

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 2015
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 000-52711

JAYHAWK ENERGY, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

20-0990109

(IRS Employer Identification No.)

1348 S. Grand Blvd., Suite 2 Box 348 Spokane, WA

(Address of principal executive office)

99202

(Zip Code)

(425) 442-0931

(Issuer's telephone number)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE ACT:

None

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE ACT:

Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ☒ No ☐

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post filed). Yes ☒ No ☐

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☒

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the Common Stock held by non-affiliates (as affiliates are defined in Rule 12b-2 of the Exchange Act) of the registrant, computed by reference to the average of the high and low sale price on **March 31, 2015** was **\$1,081,055**.

As of **January 21, 2016** there were **199,875,629** shares of issuer's common stock outstanding. On October 27, 2015, the Company obtained the written consent of the stockholders holding 118,749,788 shares of issued and outstanding common stock, which is equal to approximately 59.41% of the voting power of the Company's outstanding capital stock, to effect a 1:100 reverse split of the capital stock of the Company. As of the filing date of this Form 10-K the reverse split has not occurred and therefore any reference to the Company's outstanding shares is based upon the pre-reverse split figure. However, Staff Accounting Bulletin ("SAB") Topic 4.C requires the retrospective presentation of the reverse split in the Company's financial statements and therefore the presentation of Item 8 is in accordance with the requirements of SAB Topic 4.C.

JAYHAWK ENERGY, INC.
FORM 10-K
For the Fiscal Year Ended September 30, 2015

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PART I

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions that are not statements of historical facts. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimates,” “forecast,” “project” and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based on management’s discussion and analysis or plan of operations and elsewhere in this report. Although we believe that these assumptions were reasonable when made, these statements are not guarantees of future performance and are subject to certain risks and uncertainties, some of which are beyond our control, and are difficult to predict. Actual results could differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements, which reflect management’s view only as of the date of this report.

Item 1. Business.

General

On October 13, 2015, the Company changed its domicile from the state of Colorado to the state of Nevada. Unless the context otherwise requires, in this report, the terms “JayHawk” or “Company”, “we”, or “our”, refers to JayHawk Energy, Inc., a Nevada Corporation, and its wholly owned subsidiary, JayHawk Gas Transportation Corporation, a Kansas corporation. JayHawk’s office address changed on October 5, 2015 from 611 E. Sherman Ave., Coeur d’Alene, Idaho 83814 to 1314 S. Grand Blvd., Suite 2 Box 348, Spokane, WA 99202. The Company’s telephone number is (425) 442-0931. JayHawk reports its operations using a fiscal year ending September 30 and the operations reported on this Form 10-K, are presented on a consolidated basis.

The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, registration statements and other items with the Securities and Exchange Commission (“SEC”). JayHawk provides access free of charge to all of these SEC filings, as soon as reasonably practicable after filing, on its internet site located at www.jayhawkenergy.com. In this report on Form 10-K, the language “this fiscal year” or “current fiscal year” refers to the 12-month period ending September 30, 2015.

In addition, the public may read and copy any materials JayHawk files with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. The SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements regarding issuers, like JayHawk, that file electronically with the SEC.

Business Development.

JayHawk Energy, Inc. was incorporated in Colorado on April 5, 2004 as Bella Trading Company, Inc. The Company was originally formed to import and sell jewelry and accessories from Southeast Asia. During the third quarter of the fiscal year ending September 30, 2007, the Company decided to change management, enter the oil and gas business, and cease all activity in the retail jewelry industry. At that time the Company changed its name to JayHawk Energy, Inc. and shifted its focus to the acquisition, development, production and sale of crude oil and natural gas, primarily from conventional reservoirs within North America. During the year ending September 30, 2008, the company acquired its first oil and gas properties. These oil and gas properties included: (1) working interests and operations in 5 producing oil wells, surface equipment and related oil and gas leases in Divide County, North Dakota, and (2) 34 producing coal bed methane gas wells and related leases, surface equipment and a 16-mile gas pipeline and compression station in Bourbon County, Kansas, and (3) additional oil and gas mineral leases covering 11,000 acres in Bourbon and Crawford Counties, Kansas.

On September 1, 2015 the Company disposed of all of its interests, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota. The disposition of the Company’s North Dakota assets was completed through an asset assignment to a related party.

The Company’s strategy is to increase shareholder value through strategic acquisition and development of oil and gas properties, primarily in North America. The Company’s oil and gas investments as of September 30, 2015 have been concentrated in coal bed methane gas properties, located in southeast Kansas.

As of September 30, 2015, the Company remains an early stage oil and gas exploration company. The Company's immediate business plan is to focus its efforts on identifying oil and gas assets for future acquisition and development. While the Company continues to control 71 shut-in natural gas wells and approximately 20,000 acres in Southeast Kansas, we are actively focused on shifting to a liquids-rich development focus, primarily in established oil and gas producing regions of North America. The Company's main priority will be given to projects with near term cash flow potential and proven, producing oil and gas reserves. Future acquisition and development activities will be conditioned upon the Company's ability to access sources of sufficient funding.

Oil and Gas Properties.

Please refer to Item 2 of this Form 10-K for discussion on the Company's oil and natural gas properties and reserves.

Employees.

During the year ending September 30, 2015, the Company utilized one individual to manage and operate its business. Executive functions are carried out by one individual located in Peoria, Arizona. Administrative functions are performed by a consultant in Spokane, Washington. Going forward, and for the foreseeable future, the Company plans to outsource its geological, geophysical, drilling and petroleum engineering requirements to independent consultants and contractors.

Competitive Business Conditions.

The Company is an early stage oil and gas exploration company. The Company competes with other companies for financing and for the acquisition of new oil and gas properties. Many of the oil and gas exploration companies with whom the Company competes have greater financial and technical resources than those currently available to the Company. Accordingly, these competitors may be able to spend greater amounts on acquisitions of oil and gas properties of merit, on exploration of their properties and on development of their properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of oil and gas properties. This competition could result in competitors having properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could have an adverse impact on the Company's ability to achieve the financing necessary for us to conduct further exploration of its acquired properties.

The Company will also compete with other similarly positioned oil and gas exploration companies for financing from a limited number of investors that are prepared to make investments in early stage oil and gas exploration companies. The presence of competing oil and gas exploration companies may have an adverse impact on the Company's ability to attract investors and raise additional capital in order to fund its exploration programs.

Patents and Trademarks.

The Company does not own, either legally or beneficially, any patents or registered trademarks.

Governmental Regulations.

The Company's oil and gas operations are subject to various federal, state and local governmental regulations. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal, state and local laws and regulations relating primarily to the protection of human health and the environment. The requirements imposed by such laws and regulations are periodically changed and subject to interpretation, and we are unable to predict the ultimate cost of additional compliance with these requirements or their effect on operations.

Item 1A. Risk Factors.

