

OTC Pink Basic Disclosure Guidelines

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Holloman Energy Corporation

2) Address of the issuer's principal executive offices

Company Headquarters

Address 1: 333 North Sam Houston Parkway East, Suite 600, Houston, TX 77060

Address 2: _____

Address 3: _____

Phone: (281) 260-0193

Email: info@hollomanenergy.com

Website(s): www.hollomanenergy.com

IR Contact

Address 1: 333 North Sam Houston Parkway East, Suite 600, Houston TX 77060

Address 2: _____

Address 3: _____

Phone: (281) 260-0193

Email: info@hollomanenergy.com

Website(s): www.hollomanenergy.com

3) Security Information

Trading Symbol: HENC

Exact title and class of securities outstanding: 128,122,586 Common Shares outstanding

CUSIP: 435694

Par or Stated Value: 0.001

Total shares authorized: 150,000,000

Total shares outstanding: 128,804,036 as of: December 31, 2017

Additional class of securities (if necessary):

Trading Symbol: N/A

Exact title and class of securities outstanding: _____

CUSIP: _____

Par or Stated Value: _____

Total shares authorized: _____ as of: _____

Total shares outstanding: _____ as of: _____

Transfer Agent

Name: Island Stock Transfer

Address 1: 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760

Address 2: _____

Address 3: _____

Phone: (727)-289-0010

Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

None unless a restricted issuance.

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

1. Restricted Common HENC Stock issued for Management & Administrative Services to Holloman Value Holdings:
 - a. March 2016 – 491,426 shares @ \$0.055 for \$27,282 cost of services
 - b. June 2016 – 645,509 shares @ \$0.041 for \$25,965 cost of services
 - c. September 2016 – 275,843 shares @ \$0.039 for \$10,420 cost of services
 - d. December 2016 – 573,339 shares @ \$0.020 for \$10,505 cost of services
 - e. March 2017 – 676,220 shares @ \$0.0160 for \$10,675 cost of services
 - f. June 2017– 317,539 shares @ \$0.030 for \$9,103 cost of services
 - g. September 2017 – 608,250 shares @ \$0.0140 for \$8,593 cost of services
 - h. December 2017 – 681,450 shares @ \$0.014 for \$9,272 cost of services
2. Restricted Common stock issued for Private Offerings to Holloman Value Holdings:
 - a. January 2017 – 5,650,000 shares @ \$0.02 for cash of \$113,000
 - b. March 2017 – 333,333 shares @ \$0.030 for cash of \$10,000
 - c. May 2017– 3,000,000 shares @ \$0.035 for cash of \$105,000
 - d. September 2017 – 1,000,000 shares @ \$0.020 for cash of \$20,000
3. Restricted Common stock issued for Private Offerings to Directors, Officers & outside persons:
 - a. N/A

5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otcq.com in the field below.

Financial Statements for quarter ended December 31, 2017.

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

Exploration & Production;

B. Date and State (or Jurisdiction) of Incorporation:

May 14 2004 in the State of Nevada

C. the issuer's primary and secondary SIC Codes;

1311

D. the issuer's fiscal year end date;

December 31

E. principal products or services, and their markets;

The company holds a working interest in two licenses (PEL 112 & PEL 444) in the southwestern flank of the Cooper Basin in the state of South Australia.

7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company holds a working interest in two onshore Petroleum Exploration Licenses (PELs) in Australia. A 48.5003% working interest in PEL 112 and a 53.3336% working interest in PEL 444, of which 4.8333% is currently under dispute. PEL 112 is comprised of 1,086 square kilometers (268,356 gross acres, 130,153 net acres), and PEL 444 is comprised of 1,166 square kilometers (288,117 gross acres, 139,739 net acres). Both licenses are located on the southwestern flank of the Cooper Basin in the State of South Australia. All of the Company's oil and gas properties are unproven. As such, the costs capitalized in connection with those properties are not currently subject to depletion.

8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

- A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Mark Stevenson Chairman of the Board of Directors, President, CEO & Secretary

Eric Prim – COO & Director

Gina Serkasevich – CFO, CAO and Treasurer

J. Douglas Brown – Director

Holloman Value Holdings – beneficial owner of 52.76% of Common Stock

- B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

N/A

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

N/A

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

N/A

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

N/A

- C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate

shareholders address.

