

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Holloman Energy Corporation

A Nevada Corporation

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SIC 1311

Amended Quarterly Report For the Period Ending: September 30, 2019 (the "Reporting Period")

As of November 14, 2019, the number of shares outstanding of our Common Stock was:

144,737,790

As of June 30, 2019, the number of shares outstanding of our Common Stock was:

144,737,790

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☒ No: ☐ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☒ No: ☐

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

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

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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.

N/A

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable)
Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated on May 14, 2004 in the state of Nevada – Active status

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

2) Security Information

Trading symbol:	<u>HENC</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>435694104</u>	
Par or stated value:	<u>0.001</u>	
Total shares authorized:	<u>150,000,000</u>	
Total shares outstanding:	<u>144,737,790</u>	as of date: <u>09/30/19</u>
Number of shares in the Public Float ² :	<u>55,374,253</u>	as of date: <u>09/30/19</u>
Total number of shareholders of record:	<u>193</u>	as of date: <u>09/30/19</u>

Additional class of securities (if any):

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding:	_____	as of date: _____

Transfer Agent

Name: Transhare
Phone: 15500 Roosevelt Boulevard, Suite 302, Clearwater, Florida 33760
Email: kwhiteside@transhare.com

Is the Transfer Agent registered under the Exchange Act?³ Yes: ☒ No: ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

N/A

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

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

³ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of 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. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

<div> <div>Number of Shares outstanding as of December 31, 2016</div> <div> <u>Opening Balance:</u> Common: <u>116,537,244</u> Preferred: <u>0</u> </div> <div>*Right-click the rows below and select "Insert" to add rows as needed.</div> </div>									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting /investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
January 2017	New	5,650,000	Common	\$0.020	No	Holloman Value Holdings	Cash	Restricted	(1)
March 2017	New	676,220	Common	\$0.016	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
March 2017	New	333,333	Common	\$0.030	No	Holloman Value Holdings	Cash	Restricted	(1)
May 2017	New	3,000,000	Common	\$0.035	No	Holloman Value Holdings	Cash	Restricted	(1)
June 2017	New	317,539	Common	\$0.030	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)

September 2017	New	1,000,000	Common	\$0.020	No	Holloman Value Holdings	Cash	Restricted	(1)
September 2017	New	608,250	Common	\$0.014	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
December 2017	New	681,450	Common	\$0.014	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
January 2018	New	2,000,000	Common	\$0.010	No	Holloman Value Holdings	Cash	Restricted	(1)
March 2018	New	4,000,000	Common	\$0.020	No	Holloman Value Holdings	Cash	Restricted	(1)
March 2018	New	729,147	Common	\$0.012	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
June 2018	New	2,000,000	Common	\$0.015	No	Holloman Value Holdings	Cash	Restricted	(1)
June 2018	New	413,944	Common	\$0.018	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
September 2018	New	581,144	Common	\$0.014	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
December 2018	New	500,000	Common	\$0.020	No	Holloman Value Holdings	Cash	Restricted	(1)
December 2018	New	495,396	Common	\$0.015	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
February 2019	New	3,750,000	Common	\$0.020	No	Holloman Value Holdings	Cash	Restricted	(1)
March 2019	New	578,409	Common	\$0.013	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)
June 2019	New	885,714	Common	\$0.015	No	Holloman Value Holdings	Admin & Mgmt services	Restricted	(1)

Shares Outstanding on September 30, 2019:	Ending Balance: Common: <u>144,737,790</u> Preferred: <u>0</u>	
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(1) Exempt pursuant to Section 4(a)2 of the Securities Act of 1933.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe any issuance of promissory notes, convertible notes or convertible debentures in the past two completed fiscal years and any subsequent interim period.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
June 11, 2019	30,454	30,000	454	June 11, 2021	(1)	Holloman Value Holdings, LLC	Loan
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

(1) The number of shares to be issued upon any conversion will be determined by dividing the amount of principal and/or interest to be converted by the average closing price of Borrower's common stock for the 30 trading days immediately preceding the date of conversion.