The Company is a Smaller Reporting Company, as defined by 17 C.F.R. § 229.10(f)(1) and is not required to provide the information required by this Item.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

Kansas - Girard Project. The “Girard Project” is located in Crawford County, southeast Kansas and was acquired by the Company on March 31, 2008. The Company acquired thirty-four (34) natural gas wells and a 16-mile-long gas pipeline in the acquisition of the Girard Project. Seven (7) of the wells were tied into the pipeline at the time of the acquisition. In March of 2008, the Company formed a Kansas corporation called “JayHawk Gas Transportation Corporation”. JayHawk Gas Transportation Corporation is a wholly owned and controlled subsidiary of the Company and holds and manages the assets associated with the Girard Project. The Girard Project pipeline is tied into a 2 million cubic foot sales pipeline. During July and August of 2008, the Company completed drilling and casing of an additional twenty-one (21) natural gas wells. In June 2008, the Company acquired additional certain oil, gas and mineral rights to 11,462 leased acres in Bourbon and Crawford counties Kansas from Missouri Gas Partners. As of September 30, 2015, the Company controls seventy-one (71) shut-in natural gas wells and the 16-mile gas pipeline and compression station it acquired in 2008. Information related to current natural gas production is more fully discussed in Note 4 to the Consolidated Financial Statements of this Form 10-K.

North Dakota - Crosby Project (formerly known as “Candak”). On January 16, 2008, the Company acquired a 65% working interest in five (5) producing oil wells in the Williston Basin of North Dakota. The project was renamed to more properly reflect the pool designation of the properties. In addition to the five producing wells, the Company acquired certain oil, gas, and mineral rights in a 15,500-acre land position, of which, all undeveloped leases have subsequently lapsed.

During the year ending September 30, 2010, JayHawk drilled two vertical wells (the “Knudsen” and the “Jenks”) at the Crosby Project. The drilled wells exhibited marginal production potential after various attempts to stimulate flow and were subsequently shut-in. The Company plugged the Knudsen #1 well and substantially completed all reclamation efforts of the well’s adjacent pits during the first seven months of calendar year 2014. In September of 2015 the Company completed final plugging and abandonment of the Jenks #1 and completed a partial reclamation of the well and site.

On July 8, 2015, the Company executed a Contract Operating Agreement (the “Operating Agreement”) with Vast Exploration, LLC (“Vast Exploration”), effective as of January 1, 2015. Under the terms of the Operating Agreement, Vast Exploration was appointed as the “operator of record” for all of the Company’s properties and is responsible for the operation of the Company’s oil and gas properties (including handling routine operations, major operations, reporting services and other miscellaneous services). The Operating Agreement requires the Company to pay Vast Exploration a monthly fee for services in the amount of \$20,000. The Company remains responsible for all fees, expenses and taxes related to its properties and has agreed to reimburse Vast Exploration for any fees, expenses or taxes advanced on the Company’s behalf. The Company has the right to audit the books, records and invoices maintained by Vast Exploration in its operation of the Company properties. The term of the Operating Agreement is two years from the effective date. The Operating Agreement automatically renews for successive one year terms until the Company or Vast Exploration provide notice of non-renewal. The Operating Agreement includes mutual indemnities and waivers of consequential and punitive damages. The Operating Agreement also includes release and hold harmless provisions for the exclusive benefit of Vast Exploration. Finally, the Operating Agreement consents to and ratifies any operational services Vast Exploration has provided to the Company prior to the date the Operating Agreement was executed. Vast Exploration billed the Company \$160,000 for the year ended September 30, 2015 which was charged to ‘production expense’ and subsequently billed to working interest partners for their pro-rata share of the expense. The foregoing summary of the Operating Agreement’s terms is qualified in its entirety by the fully executed Operating Agreement attached as Exhibit 10.4.

Vast Exploration, LLC is the controlling shareholder of the Company and is an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Operating Agreement. Scott Mahoney, interim President, CEO, CFO and Chairman of the Board of JayHawk is the individual who possesses voting and dispositive authority on behalf of Vast Exploration, LLC. Acting in his capacity as Chairman of the Board of JayHawk, he recused himself from voting on the approval of the Contract Operating Agreement, which was subsequently approved by the remaining members of the Company’s Board of Directors.

On October 2, 2015 JayHawk entered into an Assignment, Bill of Sale and Conveyance (the “Assignment”) with Vast Holdings, LLC (“Vast Holdings”), with an effective date of September 1, 2015. The Assignment sold and assigned to Vast Holdings, in consideration of ten dollars (\$10.00), all of the Company’s right, title, interest and estate, real or personal, movable or immovable, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota, including but not limited to: oil, gas and/or mineral leases, fee mineral interests, leasehold estates, mineral interests, royalty interests, overriding royalty interests, reversionary interests, net profits interests, and other similar rights, estates and interests and other agreements, the oil, gas, and other hydrocarbons produced from or attributable to the assets and all units, wells, equipment, contracts, and records. The Assignment did not convey any liabilities related to the assets. Vast Holdings is a wholly owned subsidiary of Vast Exploration, LLC (“Vast Exploration”). Vast Exploration is a controlling shareholder of the Company, the contract operator of the Company’s oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Assignment. Scott Mahoney, interim President, CEO, CFO and Chairman of the Board of JayHawk is the individual who possesses voting and dispositive authority on behalf of Vast Holdings, LLC. Mr. Mahoney, acting in his capacity as Chairman of the Board of the Company, recused himself from voting on the approval of the Assignment. The Assignment was subsequently approved by the remaining members of the Company’s Board of Directors. The foregoing summary of the Assignment’s terms is qualified in its entirety by the fully executed Assignment attached as Exhibit 10.16.

Disclosure of Reserves.

As of September 30, 2015, the Company has no proved oil reserves in North Dakota. Effective as of September 1, 2015, the Company conveyed all of its North Dakota oil and gas properties to Vast Holdings, LLC, an affiliate of Vast Exploration, LLC, the controlling shareholder of the Company, in lieu of the Company's North Dakota assets being foreclosure upon by Vast Exploration, LLC. Consequently, there is no disclosure of oil reserves as of September 30, 2015.

For purposes of this report, the Company presents its proved oil reserves as of September 30, 2014 and September 30, 2013. For the North Dakota properties, the independent petroleum engineering firm of Cedar Technical Services ("Cedar") of Baldwin City, Kansas, prepared the estimates of the Company's proved developed and proved undeveloped reserves as of September 30, 2014. The independent petroleum engineering firm of McDaniel & Associates Consultants, Ltd. ("McDaniel") of Calgary, Alberta Canada, prepared the estimates of the Company's proved developed and proved undeveloped reserves as of September 30, 2013. The future net cash flows (and related present value) attributable to proved and probable reserves were calculated for each well and the properties in total as of these respective dates. Proved developed reserves are defined as estimated quantities of oil, natural gas and natural gas liquids which upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reservoirs under existing economic and operating conditions. Proved undeveloped reserves are those reserves which can be expected to be recovered from new wells with existing equipment and operating methods.

The reserve data set forth in the reports and in this Form 10-K represents only estimates, and should not be construed as being exact quantities. The reserves may or may not be actually recovered, and if recovered, the actual revenues and costs could be more or less than the estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

Cedar's Report of Third Party for the Evaluation of Oil Reserves attributed to the Company's interest in the Crosby Project in the State of North Dakota, United States of America and related Consent for Use is filed as an Exhibit with this 10-K. McDaniel's Report of Third Party for the Evaluation of Oil Reserves attributed to the Company's interests in the Crosby Project in the State of North Dakota, United States of America and related Consent for Use is filed as an Exhibit with this 10-K. The independent expert engineering, geological, and technical advisory background of both Cedar and McDaniel are disclosed in the associated Exhibits to this 10-K.

Both Cedar and McDaniel's used all assumptions, data, methods and procedures they considered necessary and appropriate under the circumstances to prepare their estimates. The reserves set forth in their reports for the properties are estimated by performance methods or analogy. In general, reserves attributable to producing wells and reservoirs are estimated by performance methods such as decline curve analysis which utilizes extrapolations of historical production data. Reserves attributable to non-producing and undeveloped reserves included in the reports are estimated by analogy. The estimates of the reserves, future production, and income attributable to properties are based on the reserve definitions set out in Regulation S-X, Rule 4-10(a).