Holloman Value Holdings – beneficial owner of 52.76% of Common Stock
333 North Sam Houston Parkway East, Suite 600, Houston, TX 77060
President & Director – Mark Stevenson;
VP, Secretary & Director – K. James Ebeling

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel

Name: Bill Hart

Firm: Hart & Hart, LLC

Address 1: 1624 Washington St. Denver, CO 80203

Address 2: _____

Phone: (303) 839-0061

Email: harttrinen@aol.com

Accountant or Auditor

Name: Chad Valentine

Firm: Weaver and Tidwell, L.L.P.

Address 1: 24 Greenway Plaza, Suite 1800 Houston, TX 77046

Address 2: _____

Phone: (713) 850 1673

Email: chad.valentine@weaver.co.

Investor Relations Consultant

Name: N/A

Firm: _____

Address 1: _____

Address 2: _____

Phone: _____

Email: _____

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: N/A

Firm: _____

Address 1: _____

Address 2: _____

Phone: _____

Email: _____

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Mark Stevenson certify that:

1. I have reviewed this quarterly disclosure statement of Holloman Energy Corporation;

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.

March 15, 2018

/s/ MARK STEVENSON [CEO's Signature]

/s/ GINA SERKASEVICH [CFO's Signature]



Independent Accountant's Review Report

To the Board of Directors and Stockholders of
Holloman Energy Corporation

We have reviewed the accompanying consolidated financial statements of Holloman Energy Corporation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors and Stockholders of
Holloman Energy Corporation

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has not generated operating revenues, suffered recurring losses from operations, has not attained profitable operations and is dependent upon obtaining adequate financing to fulfill its exploration activities. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 9, 2018



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
ASSETS		
ASSETS		
Cash	\$ 2,092	\$ 10,554
Other receivable	530	720
Prepaid expenses	61,568	12,808
Current Assets	<u>64,190</u>	<u>24,082</u>
Oil and gas properties, full cost method, unproven	16,574,294	16,550,485
Total Assets	<u>\$ 16,638,484</u>	<u>\$ 16,574,567</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 207,674	\$ 236,325
Loans payable	2,005,000	2,005,000
Current Liabilities	<u>2,212,674</u>	<u>2,241,325</u>
Deferred tax liability	3,885,715	3,944,091
Total Liabilities	<u>6,098,389</u>	<u>6,185,416</u>
STOCKHOLDERS' EQUITY		
Authorized:		
10,000,000 preferred shares, par value \$0.001 per share		
150,000,000 common shares, par value \$0.001 per share		
Issued and outstanding :		
128,804,036 common shares (116,537,244 at December 31, 2016)	128,803	116,537
Additional paid in capital	26,976,950	26,703,574
Accumulated other comprehensive income	1,450	4,036
Accumulated deficit	<u>(16,567,108)</u>	<u>(16,434,996)</u>
Total Stockholders' Equity	<u>10,540,095</u>	<u>10,389,151</u>
Total Liabilities and Stockholders' Equity	<u>\$ 16,638,484</u>	<u>\$ 16,574,567</u>

The accompanying notes are an integral part of these consolidated financial statements. See independent accountant's review report.



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	12 Months Ended December 31,	
	2017	2016
CONTINUING OPERATIONS		
Expenses		
Consulting	\$ 21,780	\$ 13,080
Foreign exchange (gain) loss	(54,427)	4,471
Gain on settlement of debt	-	(449)
Management and director's fees	13,643	32,173
Office, travel and general	69,615	94,704
Professional fees	28,639	88,131
Total Expenses	(79,250)	(232,110)
Other income and expense		
Interest expense	(52,862)	(50,377)
Other income	-	229,404
Loss from Continuing Operations	(132,112)	(53,083)
NET LOSS BEFORE TAXES	(132,112)	(53,083)
Provision for income tax	-	(37,679)
NET LOSS	\$ (132,112)	\$ (90,762)
Foreign currency translation (net of tax of \$0)	(2,586)	429
COMPREHENSIVE LOSS	\$ (134,698)	\$ (90,333)
BASIC AND DILUTED NET LOSS FROM CONTINUING OPERATIONS PER COMMON SHARE	\$ (0.00)	\$ (0.00)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED COMMON SHARES OUTSTANDING	125,191,025	115,319,650

The accompanying notes are an integral part of these consolidated financial statements. See independent accountant's review report.