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: Gina Serkasevich
Title: CFO
Relationship to Issuer: CFO

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

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

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

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

If you choose to publish the financial statements in a separate report as described 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 OTCIQ in the field below.

Financial Statements for quarter ended September 30, 2019

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

No operations.

- B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

The Company is currently controlled by Holloman Value Holdings, LLC.

- C. Describe the issuers' principal products or services, and their markets

Up until August the Company held a working interest in two licenses (PEL 112 & PEL 444) in the southwestern flank of the Cooper Basin in the state of South Australia. The Company entered into an agreement to sell all assets and the transaction closed October 14th 2019. As a result of the sale of the Company's assets, the Company does not have any products or services.

6) 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.

Until August 2019, the Company held a working interest in two onshore Petroleum Exploration Licenses (PELs) in Australia. PEL 112 and PEL 444. . 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.

The Company entered into an agreement to sell all of its assets. The transaction closed on October 14th 2019.

7) 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 or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% or more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding (2)	Note
Mark Stevenson	Chairman	The Woodlands TX 77381	914,066	Common	0.66%	(1)
Eric Prim	COO & Director	Spring TX 77380	949,326	Common	0.68%	(1)
Gina Serkasevich	CFO, CAO and Treasurer	Huffman, TX 77336	50,000	Common	0.04%	(1)
Holloman Value Holdings, LLC	Beneficial owner	East Houston TX 77060	76,677,988	Common	56.58%	(1)

(1) Holloman Value Holdings, LLC is controlled by Holloman Holdings Corporation, a private Texas corporation involved in the engineering and construction of pipelines and mid-stream gas processing facilities. Mark Stevenson, Eric Prim and Gina Serkasevich are officers and/or directors of Holloman Holdings Corporation.

(2) As of November 14, 2019

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 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

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject.

Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities 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: Andy Flores
Firm: Weaver and Tidwell, L.L.P.
Address 1: 24 Greenway Plaza, Suite 1800 Houston, TX 77046
Address 2: _____
Phone: (832) 320-3217
Email: andy.flores@weaver.com

Investor Relations Consultant

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

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 amended 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.

January 10, 2020 [Date]

/s/ MARK STEVENSON [CEO's Signature]

Principal Financial Officer:

I, Gina Serkasevich certify that:

1. I have reviewed this amended 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.

January 10, 2020 [Date]

/s/ GINA SERKASEVICH [CFO's Signature]



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
ASSETS		
Cash	\$ 3,773	\$ 6,156
Other receivable	49,125	1,054
Prepaid expenses	23,009	52,157
Current Assets	<u>75,907</u>	<u>59,367</u>
Investments	81,874	-
Oil and gas properties, full cost method, unproven	-	16,589,085
Total Assets	<u>\$ 157,781</u>	<u>\$ 16,648,452</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 228,700	\$ 241,942
Loans payable	2,035,000	2,005,000
Current Liabilities	<u>2,263,700</u>	<u>2,246,942</u>
Deferred tax liability	-	3,721,615
Total Liabilities	<u>2,263,700</u>	<u>5,968,557</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 :		
144,737,790 common shares (139,523,667 at December 31, 2018)	144,737	139,523
Additional paid in capital	27,220,007	27,136,776
Accumulated other comprehensive income	344	5,039
Accumulated deficit	(29,471,007)	(16,601,443)
Total Stockholders' Equity	<u>(2,105,919)</u>	<u>10,679,895</u>
Total Liabilities and Stockholders' Equity	<u>\$ 157,781</u>	<u>\$ 16,648,452</u>