Both the Cedar and McDaniel's reports summarize conclusions made by them with respect to the reserve estimates. To estimate economically recoverable crude oil, many factors and assumptions were considered, including the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under applicable SEC regulations, proved reserves must be demonstrated to be economically producible based on the existing economic conditions including the prices and costs at which economic production from a reservoir is determined as of the effective date of the report. With respect to the property interests the Company owns, production and well tests from examines wells, normal direct costs of operating the wells or leases, other costs such as transportation and processing fees, production taxes, recompletion and development costs and product prices are based on SEC regulations, geological maps, well logs, core analyses, and pressure measurements.

Reservoir engineering is a subjective process of estimating underground accumulations of crude oil that cannot be measured in an exact manner. There are numerous uncertainties inherent in estimating crude oil reserves and their estimated values, including many factors beyond the Company's control. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geologic interpretation and judgment. As a result, estimates of different engineers, including those used by the Company, may vary. In addition, estimates of reserves are subject to revision based upon actual production, result of future developments and exploration activities, prevailing crude oil prices, operating costs and other factors. The revisions may be material. Accordingly, reserve estimates are often different from the quantities of crude oil that are ultimately recovered and are highly dependent upon the accuracy of the assumptions upon which they are based. The Company's estimate net proved reserves, included in the Company's SEC filings, have not been filed with or included in reports to any other federal agency. Reserve estimates, like all estimates, are subject to numerous uncertainties and may be inaccurate. There are numerous uncertainties inherent in estimating quantities of oil or natural gas reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. The reserve and associated cash flow information set forth herein represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of

speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Actual production, revenues, taxes and development and operating expenditures with respect to the Company's reserves will vary from estimates thereof and such variations could be material.

Estimates of proved or unproved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Federal and state regulations governing protection of the environment may prevent the Company from recovering the estimated reserves disclosed in this section. See Item 1, and the subsection entitled "Governmental Regulations" above.

A summary of the Company's net proved oil reserves for the North Dakota properties for the years ended September 30, 2015, 2014 and 2013 are presented below:

	2015	2014	2013
	Oil (Bbls)	Oil (Bbls)	Oil (Bbls)
PROVED			
Developed producing - North Dakota	N/A	85,122	39,300
Developed non-producing - North Dakota	N/A	7,635	-
Undeveloped - North Dakota	N/A	27,009	21,600
Ending balance	N/A	119,766	60,900

The Company has no reserve estimates for synthetic oil, synthetic gas or sales of other non-renewable natural resources that are intended to be upgraded into synthetic oil and gas.

The Company's Kansas properties have not been evaluated and no independent estimates of proved reserves have been made with regard to the Kansas properties. Consequently, management has determined the Company's producing natural gas properties in Kansas should be classified as unproven for purposes of financial statement disclosure. Additional information about the Company's proved oil reserves are presented under Note 21 - Supplemental Oil and Gas Information in the accompanying Consolidated Financial Statements.

Controls over Reserve Estimates.

Compliance as it relates to reporting the Company's reserves was formerly the responsibility of Lindsay Gorrill, former Chairman of the Board of Directors, who had over 20 years' experience in resource-based companies. Current Company Chairman Scott Mahoney will be responsible for the Company's reserves at such time the Company possesses reportable reserves.

With respect to the Company's properties, the control over reserve estimates included retaining Cedar and McDaniel as our independent and geological engineering firms for the periods indicated in their respective reports. Jayhawk provided both Cedar and McDaniel with information about its oil properties, including production profiles, prices and costs, and both Cedar and McDaniel reviewed the estimates of the reserves attributable to oil properties. Both Cedar and McDaniel are independent expert engineering, geological, technical and advisory company providing services to the oil and gas industry.

All of the information on the North Dakota oil reserves for the years ended September 30, 2013 in this Form 10-K is derived from McDaniel's report. All of the information on the North Dakota oil reserves for the year ended September 30, 2014 in this Form 10-K is derived from the Cedar. The Company holds no reserves as of September 30, 2015.

Proved Undeveloped Reserves.

As of September 30, 2015, management estimated the Company had proved undeveloped reserves (PUDs) of Nil Bbls in North Dakota. The Company divested of its oil wells effective September 1, 2015, therefore the Company's PUD's and data are through September 1, 2015.

The following table discloses the Company's PUDs during 2015, 2014 and 2013:

	2015	2014	2013
PUDS beginning of year	27,009	21,600	21,600
Revisions of previous estimates	(27,009)	5,409	-
Conversions to proved developed reserves	-	-	-
Additional PUDs added	-	-	-
PUDs end of year	-	27,009	21,600

Oil and Gas Production, Production Prices and Production Costs.

The following table set forth certain information regarding the production volumes of oil and natural gas for the periods indicated for the Company. The Company's oil wells were located in North Dakota. The Company divested of its oil wells effective September 1, 2015 and, therefore, production volumes and data are through September 1, 2015. The Company's natural gas wells are located in Kansas:

	Years ended September 30,		
	2015	2014	2013
Oil (North Dakota)			
Production volumes:			
Oil production (Bbls)	10,819	10,066	10,081
Average daily production (BOED)	29.90	27.58	27.6
Natural Gas (Kansas)			
Production volumes:			
Natural gas (mcfs)	-	-	-
Average daily production (mcfs)	-	-	-

The oil and gas sales revenue shown in the table below is the Company's net share of annual revenue in each project for the past three fiscal years:

	Years ended September 30,		
	2015	2014	2013
Oil revenue (North Dakota)	\$ 244,283	\$ 394,925	\$ 411,576
Gas revenue (Kansas)	-	-	-
	<u>\$ 244,283</u>	<u>\$ 394,925</u>	<u>\$ 411,756</u>

The table below shows the average sales price per unit and average cost of goods sold per unit the Company received for oil and natural gas for the past three fiscal years:

	Years ended September 30,		
	2015	2014	2013
Average sales price:			
Oil - per barrel (North Dakota)	\$ 40.58	\$ 75.24	\$ 78.40
Gas - per mcf (Kansas)	NA	NA	NA
Average production cost:			
Oil - per barrel (North Dakota)	\$ 38.98	\$ 22.87	\$ 19.39
Gas - per mcf (Kansas)	NA	NA	NA

Drilling and Other Exploratory and Development Activities.

No wells were drilled and completed in the years ended September 30, 2015, 2014 and 2013. The Company experienced no dry wells in the years ended September 30, 2015, 2014 and 2013.

The following table summarizes the Company's total oil wells by type as of September 30, 2015. A net well represents the Company's percentage ownership of a gross well. The following table does not include wells which were awaiting completion, in the process of completion or awaiting flow-back subsequent to fracture stimulation. All oil wells are located in North Dakota; all natural gas wells are located in Kansas.

	Producing Wells		Non-producing wells	
	Gross	Net	Gross	Net
Oil wells	-	-	-	-
Natural gas wells	-	-	71	71.00
Totals	-	-	71	71.00

Present Activities.

During the year ended September 30, 2015, the Company recognized responsibility for up to 71 non-producing well bores in Crawford and Bourbon County, Kansas. Previously, the Company had recognized 25 non-producing well bores. The Company in cooperation with the Kansas Corporate Commission entered into a Consent Agreement whereby the Company declared the wellbores temporarily abandoned and may reapply for additional temporary abandonment status at the close of calendar year 2015. The foregoing summary of the Consent Agreement's terms is qualified in its entirety by the fully executed Consent Agreement attached as Exhibit 10.5.