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Twelve Months Ended December 31,	
	2017	2016
OPERATING ACTIVITIES		
Net loss	\$ (132,112)	\$ (90,762)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange loss	(60,962)	(32,226)
Deferred income tax provision	-	37,679
Changes in working capital items:		
Other receivable	190	2,821
Prepaid expenses	(48,760)	1,716
Accounts payable and accrued liabilities	233,182	(267,941)
Cash used in operating activities	<u>(8,462)</u>	<u>(348,713)</u>
INVESTING ACTIVITIES		
Oil and gas capital expenditures	<u>-</u>	<u>-</u>
Cash used in investing activities	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
Common stock issued for cash	-	-
Proceeds from loan	<u>-</u>	<u>350,000</u>
Cash provided by financing activities	<u>-</u>	<u>350,000</u>
CHANGE IN CASH	(8,462)	1,287
CASH, BEGINNING	<u>10,554</u>	<u>9,267</u>
CASH, ENDING	<u><u>\$ 2,092</u></u>	<u><u>\$ 10,554</u></u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 612	\$ 788
NON-CASH INVESTING ACTIVITIES:		
Increase in accrued capital expenditures in oil and gas properties	\$ -	\$ 54,262
NON-CASH FINANCING ACTIVITIES:		
Shares issued for management fees	\$ 13,643	\$ 32,173
Shares issued for services	\$ 24,000	\$ 42,000

The accompanying notes are an integral part of these consolidated financial statements. See independent accountant's review report.



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Twelve Months Ended December 31, 2017 and 2016
(Unaudited)

	Common Shares		Preferred Shares		Additional Paid In Capital	Accumulated Other Comprehensive Income/(Loss)	Deficit Accumulated During Exploration Stage	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance, December 31, 2015	114,551,127	114,551	-	-	26,631,387	3,607	(16,344,234)	10,405,311
Issued for services	1,986,117	1,986	-	-	72,186	-	-	74,173
Comprehensive income								
Net loss	-	-	-	-	-	-	(90,762)	(90,762)
Foreign currency translation	-	-	-	-	-	429	-	429
Total Comprehensive loss								(90,333)
Balance, December 31, 2016	116,537,244	\$ 116,537	-	\$ -	\$ 26,703,574	\$ 4,036	\$ (16,434,996)	\$ 10,389,151
Issued for services	2,283,459	2,283	-	-	35,359	-	-	37,642
Investment units issued for cash at \$0.02 per unit	3,000,000	3,000	-	-	57,000	-	-	60,000
Investment units issued for cash at \$0.02 per unit	2,650,000	2,650	-	-	50,350	-	-	53,000
Investment units issued for cash at \$0.03 per unit	333,333	333	-	-	9,667	-	-	10,000
Investment units issued for cash at \$0.02 per unit	3,000,000	3,000	-	-	102,000	-	-	105,000
Investment units issued for cash at \$0.02 per unit	1,000,000	1,000	-	-	19,000	-	-	20,000
Comprehensive income								
Net loss	-	-	-	-	-	-	(132,112)	(132,112)
Foreign currency translation	-	-	-	-	-	(2,586)	-	(2,586)
Total Comprehensive loss								(134,698)
Balance, December 31, 2017	128,804,036	128,803	-	-	26,976,950	1,450	(16,567,108)	10,540,095

The accompanying notes are an integral part of these consolidated financial statements. See independent accountant's review report.



HOLLOMAN ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Holloman Energy Corporation (the "Company"), was incorporated in the State of Nevada on May 14, 2004. The Company focuses on oil and gas exploration and development in Australia's Cooper Basin.

The Company's consolidated financial statements are prepared on a going concern basis in accordance with generally accepted accounting principles in the United States ("US GAAP") which contemplates the realization of assets and discharge of liabilities and commitments in the normal course of business. It has not generated operating revenues. The Company has funded its operations through the issuance of capital stock, joint venturing of its work program obligations with third parties who have paid a significant portion of required program costs, and debt. Management plans to raise additional funds through: third-party equity or debt financing, continued joint venturing of its work program obligations, and reliance upon the continued support of its controlling shareholder. There is no certainty that further funding will be available as needed. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern. The Company's ability to continue its operations as a going concern, realize the carrying value of its assets, and discharge its liabilities in the normal course of business is dependent upon: the continued participation of its joint venture partners and the support of its controlling shareholder, its ability to raise capital sufficient to fund its commitments and ongoing losses, and ultimately generating profitable operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with US GAAP, and are expressed in United States dollars. These statements include the accounts of the Company and its wholly owned subsidiaries First Endeavor Holdings, Inc. ("FEH") and Holloman Petroleum Pty. Ltd. ("Holloman Petroleum"). All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these consolidated financial statements relate to carrying values of oil and gas properties, the fair value of debt, the estimated valuation allowance on deferred tax assets and the determination of fair values of stock based transactions.

