, Kevin Norris, certify that: 1. I have reviewed this initial disclosure statement of 1st NRG Corp.; 2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 14, 2013

Kevin Norris
CEO