The Company did not experience any dry holes in fiscal years ending September 30, 2015, 2014 or 2013.

Delivery Commitments.

As of September 30, 2015, the Company does not have any delivery commitments for product obtained from its wells.

Oil and Gas Properties, Wells, Operations, and Acreage.

Management believes the Company has satisfactory title to all of its properties in accordance with standards generally accepted in the oil and gas industry. The properties are subject to customary royalty interests, liens for current taxes and other burdens, which management believes does not materially interfere with the use of or affect the value of such properties. Prior to acquiring undeveloped properties, the Company performs a title investigation that is thorough but less vigorous than that conducted prior to drilling, which is consistent with standard practice in the oil and gas industry. Before the Company commences drilling operations, it conducts a thorough title examination and performs curative work with respect to significant defects before proceeding with operations. The Company has performed a thorough title examination with respect to substantially all of its active properties.

Item 3. Legal Proceedings.

On August 1, 2013, the North Dakota Industrial Commission ("NDIC") submitted an administrative complaint to the State of North Dakota related to plugging and remediation of the Company's Jenks #1 and Knudsen #1 wells in Crosby, North Dakota. The administrative complaint alleged the Company violated certain portions of the North Dakota Century Code and requested administrative relief against the Company for violation of sections of the North Dakota Administrative Code governing the oil and gas industry.

On or about August 12, 2013, the Company responded to the administrative complaint and subsequently entered into settlement negotiations with the NDIC. In a good faith effort to comply with the NDIC's requests, the Company began plugging the Knudsen #1 well on or about December 20, 2013. The Knudsen #1 well plugging and related remediation work was completed on or about January 1, 2014. The range of associated penalties as proposed by the NDIC was \$100,000 to \$525,000 for failure to comply.

On February 18, 2014, the Company entered into a Consent Agreement with the State of North Dakota whereby the Company was required to finish reclamation work, by June 30, 2014, on the two waste water storage pits adjacent to the Jenks #1 and Knudsen #1 wells respectively. The Consent Agreement required the Company to plug the "production zone" of the Jenks #1 well. Once plugging was completed, the Company could then apply for a permit to convert the Jenks #1 well into a salt water disposal well. As a part of the Consent Agreement the Company agreed to pay a civil penalty of no less than \$105,000, consisting of \$25,000 due and payable upon execution of the Consent Agreement and a \$16,000 installment payment per month for five successive months thereafter. If the Company failed to comply with the terms of the Consent Agreement, the Company would be subject to penalties of up to an additional \$420,000 (over and above the \$105,000 penalty agreed to in the Consent Agreement). The Company made the initial \$25,000 payment and subsequently made each monthly payment with the final installment of \$16,000 paid to the State of North Dakota on June 26, 2014.

Although reclamation work was to have been completed by June 30, 2014, unseasonably heavy rains which saturated the soil and limited safe access to the site by heavy equipment delayed scheduled reclamation until such time as ground conditions improved. On July 10, 2014, the Company completed reclamation work on both the Jenks #1 and Knudsen #1 waste water storage pits. The Company also completed plugging of the 'production zone' on the Jenks #1 well and set a balance plug on the Knudsen #1 well bore. The Company submitted an application for conversion of the Jenks #1 well to a saltwater disposal well and began performing additional engineering surveys and cost estimates related to construction of the salt water disposal well to address considerations requested by the NDIC. The Company's saltwater disposal well application was subsequently denied by the NDIC on January 28, 2015 due to environmental concerns.

Due to JayHawk's failure to timely submit a cost estimate for the final plugging, abandonment and reclamation of the Jenks #1 well and site, the NDIC, on January 28, 2015, pursuant to Commission Order No. 25588 ordered JayHawk to file a \$120,000 bond covering the Jenks #1. The bond was a plugging and reclamation bond.

On May 9, 2015, the Company received a copy of a Summons and Complaint filed by the State of North Dakota and the NDIC in the Northwest Judicial District Court of North Dakota alleging JayHawk had violated N.D.C.C. Chapter 38-08 by failing to post the \$120,000 plugging and reclamation bond pursuant to Commission Order No. 25588. N.D.C.C. § 38-08-16 provides that anyone who violates a provision of N.D.C.C. Chapter 38-08, or any rule or regulation of the Commission is subject to a penalty of up to \$12,500 for each offense, and each day's violation is a separate offense. The Complaint's prayer for relief requested that JayHawk be ordered to deposit \$120,000 with the Bank of North Dakota to satisfy the Commission's requirement for the plugging and reclamation bond on the Jenks #1 well. The NDIC also requested that JayHawk pay a fine of \$12,500 per day beginning February 4, 2015, for failure to provide a plugging and reclamation bond on the Jenks #1. The Company subsequently met with the NDIC, which resulted in the NDIC staying the litigation subject to JayHawk's immediate plugging, abandonment and reclamation of the Jenks #1. In September of 2015 the Company completed final plugging and abandonment of the Jenks #1 and completed a partial reclamation of the well and site.

On February 12, 2015, the Company entered into a settlement agreement with the Staff of the Corporation Commission of the State of Kansas with respect to a Penalty Order served by the Company for failure to comply with certain portions of the Kansas Administrative Regulations. The Company was found in violation of failure to plug, return to service or temporarily abandon 71 wells and assessed a \$7,100 penalty, of which \$3,100 was payable immediately, a \$2,000 payment due by April 1, 2015 and the final \$2,000 payment by May 1, 2015. The Company has subsequently submitted 71 temporary abandonment applications, of which 71 applications were approved. The Company has up to one year to plug the wells, return them to service or file additional temporary abandonment applications.

No director, officer or affiliate of the Company and no owner of record or beneficial owner of more than five (5%) of the Company's securities or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information.

The bid and ask prices for the Company's common stock are reported on the OTCQB under the symbol "JYHW". For the periods indicated, the following table sets forth the high and low bid prices per share of JayHawk's common stock since inception of trading. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	2015		2014	
	High	Low	High	Low
1st Quarter End December 31	\$ 0.029	\$ 0.010	\$ 0.009	\$ 0.003
2nd Quarter End March 31	0.020	0.007	0.025	0.008
3rd Quarter End June 30	0.019	0.006	0.055	0.007
4th Quarter End September 30	0.018	0.006	0.038	0.016

Holdings.

As of September 30, 2015, there were 98 stockholders of record who owned **199,875,629** shares of common stock. The number of record holders was determined from the records of the Company's transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of the Company's common stock is Corporate Stock Transfer Company at 3200 Cherry Creek Drive South, Suite #340, Denver, Colorado, 80209.

On October 27, 2015, the Company obtained the written consent of the stockholders holding 118,749,788 shares of issued and outstanding common stock, which is equal to approximately 59.41% of the voting power of the Company's outstanding capital stock, to effect a 1:100 reverse split of the capital stock of the Company. As of the filing date of this Form 10-K the reverse split has not occurred and therefore any reference to the Company's outstanding shares is based upon the pre-reverse split figure. However, Staff Accounting Bulletin ("SAB") Topic 4.C requires the retrospective presentation of the reverse split in the Company's financial statements and therefore the presentation of Item 8 is in accordance with the requirements of SAB Topic 4.C.

Dividends.