Foreign Currency Translation

The Company and its Australian subsidiary's functional and reporting currency is the United States dollar. The functional currency of the Company's Canadian subsidiary (which is currently inactive) is the Canadian dollar. Foreign currency financial statements of the Company's Canadian subsidiary are translated to United States dollars using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income as a component of stockholders' equity. Foreign currency financial statements of the Company's Australian subsidiary use period end rates for monetary assets and liabilities, historical rates for historical cost balances, and average rates for expenses. If material, translation gains and losses are included in the determination of income. Foreign currency transactions of the Company's subsidiaries are primarily undertaken in Australian and Canadian dollars. The Company has not, through the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Fair Market Measurements

The Company estimates the fair values of financial and non-financial assets and liabilities under ASC Topic 820 "Fair Value Measurements and Disclosures" ("ASC Topic 820"). ASC Topic 820 provides a framework for consistent measurement of fair value for those assets and liabilities already measured at fair value under other accounting pronouncements. Certain specific fair value measurements, such as those related to share-based compensation, are not included in the scope of ASC Topic 820. Primarily, ASC Topic 820 is applicable to assets and liabilities related to financial instruments, to some long-term investments and liabilities, to initial valuations of assets and liabilities acquired in a business combination, and to long-lived assets written down to fair value when they are impaired. It does not apply to oil and natural gas properties accounted for under the full cost method, which are subject to impairment based on SEC rules. ASC Topic 820 applies to assets and liabilities carried at fair value on the consolidated balance sheet, as well as to supplement fair value information about financial instruments not carried at fair value.

Valuation techniques are generally classified into three categories: the market approach; the income approach; and the cost approach. The selection and application of one or more of these techniques requires significant judgment and is primarily dependent upon the characteristics of the asset or liability, the principal (or most advantageous) market in which participants would transact for the asset or liability and the quality and availability of inputs. Inputs to valuation techniques are classified as either observable or unobservable within the following hierarchy:

- Level 1 — quoted prices in active markets for identical assets or liabilities.
- Level 2 — inputs other than quoted prices which are observable for an asset or liability. These include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 — unobservable inputs that reflect the Company's own expectations about the assumptions that market participants would use in measuring the fair value of an asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instrument's complexity.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Acquired oil and gas properties are reported at fair value on a nonrecurring basis in the Company's consolidated balance sheet. See Oil and Gas Properties below for further discussion of the methods and assumptions used to estimate fair values.

Cash, Cash Equivalents and the Fair Value of Financial Instruments

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents. Cash totaled \$2,092 and \$10,554 at December 31, 2017 and 2016, respectively. The Company is exposed to a concentration of credit risk with respect to its cash deposits. The Company places cash deposits with highly rated financial institutions in the United States and Australia. At times, cash balances held in financial institutions may be in excess of insured limits. The Company believes the financial institutions are financially strong and the risk of loss is minimal. The Company has not experienced any losses with respect to the related risks and does not believe its exposure to such risks is more than normal.

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, other receivables, accounts payable, accrued liabilities and demand notes payable approximates their carrying value due to their short-term nature.

Long-Lived Assets

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Oil and Gas Properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, interest costs relating to unproved properties, geological expenditures, and tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company commences production from established proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves. Costs of unproved properties are not amortized until the proved reserves associated with the projects can be determined or until impairment occurs. If an assessment of such properties indicates that properties are impaired, the amount of impairment is added to the capitalized cost base to be amortized. At December 31, 2017 and 2016, the Company assessed that there was no impairment of unproved properties.

The capitalized costs included in the full cost pool are subject to a "ceiling test" (based on 12-month average of first-day-of-the-month pricing), which limits such costs to the aggregate of the (i) estimated present value, using a ten percent discount rate, of the future net revenues from proved reserves, based on current economic and operating conditions, (ii) the lower of cost or estimated fair value of unproven properties included in the costs being amortized, (iii) the cost of properties not being amortized, less (iv) income tax effects related to differences between the book and tax basis of the cost of properties not being amortized and the cost or estimated fair value of unproved properties included in the costs being amortized. At December 31, 2017, all of the Company's oil and gas interests were classified as unproven properties and were not being amortized.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the consolidated statement of operations.

Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The estimated fair value of the asset retirement obligation is based on the current cost escalated at an inflation rate and discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its useful life. The liability accretes until the Company settles the obligation.