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



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
CONTINUING OPERATIONS				
Expenses				
Consulting	\$ 2,030	\$ 4,124	\$ 6,861	\$ 12,875
Foreign exchange gain	27	(100,557)	(213,757)	(282,008)
Management and director's fees	-	1,445	1,445	5,440
Office, travel and general	19,916	25,438	68,594	70,392
Professional fees	10,212	10,490	18,517	18,759
Total Expenses, net	(32,185)	59,060	118,340	174,542
Other income and expense				
Other expense	(67,105)	-	(67,105)	-
Interest expense	(13,438)	(13,063)	(39,642)	(39,284)
Income (Loss) from Continuing Operations	(112,728)	45,997	11,593	135,258
DISCONTINUED OPERATIONS				
Loss from discontinued operations	(16,602,456)	-	(16,602,456)	-
Loss from Discontinued Operations	(16,602,456)	-	(16,602,456)	-
NET INCOME (LOSS) BEFORE TAXES	(16,715,184)	45,997	(16,590,862)	135,258
Provision for income tax	3,721,615	-	3,721,615	-
NET INCOME (LOSS)	<u>\$ (12,993,569)</u>	<u>\$ 45,997</u>	<u>\$ (12,869,247)</u>	<u>\$ 135,258</u>
Foreign currency translation (net of tax of \$0)	(5,569)	1,441	(5,013)	3,174
COMPREHENSIVE INCOME (LOSS)	<u>\$ (12,999,138)</u>	<u>\$ 47,440</u>	<u>\$ (12,874,260)</u>	<u>\$ 138,432</u>
BASIC AND DILUTED NET INCOME (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	<u>\$ (0.12)</u>	<u>\$ 0.00</u>	<u>\$ (0.12)</u>	<u>\$ 0.00</u>
WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED COMMON SHARES OUTSTANDING	<u>143,861,809</u>	<u>137,951,626</u>	<u>142,623,114</u>	<u>135,108,948</u>

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



HOLLOMAN ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
OPERATING ACTIVITIES		
Net Income (Loss)	\$ (12,869,247)	\$ 135,258
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
Unrealized foreign exchange gain	(5,013)	-
Loss on sale of O&G PPE	16,519,731	(278,834)
Change in deferred taxes	(3,721,615)	-
Changes in working capital items:		
Other receivable	(48,071)	95
Prepaid expenses	29,148	19,635
Accounts payable and accrued liabilities	(12,316)	127,095
Cash (used in) provided by operating activities	(107,383)	3,249
INVESTING ACTIVITIES		
Cash used in investing activities	-	-
FINANCING ACTIVITIES		
Common stock issued for cash	75,000	-
Proceeds from loan	30,000	-
Cash provided by financing activities	105,000	-
CHANGE IN CASH	(2,383)	3,249
CASH, BEGINNING	6,156	2,092
CASH, ENDING	<u>\$ 3,773</u>	<u>\$ 5,341</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ -	\$ 96
NON-CASH INVESTING ACTIVITIES:		
Increase in accrued capital expenditures in oil and gas properties	\$ -	\$ (22,553)
Stock shares issued as consideration for sale of oil and gas properties	\$ 81,874	\$ -
NON-CASH FINANCING ACTIVITIES:		
Shares issued for management fees	\$ 1,445	\$ 5,440
Shares issued for services	\$ 12,000	\$ 18,000

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



HOLLOMAN ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. NATURE OF OPERATIONS

Holloman Energy Corporation (the "Company"), was incorporated in the State of Nevada on May 14, 2004.

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.

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.

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. 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.

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, 2018 and 2017, the only components of comprehensive income were foreign currency translation adjustments.

Earnings <Loss> 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.

3. OIL AND GAS PROPERTIES

Prior to October 2019 the Company held a working interest in two petroleum exploration licenses (PEL 112 & PEL 444) in the southwestern flank of the Cooper Basin in the state of South Australia. These licenses were sold in October 2019.

4. RELATED PARTY TRANSACTIONS

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 were 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 was terminated on June 30th 2019.

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.

5. COMMON STOCK

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

On February 15, 2019 the Company sold 3,750,000 shares of common stock to a wholly-owned subsidiary of Holloman Corporation. The shares were sold at a price of \$0.02 each. Proceeds from the private placement totaled \$75,000. The entire \$75,000 was paid in cash.

6. INCOME TAXES

Due to its history of losses, the Company is not subject to federal or state income taxes.

7. SUBSEQUENT EVENTS

Prior to October 2019 the Company held a working interest in two petroleum exploration licenses (PEL 112 & PEL 444) in the southwestern flank of the Cooper Basin in the state of South Australia. These licenses were sold in October 2019.