Holders of common and preferred stock are entitled to receive dividends as may be declared by the Board of Directors. The Board of Directors is not restricted from paying any dividends, but is also not obligated to declare a dividend. No dividends have ever been declared and it is not anticipated that dividends will ever be paid. The Board of Director's discretion as to the payment of a dividend will be dependent upon the Company's financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant.

Securities authorized for issuance under equity compensation plans.

None.

Item 6. Selected Financial Data.

The Company is a Smaller Reporting Company, as defined by 17 C.F.R. § 229.10(f)(1) and is not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to assist you in understanding our business and results of operations together with our financial condition. This section should be read in conjunction with our historical combined and consolidated financial statements and notes, as well as the selected historical combined and consolidated financial data included elsewhere in this report. Statements in our discussion may be forward-looking statements. These forward-looking statements involve risks and uncertainties. We caution that a number of factors could cause future production, revenues and expenses to differ materially from our expectations. Please see "Disclosure Regarding Forward-Looking Statements."

Overview.

JayHawk Energy, Inc. was incorporated in Colorado on April 5, 2004 as Bella Trading Company, Inc. The Company was originally formed to import and sell jewelry and accessories from Southeast Asia. During the third quarter of the fiscal year ending September 30, 2007, the Company decided to change management, enter the oil and gas business, and cease all activity in the retail jewelry industry. At that time the Company changed its name to JayHawk Energy, Inc. and shifted its focus to the acquisition, development, production and sale of crude oil and natural gas, primarily from conventional reservoirs within North America. During the year ending September 30, 2008, the company acquired its first oil and gas properties. These oil and gas properties included: (a) working interests and operations in

five (5) producing oil wells, surface equipment and related oil and gas leases in Divide County, North Dakota, and (b) thirty-four (34) producing coal bed methane gas wells and related leases, surface equipment and a 16-mile gas pipeline and compression station in Bourbon County, Kansas, and (c) additional oil and gas mineral leases covering 11,000 acres in Bourbon and Crawford Counties, Kansas.

On September 1, 2015 the Company disposed of all of its interests, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota. The disposition of the Company's North Dakota assets was completed through an asset assignment to a related party.

As of September 30, 2015, the Company continues to control seventy-one (71) shut-in natural gas wells in Southeast Kansas, the Company is actively focused on shifting to a liquids-rich development focus, primarily in established oil and gas producing regions of North America. The Company's main priority will be given to projects with near term cash flow potential and proven, producing oil and gas reserves.

Commodity Prices.

Our results of operations are heavily influenced by commodity prices. Factors that may impact future commodity prices, including the price of oil and natural gas, include: (1) weather conditions in the United States and where the Company's property interests are located; (2) economic conditions, including demand for petroleum-based products, in the United States and the rest of the world; (3) actions by OPEC, the Organization of Petroleum Exporting Countries; (4) political instability in the Middle East and other major oil and natural gas producing regions; (5) governmental regulations; (6) domestic tax policy; (7) the price of foreign imports of oil and natural gas; (8) the cost of exploring for, producing and delivering oil and natural gas; (9) the discovery rate of new oil and natural gas reserves; (10) the rate of decline of existing and new oil and natural gas reserves; (11) available pipeline and other oil and natural gas transportation capacity; (12) the ability of oil and natural gas companies to raise capital; (13) the overall supply and demand for oil and natural gas; and (14) the availability of alternate fuel sources.

The Company cannot predict the occurrence of events that may affect future commodity prices or the degree to which these prices will be affected, the prices for any commodity that we produce will generally approximate current market prices in the geographic region of the production. Furthermore, the Company has not entered into any derivative contracts, including swap agreements for oil and gas.

Recent Events.

Termination of Lease Agreement

On or about December 1, 2011, the Company entered into a four-year lease with Marlin Property Management, LLC, an entity owned by the spouse of Lindsay E. Gorrill, the Company's former President/CEO and member of the Board of Directors. Under the terms of the lease the Company was required to pay \$2,500 per month for office space in Coeur d'Alene, Idaho. For the years ended September 30, 2015 and 2014, the Company paid \$15,000 and \$15,000 respectively. The balance due to the related party including common area expenses as of September 30, 2015 was \$Nil as a result of the Lease Termination Agreement described in Notes 15 and 18.

Resignation of Officers and Directors.

On May 15, 2015, Jeff Bright tendered his resignation from the Board of Directors of the Company. On May 31, 2015, Tyrone Docherty tendered his resignation from the Board of Directors of the Company.

Appointment of Director.

On April 17, 2015, Scott Mahoney was appointed to the Board of Directors of the Company and was named Chairman of the Board.

Convertible Debenture Transfer Agreements

On April 17, 2015, Scott Mahoney, the CEO and Manager of Vast Exploration was appointed to the Board of Directors of the Company in connection with Vast Exploration, LLC's acquisition of certain convertible debentures described below. At the time of closing of each Convertible Debenture Transfer Agreement, Mr. Mahoney was both a Director of the Company and as the CEO and Manager of Vast Exploration, LLC and was the individual with voting and dispositive control over Vast Exploration, LLC, and was therefore deemed to be the beneficial owner of the underlying securities represented by the various debentures. Mr. Mahoney has disclaimed beneficial ownership of the underlying convertible debenture securities.

On April 17, 2015, closing related to a Convertible Debenture Transfer Agreement (“Gorrill Transfer Agreement”) entered by the Company, Lindsay E. Gorrill, the Company’s former President/CEO and member of the Board of Directors and Vast Exploration, LLC (“Vast Exploration”) on March 17, 2015 occurred. The Gorrill Transfer Agreement conveyed a 10% Convertible Debenture originally entered into between the Company and Mr. Gorrill on June 4, 2014 to Vast Exploration. Mr. Gorrill received a \$200,000 promissory note as consideration for the transfer. The aggregate amount of the 10% Convertible Debenture and the amount outstanding on the 10% Convertible Debenture as of the effective date of the Gorrill Transfer Agreement was \$200,000. The Company had not made any payments of principal or interest at a rate of ten percent (10%). The 10% Convertible Debenture may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the 10% Convertible Debenture is due. The foregoing summary of the Gorrill Transfer Agreement’s terms is qualified in its entirety by the fully executed Gorrill Transfer Agreement attached as Exhibit 10.6.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Alpha Transfer Agreement”) entered into by the Company, Alpha Capital Anstalt (“Alpha”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Alpha Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Alpha on December 11, 2009, December 30, 2009, April 21, 2010, October 18, 2010 and one 10% Convertible Debenture dated June 3, 2014. The aggregate amount of the various debentures at the time of transfer was \$1,209,744. The amount outstanding on the various debentures at the time of transfer was \$967,657. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Alpha Transfer Agreement’s terms is qualified in its entirety by the fully executed Alpha Transfer Agreement attached as Exhibit 10.7.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Ellis Transfer Agreement”) entered into by the Company, Ellis International Ltd. (“Ellis”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Ellis Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Ellis on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$309,173. The amount outstanding on the various debentures at the time of transfer was \$141,877.51. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Ellis Transfer Agreement’s terms is qualified in its entirety by the fully executed Ellis Transfer Agreement attached as Exhibit 10.8.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Momona Transfer Agreement”) entered into by the Company, Momona Capital. (“Momona”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Momona Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Momona on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$113,333. The amount outstanding on the various debentures at the time of transfer was \$82,749.76. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Momona Transfer Agreement’s terms is qualified in its entirety by the fully executed Momona Transfer Agreement attached as Exhibit 10.9.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Lane Transfer Agreement”) entered into by the Company, Lane Ventures, Inc. (“Lane”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Lane Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Lane on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$61,750. The amount outstanding on the various debentures at the time of transfer was \$46,312.50. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Lane Transfer Agreement’s terms is qualified in its entirety by the fully executed Lane Transfer Agreement attached as Exhibit 10.10.