Environmental

Oil and gas activities are subject to extensive federal and provincial environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Expenditures that have future economic benefits are capitalized. Liabilities for expenditures of a non-capital nature are recorded when an environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

Income Taxes

Income taxes are determined using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that date of enactment. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company accounts for uncertainty in income taxes by applying a two-step method. First, it evaluates whether a tax position has met a more likely than not recognition threshold, and second, it measures that tax position to determine the amount of benefit, if any, to be recognized in the financial statements. The application of this method did not have a material effect on the Company's consolidated financial statements.

Stock Based Compensation

The Company records compensation expense in the consolidated financial statements for share based payments using the fair value method. The fair value of stock options granted to directors and employees is determined using the Black-Scholes option valuation model at the time of grant. Fair value for common shares issued for goods or services rendered by non-employees is measured based on the fair value of the goods and services received. Share-based compensation is expensed with a corresponding increase to share capital. Upon the exercise of the stock options, the consideration paid is recorded as an increase in share capital.

Other Comprehensive Income (Loss)

The Company reports and displays comprehensive income and loss and its components in the consolidated financial statements. For the years ended December 31, 2017 and 2016, the only components of comprehensive income were foreign currency translation adjustments.

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS") on the face of the consolidated statements of operations. Basic EPS is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including convertible debt, stock options, and warrants, using the treasury stock method. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. Diluted EPS figures are equal to those of Basic EPS for each period since the Company had no securities outstanding during periods in which the Company generated net income that were potentially dilutive.

Subsequent Events

Management has evaluated events from December 31, 2017 through the date the consolidated financial statements were available to be issued and has disclosed any subsequent events at Note 7.

Risks and Uncertainties

The Company has not commenced planned principal operations. The Company is an oil and gas exploration and production company with assets in the Cooper/Eromanga basin in South Australia. The Company's activities since inception have consisted of entering into a farm-in agreement with Terra Nova, which acquired seismic data for two Petroleum Exploration Licenses, PEL 112 and PEL 444. Terra Nova drilled one well on PEL 112 which was not successful. On May 19, 2015 Terra Nova terminated the Farm-in Agreement.

During fiscal year 2014, the seismic data pertaining to PEL 112 and PEL 444 was reinterpreted to better reflect the formations on the licenses and resulted in the identification of eight possible drilling sites. In December 2015 one well was drilled on PEL 444 which was not successful. The Company plans to raise additional capital or acquire a farm in partner to support the exploration and completion of those additional wells identified if they are anticipated to be productive.

The Company's activities are subject to significant risks and uncertainties; including failing to secure additional capital to complete the Company's productive wells.

3. OIL AND GAS PROPERTIES

General

All of the Company's oil and gas properties are located in Australia and are unproven. As such, the costs capitalized in connection with those properties are not currently subject to depletion. During 2015, \$1,644,960 in capitalized costs incurred to drill Baikal #1 were capitalized into the full cost pool and impaired under the ceiling test as there were no viable reserves from the drilled well. The costs incurred in oil and gas property acquisition and exploration activities are summarized as follows:

Australian Exploration Properties - Unproven

Balance, December 31, 2015	\$16,360,000
Exploration Costs	190,485
Balance, December 31, 2016	16,550,485
Exploration Costs	23,809
Balance, December 31, 2017	16,574,294

Onshore – The Cooper Basin

At December 31, 2017, the Company holds a working interest in two onshore Petroleum Exploration Licenses (PELs) in Australia. A 48.5003% working interest in PEL 112 and a 53.3336% working interest in PEL 444, of which 4.8333% is currently under dispute. PEL 112 is comprised of 1,086 square kilometers (268,356 gross acres, 130,153 net acres), and PEL 444 is comprised of 1,166 square kilometers (288,117 gross acres, 139,739 net acres). Both licenses are located on the southwestern flank of the Cooper Basin in the State of South Australia. All of the Company's oil and gas properties are unproven. As such, the costs capitalized in connection with those properties are not currently subject to depletion.

The Terra Nova Farm-In Agreement

Effective May 11, 2012, the Company entered into an Oil and Gas Farm-In Agreement with Terra Nova Energy Ltd., and its wholly owned subsidiary Terra Nova Resources Inc. ("Terra Nova"), Australian-Canadian Oil Royalties Ltd. ("ACOR") and Eli Sakhai ("Sakhai") on PEL 112 and PEL 444 (the "Agreement"). The Agreement provided terms under which Terra Nova may earn up to a 55% undivided working interest in PEL 112 and PEL 444 (the "Farm-In Interest").