On or about April 17, 2015, Vast Exploration notified the Company of its intent to hold the Company in default of certain provisions of the Convertible Debentures, including but not limited to additional interest at 18% and recalculating the principal balances to 125% of their face amount retroactive to the last known date of compliance.

On April 30, 2015 the Company entered into an Amendment to its outstanding Convertible Debentures (the “Amendment”) with Vast Exploration. Under the terms of the Amendment the “Beneficial Ownership Limitation” provisions located in each Convertible Debenture were been deleted. The elimination of the Beneficial Ownership Limitation permits the Vast Exploration to convert any or all of the outstanding Convertible Debentures into common shares at any time. Under the terms of the Amendment the “Conversion Price” for the remaining entire outstanding balance owed by the Company under the Convertible Debentures has been reset to \$.01 per share. Also, under the terms of the Amendment the “Derivative Provisions” located in each Convertible Debenture have been deleted. The fair value of the derivative liability on that date of \$1,244,472 was charged to ‘additional paid-in capital’. No other terms of the Convertible Debentures were amended. The foregoing summary of the Amendment’s terms is qualified in its entirety by the fully executed Amendment attached as Exhibit 10.11.

Employment Contract - Change of Control

On or about April 30, 2015, the Company reported a Change of Control which triggered certain provisions of an Executive Employment Contract of Kelly Stopher – Interim President, CEO and CFO of the Company. The Company accrued a liability of \$57,000 which is included in “other payables, taxes and interest accrued” at September 30, 2015 and entered into a promissory note for \$110,741 for accrued payroll (“Promissory Note”). For the years ended September 30, 2015, the Company charged “general and administrative” expense in the amount of \$167,781. The foregoing summary of the Promissory Note’s terms is qualified in its entirety by the fully executed Promissory Note attached as Exhibit 10.12.

Revolving Credit Note

On June 30, 2015, the Company entered into a Revolving Credit Note (the “Loan”) with Vast Exploration. Vast Exploration is the controlling shareholder of the Company and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Loan. Scott Mahoney, the Chairman of the Board of JayHawk, is the individual who possesses voting and dispositive authority on behalf of Vast Exploration. Mr. Mahoney, acting in his capacity of Chairman of the Board of JayHawk, recused himself from voting on the approval of the Loan. The Loan permits the Company to borrow up to \$100,000 with an interest rate equal to 1.5% per month of the unpaid principal balance on the loan. The Company is required to pay principal on demand or, if not sooner demanded, then on or before June 30, 2016. The Company is required to pay interest on demand or, if not sooner demanded, then on the 1st day of each month, commencing August 1, 2015. After demand, interest on the outstanding balance of the Loan will accrue at a rate equal to 2% per month. Vast Exploration has the right, at any time after the date of the Loan, at its election, to convert all or part of the Loan into shares of fully paid and non-assessable shares of common stock of the Company. The conversion price shall be the lesser of (a) \$0.01 per share of common stock, (b) 50% of the average of the three lowest trade prices of three separate trading days of Common Stock recorded during the previous twenty five trading days prior to conversion, or (c) the lowest effective price per share granted to any person or entity after the date of this Note to acquire Common Stock, or adjust, whether by operation of purchase price adjustment, settlement agreements, exchange agreements, reset provision, floating conversion or otherwise, any outstanding warrant, option or other right to acquire Common Stock or outstanding Common Stock equivalents, excluding any outstanding warrants or options that existed prior to the date of the loan. The foregoing summary of the Loan’s terms is qualified in its entirety by the fully executed Loan attached as Exhibit 10.13.

Line of Credit Modification Agreement

On August 6, 2015, the Company entered into a Line of Credit Modification Agreement with Vast Exploration (“Modification Agreement”). The Agreement adjusts the maximum principal balance that may be borrowed from \$100,000 to \$150,000. At its sole discretion, Vast Exploration may increase the maximum principal balance beyond \$150,000. The foregoing summary of the Modification Agreement’s terms is qualified in its entirety by the fully executed Modification Agreement attached as Exhibit 10.14.

Second Line of Credit Modification Agreement

On September 25, 2015, the Company entered into a Second Line of Credit Modification Agreement with Vast Exploration (“Second Modification Agreement”). The Agreement amends the conversion price in the Loan to a non-variable conversion price of \$0.005 per share of common stock to eliminate any provisions in the Loan that may require derivative accounting. The foregoing summary of the Second Modification Agreement’s terms is qualified in its entirety by the fully executed Second Modification Agreement attached as Exhibit 10.15.

As of September 30, 2015, the Revolving Credit Note balance of \$189,265 including accrued interest was convertible to 37,853,000 shares of the Company’s common stock at a share price of \$.005 based on the amended conversion price.

Contract Operating Agreement

On July 8, 2015, the Company executed a Contract Operating Agreement (the “Operating Agreement”) with Vast Exploration, effective as of January 1, 2015. Under the terms of the Operating Agreement, Vast Exploration became the “operator of record” for all of the Company’s properties and is responsible for the operation of the Company’s oil and gas properties, including handling routine operations, major operations, reporting services and other miscellaneous services. The Company is required to pay Vast Exploration a monthly fee for services in the amount of \$20,000. The Company remains responsible for all fees, expenses and taxes related to its properties and has agreed to reimburse Vast Exploration for any fees, expenses or taxes advanced on the Company’s behalf. The Company has the right to audit the books, records and invoices maintained by Vast Exploration in its operation of the Company properties. The term of the Operating Agreement is two years from the effective date of the Operating Agreement. The Operating Agreement automatically renews for successive one year terms until the Company or Vast Exploration provide notice of non-renewal. The Operating Agreement includes mutual indemnities and waivers of consequential and punitive damages. The Operating Agreement also includes release and hold harmless provisions for the exclusive benefit of Vast Exploration. Finally, the Operating Agreement consents to and ratifies any operational services Vast Exploration had provided to the Company prior to the date the Operating Agreement was executed. Vast

Exploration billed the Company \$160,000 for the year ended September 30, 2015 – this amount was charged to ‘production expense’ and subsequently billed to working interest partners for their pro-rata share of the expense. The foregoing summary of the Operating Agreement’s terms is qualified in its entirety by the fully executed Operating Agreement attached as Exhibit 10.4.

Disposition of North Dakota Assets

On October 2, 2015, the Company entered into an Assignment, Bill of Sale and Conveyance (the “Assignment”) with Vast Holdings, LLC (“Vast Holdings”) with an effective date of September 1, 2015. The Assignment sold and assigned to Vast Holdings, in consideration of ten dollars (\$10.00), all of the Company’s right, title, interest and estate, real or personal, movable or immovable, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota, including but not limited to: oil, gas and/or mineral leases, fee mineral interests, leasehold estates, mineral interests, royalty interests, overriding royalty interests, reversionary interests, net profits interests, and other similar rights, estates and interests and other agreements, the oil, gas, and other hydrocarbons produced from or attributable to the assets and all units, wells, equipment, contracts, and records. The foregoing summary of the Assignment’s terms is qualified in its entirety by the fully executed Assignment attached as Exhibit 10.16.

Vast Holdings is a wholly owned subsidiary of Vast Exploration, LLC. Vast Exploration is the controlling shareholder of the Company, the contract operator of the Company’s oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Assignment. Scott Mahoney, interim President, CEO, CFO and Chairman of the Board of JayHawk is the individual who possesses voting and dispositive authority on behalf of Vast Holdings, LLC. Mr. Mahoney, acting in his capacity of Chairman of the Board of the Company, recused himself from voting on the approval of the Assignment.

Warrant Purchase Agreement

On September 25, 2015 the Company executed a Warrant Purchase Agreement (the “Purchase Agreement”) pursuant to which the Company to plans to issue and sell securities, pursuant to Section 4(a)(2) of the Securities Act of 1933 and Regulation D Rule 506 promulgated thereunder. The terms of the Purchase Agreement allow a purchaser to receive a credit for its subscription for securities if the purchaser assumes certain accrued and/or contingent liabilities of the Company. The exercise price for the securities is \$0.0050 per share for securities issued in exchange for the satisfaction of an assumed debt. The exercise price for the securities is \$0.0025 per share for securities issued in exchange for the satisfaction of an assumed North Dakota liability. The securities are subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Company’s common stock that occur after the date of the Purchase Agreement. Each purchaser is required to deliver to the Company, the prior to the issuance of securities, the following: (a) immediately available funds sufficient to satisfy or otherwise terminate a given liability; or (b) a “receipt of funds and release of claims” executed by a creditor of the Company, or other evidence, in a form satisfactory to the Company in its sole discretion, of the satisfaction of an assumed debt or North Dakota liability by the purchaser. The Purchase Agreement includes various standard representations and warranties of the purchaser, which include, a confirmation that a purchaser is an “Accredited Investor” as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933. The Purchase Agreement includes the Form of Warrant Agreement that will be used upon issuance of the securities by the Company. The foregoing summary of the Purchase Agreement’s terms and attached Form of Warrant Agreement are qualified in their entirety by the fully executed Purchase Agreement and Form of Warrant Agreement attached as Exhibit 10.17.

Vast Exploration is the controlling shareholder of the Company, the contract operator of the Company’s oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Agreement. Scott Mahoney, the Chairman of the Board for the Company, is the individual who possesses voting and dispositive authority on behalf of Vast Exploration. Mr. Mahoney, acting in his capacity of Chairman of the Board of the Company, recused himself from voting on the approval of the Purchase Agreement.

On October 8, 2015, the Company granted 943,336 Warrants (“October 2015 Warrant”) to Vast Exploration pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration’s assumption of certain Company liabilities totaling approximately \$471,668.39. The warrants may be exercised any time after October 8, 2015 until the close of business on October 7, 2020 for \$0.0050 per share. The foregoing summary of the October 2015 Warrant’s terms is qualified in its entirety by the fully executed October 2015 Warrant attached as Exhibit 10.19.

On November 3, 2015, the Company granted 396,458 Warrants (“November 2015 Warrant”) to Vast Exploration and/or assigns pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration’s elimination of certain Company liabilities totaling approximately \$198,229. The warrants may be exercised any time after November 3, 2015 until the close of business on November 3, 2020 for \$0.0050 per share. The foregoing summary of the November 2015 Warrant’s terms is qualified in its entirety by the fully executed November 2015 Warrant attached as Exhibit 10.20.

Subsequent Events.

Resignation of Officers and Directors.

On October 1, 2015, Kelly Stopher tendered his resignation as interim President, CEO and CFO of the Company. On October 1, 2015, Matthew Wayrynen and Lindsay E. Gorrill tendered their resignation from the Board of Directors of the Company.

Appointment of Officer and Director.

On October 1, 2015, Kelly Stopher was appointed to the Board of Directors of the Company. On October 1, 2015, Scott Mahoney was appointed as interim President, CEO and CFO of the Company.

Liquidity and Capital Resources.

At September 30, 2015 and 2014, the Company's cash balances were \$Nil and \$177,260, respectively. The Company's accounts receivable totaled \$Nil and \$55,528, respectively.

The Company's working capital deficit (current liabilities less current assets) was \$2,510,515 at September 30, 2015 of which \$470,439 is in the form of convertible debentures which are currently due. At September 30, 2014, the Company's working capital deficit was \$2,635,213, of which \$1,038,687 of convertible debentures were due in the current year and in default.

To fully carry out the Company's business plans the Company needs to raise a substantial amount of additional capital, or obtain industry joint venture financing. The Company can give no assurance that it will be able to raise such capital or enter into any other beneficial business arrangements. The Company has limited financial resources until such time that it is able to generate such additional financing or cash flow from operations. The Company's ability to establish profitability and positive cash flow is dependent upon its ability to exploit its mineral holdings, generate revenue from its planned business operations and control exploration cost. Should the Company be unable to raise adequate capital or to meet the other above objectives, it is likely that the Company would have to substantially curtail its business activity, and that the Company's investors would incur substantial losses of their investment.

The accompanying Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As reflected in the accompanying Consolidated Financial Statements the Company is an independent oil and gas company with a limited operating history and losses since inception. These factors, among others, may indicate that the Company will be unable to continue as a going concern for reasonable period of time.

The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional operating capital, and ultimately, to attain profitability. The Company intends to acquire additional operating capital through debt or equity offerings, or through joint ventures or other business arrangements, to fund its business plan. There is no assurance that the Company will be successful in raising additional funds.

Cash Flows: Net cash provided by operations decreased primarily due to less cash being received for the Company's crude oil sales associated with improved ability to deliver oil to market. Decline in oil prices adversely affected revenues and costs of workovers on the North Dakota – Crosby Project hampered gross margin. For the year ending at September 30, 2015, cash used by operating activities exceeded cash provided by operating activities by \$317,836. For the year ending at September 30, 2014, cash used by operating activities exceeded cash provided by operating activities by \$507,935.

There were no cash flows from investing activities for the years ended September 30, 2015 and 2014.

The Cash flows provided from financing activities were \$140,576 and \$600,000 for the years ended September 30, 2015 and 2014, respectively. The Company entered into a Line of Credit agreement with related party Vast Exploration, LLC as a means to provide cash flow for ongoing capital needs of the Company.

Commitments: As noted in Item 3 of this report, on or about August 1, 2013, the North Dakota Industrial Commission ("NDIC") submitted an administrative complaint to the State of North Dakota related to plugging and remediation of the Company's Jenks #1 and Knudsen #1 wells in Crosby, ND. The administrative complaint alleges the Company violated certain portions of the North Dakota Century Code and request administrative relief against the Company for violation of sections of the North Dakota Administrative Code governing the oil and gas industry.

On February 18, 2014, the Company entered into a Consent Agreement with the State of North Dakota whereby the Company was required to finish reclamation work, by June 30, 2014, on the two waste water storage pits adjacent to the Jenks #1 and Knudsen #1 wells respectively. The Consent Agreement required the Company to plug the “production zone” of the Jenks #1 well. Once plugging was completed, the Company could then apply for a permit to convert the Jenks #1 well into a salt water disposal well. As a part of the Consent Agreement the Company agreed to pay a civil penalty of no less than \$105,000, consisting of \$25,000 due and payable upon execution of the Consent Agreement and a \$16,000 installment payment per month for five successive months thereafter. If the Company failed to comply with the terms of the Consent Agreement, the Company would be subject to penalties of up to an additional \$420,000 (over and above the \$105,000 penalty agreed to in the Consent Agreement). The Company made the initial \$25,000 payment and subsequently made each monthly payment with the final installment of \$16,000 paid to the State of North Dakota on June 26, 2014.