Cooper Basin Exploration Activity

During November 2013, the Company applied for a five-year renewal of its license on PEL 112. In connection with its application, the Company offered to relinquish 1,110 square kilometers (274,287 acres) of the area covered by that license. On March 12, 2014, the Government of South Australia accepted the Company's application and finalized its renewal of PEL 112. As a result, the Company now holds a 48.5003% working interest in PEL 112 until January 10, 2019. The Company's management believes the acreage relinquished in connection with this renewal was non-prospective, and intends to develop the prospects identified on its remaining acreage in that concession.

Acquisition of 80 square kilometers of 3D seismic data on PEL 444 (the "Wingman Survey") began May 28, 2013 and was completed on July 2, 2013. During February 2014, Terra Nova finalized its interpretation of the Wingman Survey data and earned a 25.8333% working interest in PEL 444. The working interest earned by Terra Nova consisted of a 20% interest resulting from the completion of the Wingman Survey and a 5.8333% interest that was provisionally earned in connection with Terra Nova's completion of the Wolfman #1 well.

On May 7, 2014 the Government of South Australia registered the transfer of the 25.8333% working interest earned by Terra Nova in PEL 444. The completion of the Wingman Survey fulfilled the Company's minimum work requirements for PEL 444 License Year Three.

Effective February 15, 2014, the Company assigned a 1% overriding royalty interest in all production of oil, gas and associated hydrocarbons arising from lands covered by PEL 112 and PEL 444 in exchange for \$940,000, which was the remaining principal balance of its Note payable to a third party (see Note 4). The royalty interest conveyed will be computed on actual sales value of the oil and gas net of severance, Australian Production Levy, production taxes, and transportation costs.

On October 7, 2014, the Company and Sakhai agreed to the assignment of ACOR's 12.8332% interest to Perseville Investing Inc. Perseville Investing Inc. assumes all obligations related to the working interest in PEL 112 and PEL 444 previously held by ACOR.

On November 30, 2014, the Company agreed to the assignment of Sakhai's 12.8332% interest to Perseville Investing Inc. Perseville Investing Inc. assumes all obligations related to the working interest in PEL 112 and PEL 444 previously held by Sakhai.

On May 19, 2015 Terra Nova terminated its Farm-In Agreement. According to the terms of the Agreement, to earn the entire Farm-In interest of up to 55% undivided working interest in PEL 112 and PEL 444 Terra Nova was required to drill 3 wells in respect to an Initial Well Program and 3 wells in respect to an Option Well Program. The termination of the Agreement took place after only one well was drilled. As a result Terra Nova has forfeited earning any additional working interest in the properties. Perseville Investing and

the Company are entitled to a return of 5.8333% working interest provisionally earned by Terra Nova on PEL 444 for a second well that was not drilled during the term of the agreement.

On December 03, 2015, the Company spudded the Baikal #1 exploration well on PEL 444. The well's primary oil objective, the Mid Birkhead, was encountered at approximately 1,785 meters (5,856 feet) on December 8, 2015. The depth reached for the secondary targets, the Namur Sandstone formation was 1,497 meters (4,911 feet) and Hutton Sandstone at 1,822 meters (5,977 feet). Baikal #1 reached total depth of 2,176 meters (7,139 feet), on December 8, 2015. No hydrocarbon shows were observed while drilling in the primary and secondary oil objectives, and the well was plugged and abandoned.

The overall prospectivity of PEL 444 remains largely unchanged after the results of the Baikal #1 results. The Wingman 3D detailed several prospects, and although the subsequent Baikal #1 well was dry, experience has shown that individual wells can be dry both within an area of regional production and within producing fields themselves. Accordingly the continued exploration via drilling is warranted.

During December 2015, the Company applied for a five-year renewal of its license on PEL 444. In connection with its application, the Company offered to relinquish 1,192 square kilometers (294,549 acres) of the area covered by that license. The Government of South Australia accepted the Company's application and finalized its renewal of PEL 444. As a result, the Company now holds a 53.3336% working interest in PEL 444 until January 10, 2020, of which 4.8333% is currently under dispute. The Company's management believes the acreage relinquished in connection with this renewal was non-prospective, and intends to develop the prospects identified on its remaining acreage in that concession.

On May 30, 2017 PEL 112 was suspended for one year and is now due to expire on January 10, 2020. As a result of the assignments, at December 31, 2017, the Company holds 48.5003% working interest in PEL 112 and 53.3336% working interest in PEL 444, of which 4.8333% is currently under dispute. Perseville Investing Inc. holds 30.833% and Terra Nova holds 20.667% in PEL 112 and 31.833% and 14.8334% respectively in PEL 444 of which a total of 5.8333% is currently under dispute.

4. RELATED PARTY TRANSACTIONS

On September 14, 2015, the Company entered into a \$100,000 loan agreement with Holloman Holdings. The loan accrues interest at 5% per annum any accrued interest plus principal matures two years from the issuance date. The principal of this loan agreement was considered repaid and the agreement terminated when the Company entered into another loan agreement with a wholly owned subsidiary of Holloman Holdings on October 19, 2015.

On October 26, 2015, the Company entered into a \$20,000 loan agreement with Holloman Holdings. The loan accrues interest at 5% per annum any accrued interest plus principal matures two years from the issuance date.

On November 3, 2015, the Company entered into a \$35,000 loan agreement with Holloman Holdings. The loan accrues interest at 5% per annum any accrued interest plus principal matures two years from the issuance date.

On October 19, 2015, the Company entered into a \$1,600,000 loan agreement with a wholly owned subsidiary of Holloman Holdings. The loan accrues interest at 2% per annum, payable monthly, and the principal matures two years from the issuance date. Interest is due monthly; however, if the Company fails to pay interest monthly then the lender can capitalize the interest as part of the principal. A portion of the proceeds of the loan agreement replaced the outstanding principal of \$100,000 for the loan agreement entered into with Holloman Holdings on September 14, 2015. Additional consideration provided to the lender allows for the lender to exercise a Working Interest Call Option (the Option), as defined by the loan agreement. Under the Option, the lender can deliver notice to the Company, prior December 30, 2015, that 20% of the working interest in PEL 444 be assigned to the lender. If the lender exercises the Option and the Company completes the assignment of working interest, the outstanding loan balance, including interest, is

considered paid in full. If the Company cannot complete the assignment, then the lender can exercise the Share Call Option (the Share Option), as defined in the loan agreement. Under the Share Option, the lender can deliver a notice to the Company at any time before the principal has been repaid in full. The notice under the Share Option causes the Company to issue ordinary shares to the lender equal to the principal, plus any interest, divided by an amount equal to 75% of the volume weighted average price of ordinary shares in the Company for five days prior to the date of the notice. During November 2015, the Company and the lender amended the loan agreement so that the Option could be exercised at any time before maturity of the principal. If the lender elects the Option, the loan will be considered extinguished and any gain or loss recognized from the assignment of oil and gas properties will be recorded in stockholders equity as the agreement is with a related party. The Share option is considered a contingent beneficial conversion feature as it is contingent upon the completion or failure of the Option. If the Option fails to assign the working interest to the lender, the Company would calculate the intrinsic value of the stock, at the date of election, that will be issued upon conversion assuming the lender elects the Share Option. The intrinsic value of the stock would be treated as a discount to debt with an offset to additional paid in capital.

On January 12, 2016 the Company borrowed \$250,000 from Holloman Value Holdings, LLC. This loan is to be consolidated with the current outstanding loan balance to Holloman Value Holdings of \$55,000 amounting to \$305,000. The consolidated loan bears interest at 5% per year and is due and payable on January 12, 2018. The borrowed funds were used to fund the Company's share of the short term joint venture cost obligations for PEL 112 and PEL 444 and overhead costs. All or any portion of the outstanding loan principal, plus any accrued and unpaid interest, may be converted at the option of Holloman Value Holdings, at any time and from time to time, into shares of the Company's commons stock. The number of shares to be issued upon any conversion will be determined by dividing the amount of the principal and/or interest to be converted by the average closing price of the Company's common stock for the 30 trading days immediately preceding the date of conversion.

On October 31, 2017, the outstanding \$1,600,000 loan, plus \$67,635 in accrued interest, was assigned to Holloman Holdings. This loan plus accrued interest is to be paid by October 31, 2019 or a reasonable time as agreed by both parties. All or any portion of the outstanding loan principal, plus any accrued and unpaid interest, may be converted at the option of Holloman Value Holdings, at any time and from time to time, into shares of the Company's commons stock. The number of shares to be issued upon any conversion will be determined by dividing the amount of the principal and/or interest to be converted by the average closing price of the Company's common stock for the 30 trading days immediately preceding the date of conversion.

Effective October 1, 2010, the Company executed an administrative services agreement with Holloman Corporation, the Company's controlling shareholder. Under this agreement, fees of \$5,000 per month were payable to Holloman Corporation. An amendment to this agreement, effective July 1, 2016, reduced the fees to \$2,000 per month covering; office and meeting space, supplies, utilities, office equipment, network access and other administrative facilities costs. These fees are payable quarterly in shares of the Company's restricted common stock at the closing price of the stock on the last trading-day of the applicable monthly billing period. This administrative services agreement can be terminated by either party with 30-days' notice. During 2017, the Company recorded \$24,000 (2016 – \$42,000) of office expense and issued 1,433,405(2016– 1,150,446) shares of its common stock as a result of this agreement.

On December 18, 2014, in order to conserve cash, the Board of Directors consented to pay all outstanding and future management fees incurred by Holloman Corporation using the same basis as the administrative agreement.

During 2017, the Company recorded \$13,643 (2016-\$32,173) in management fees and as a result issued 850,054 (2016-835,671) shares of its common stock.

5. COMMON SHARES

The Company is authorized to issue 150,000,000 common shares with a par value of \$0.001.

During 2017, the Company issued 1,433,405 (2016 – 1,150,446) shares of common stock, at an average price of \$0.017 (2016 - \$0.037) per share in connection with the conversion of \$24,000 (2016 - \$42,000) in administrative service fees and issued 850,054 (2016-835,671) shares of common stock, at an average price of \$0.016 (2016 - \$0.039) in connection with the conversion of management fees payable of \$12,584 (2016- \$32,173) to its controlling shareholder. (see note 5)

On January 5, 2017, January 25, 2017 and March 31, 2017, the Company sold 3,000,000, 2,650,000 and 333,333 shares of common stock, respectively, to a wholly owned subsidiary of Holloman Corporation. The shares were priced at \$0.02 each for the first two lots and at \$0.03 each for the latter. Proceeds from the private placements totaled \$123,000.

On May 15, 2017, the Company sold 3,000,000 shares of common stock to a wholly owned subsidiary of Holloman Corporation. The shares were priced at \$0.035. Proceeds from the private placement totaled \$105,000.

On September 12, 2017, the Company sold 1,000,000 shares of common stock to a wholly owned subsidiary of Holloman Corporation. The shares were priced at \$0.02 each. Proceeds from the private placement totaled \$20,000.

6. INCOME TAXES

The Company is subject to United States federal income taxes at an approximate rate of 21%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Statutory tax rates	21 %	35%
Expected recovery of income taxes at statutory rates	\$ (46,239)	\$ (18,611)
Increase (reduction) in income taxes resulting from:		
Foreign exchange rate and tax rate differences	(29,539)	362,584
Valuation allowance change	75,778	(306,293)
Provision for income taxes	<u>\$ -</u>	<u>\$ 37,679</u>

The significant components of deferred income tax assets and liabilities at December 31, 2017 and 2016 are as follows:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Deferred income tax assets:		
Stock-based compensation	\$ 878,925	\$ 878,925
US net operating loss carryforwards	1,893,807	1,823,264
Australian operating loss carryforwards	638,171	552,642
Australian deposits on property	—	—
US loan receivable	378,154	395,152
Other accruals	12,423	27,211
Total deferred income tax assets	<u>3,801,480</u>	<u>3,677,194</u>
Less: valuation allowance	<u>(3,801,480)</u>	<u>(3,677,194)</u>
Deferred income tax assets, net	<u>-</u>	<u>-</u>
Petroleum and natural gas properties, Australia	<u>(3,885,715)</u>	<u>(3,944,091)</u>
Deferred income tax liabilities, net	<u><u>\$(3,885,715)</u></u>	<u><u>\$(3,944,091)</u></u>

In the United States, the Company had regular tax net operating losses of \$5,410,878 that expire from 2027 through 2039. A valuation allowance of \$2,781,511 has been applied against the deferred tax asset representing these losses.

In Australia, the Company had regular tax net operating losses of \$2,127,238 that may be used in future years to reduce taxable income. A valuation allowance of \$1,019,969 has been applied against the deferred tax asset representing these losses.

The Company's tax returns for 2013 and subsequent years remain subject to examination by tax authorities.

7. SUBSEQUENT EVENTS

On February 15, 2018 we sold 2,000,000 shares of common stock to a wholly-owned subsidiary of Holloman Corporation. The shares were sold at a price of \$0.01 each. Proceeds from the private placement totaled \$20,000. The entire \$20,000 was paid in cash.