The Company made the final installment payment of \$16,000 to the State of North Dakota on June 26, 2014. As of September 30, 2014 the Company has completed substantially all reclamation work and has paid all fines assessed.

On July 10, 2014, the Company completed reclamation work on both the Jenks #1 and Knudsen #1 waste water storage pits. Although reclamation work was to have been completed by June 30, 2014, unseasonably heavy rains saturated the soil and limited safe access to the site by heavy equipment delayed scheduled reclamation until such time as ground conditions improved. The Company also completed plugging of the ‘production zone’ on the Jenks #1 well and set a balance plug on the Knudsen #1 well bore.

Due to the Company’s failure to timely submit a cost estimate for the final plugging, abandonment and reclamation of the Jenks #1 well and site, the NDIC, on January 28, 2015, pursuant to Commission Order No. 25588 ordered JayHawk to file a \$120,000 bond covering the Jenks #1. The bond was a plugging and reclamation bond.

On May 9, 2015, the Company received a copy of a Summons and Complaint filed by the State of North Dakota and the NDIC in the Northwest Judicial District Court of North Dakota alleging JayHawk had violated N.D.C.C. Chapter 38-08 by failing to post the \$120,000 plugging and reclamation bond pursuant to Commission Order No. 25588. N.D.C.C. § 38-08-16 provides that anyone who violates a provision of N.D.C.C. Chapter 38-08, or any rule or regulation of the Commission is subject to a penalty of up to \$12,500 for each offense, and each day’s violation is a separate offense. The Complaint’s prayer for relief requested that JayHawk be ordered to deposit \$120,000 with the Bank of North Dakota to satisfy the Commission’s requirement for the plugging and reclamation bond on the Jenks #1 well. The NDIC also requested that JayHawk pay a fine of \$12,500 per day beginning February 4, 2015, for failure to provide a plugging and reclamation bond on the Jenks #1. Company management subsequently met with the NDIC, which resulted in the NDIC staying the litigation subject to JayHawk’s immediate plugging, abandonment and reclamation of the Jenks #1. In September of 2015 the Company completed final plugging and abandonment of the Jenks #1 and completed a partial reclamation of the well and site.

On February 12, 2015, the Company entered into a settlement agreement with the Staff of the Corporation Commission of the State of Kansas with respect to a Penalty Order served by the Company for failure to comply with certain portions of the Kansas Administrative Regulations. The Company was found in violation of failure to plug, return to service or temporarily abandon 71 wells and assessed a \$7,100 penalty, of which \$3,100 was payable immediately, a \$2,000 payment due by April 1, 2015 and the final \$2,000 payment by May 1, 2015. The Company has subsequently submitted seventy-one (71) temporary abandonment applications, of which seventy-one (71) applications were approved. The Company has up to one year to plug the wells, return them to service or file additional temporary abandonment applications.

At September 30, 2015 the Company has no commitments to make any capital expenditures. Any potential future capital expenditures will be dependent on concluding adequate and successful financing arrangements.

Results of Operations

For the years ending September 30, 2015 and 2014 the Company reports net revenues of \$244,283 and \$394,925, respectively, from the sales of oil and natural gas. Details of these two revenue components follow:

Oil Revenues: As discussed in Note 2 in the “Notes to the Consolidated Financial Statements” for the period ended September 30, 2015, the Company recognizes revenues only to the extent of its net working interest, which is the remainder after deduction of the outside working and royalty interests and the deduction of severance and production taxes.

For the years ended September 30, 2015 and 2014, the Company sold a gross 11,681 Bbls and 10,066 Bbls respectively. The Company's Gross working interest in the revenues generated from the five North Dakota oil wells were \$244,283 and \$394,925 respectively. Gross receipts reconciled to the Company's net working interest, or revenue recognized is reflected in the following table:

	2015	2014
Gross sales value	\$ 474,056	\$ 757,380
Less: Distributable to outside interest, production and severance taxes	(229,773)	(362,455)
Net oil revenues	\$ 244,283	\$ 394,925

The decrease in gross revenues is attributable to the Company's ongoing constraints of working capital and plummeting oil prices during the fiscal year. Regular and necessary maintenance was often delayed due to lack of sufficient cash resources. For the year ending September 30, 2015 the average price net of taxes and transportation costs the Company received for a barrel of oil was \$40.58. During the comparable period ending September 30, 2014 the average price received per barrel was \$75.24. The Company divested of its oil wells on September 1, 2015.

Gas Revenues: Revenues derived from gas sales for the years ending September 30, 2015 and 2014 were \$Nil and \$Nil, respectively. The Company suspended production in 2013 with the intent of re-starting operations in Kansas in anticipation of increased natural gas prices at some point in the future. The Company did not produce natural gas during the fiscal year ended September 30, 2015, due to low natural gas prices and significant costs associated with upgrading the meters at its Bourbon County tap head. The average price received for the 12-month period ending September 31, 2015 was \$0.00 per mcf. The average price received for the 12-month period ending September 30, 2014 was \$0.00 per mcf. Subsequent to the fiscal year end at September 30, 2015, the Company filed permits for Temporary Abandonment on up to 71 well bores in Kansas. The Company will determine in fiscal year end September 30, 2016 whether it's Kansas - Girard Project remains economically viable under current market conditions.

Exploration Expenses: There were no exploration expenses incurred during the years ending September 30, 2015 or 2014.

Production Expenses: Production expenses are comprised of field labor, maintenance, chemicals, fuel, and salt water disposal, less amounts charged other working interests in the particular wells. These expenses associated with the Company's North Dakota oil operations changed from \$230,238 for the year ending September 30, 2014 to \$383,808 for the year ending September 30, 2015, an increase of \$153,750. Prior to the conveyance of the North Dakota - Crosby Project to Vast Exploration, LLC, the Company incurred \$160,000 in contract operating expense during the year ended September 30, 2015, an expense not incurred during the prior year comparable period. As well, the Company incurred workover and maintenance expense of \$146,868 for the year ended September 30, 2015 which was \$44,360 more than during the year ended September 30, 2014.

Total operating expenses for the years ended September 30, 2015 and 2014 were \$1,186,837 and \$1,215,195, respectively. The expenses are segregated as follows:

	Year ended September 30,				Year ended September 30, 2014
	Crosby, ND	Girard, KS	G&A	Total	
Direct regional costs	\$ 383,808	\$ 15,635	\$ -	\$ 399,443	238,382
Loss on leases and equipment	39,765	-	-	39,765	-
Depreciation, depletion and amortization	82,571	40,235	-	122,806	257,097
General and administrative	-	-	518,931	518,931	424,752
North Dakota reclamation costs	90,675			90,675	280,361
Accretion of asset retirement obligations	11,364	3,853		15,217	14,603
	<u>\$ 608,183</u>	<u>\$ 59,723</u>	<u>\$ 518,931</u>	<u>\$ 1,186,837</u>	<u>\$ 1,215,195</u>

Depreciation, depletion, amortization, abandonment and asset impairment expense: The aggregate of these expenses for the years ending September 30, 2015 and 2014 are detailed below.

	Year ended September 30,		\$ Change	Percent change
	2015	2014		
Depreciation, depletion and amortization				
Field equipment and drilling costs – ND	48,464	52,870	(4,406)	(8.3%)
Field equipment and drilling costs - KS	33,240	39,197	(5,957)	(15.2%)
Amortization of asset retirement obligation	11,867	10,899	968	8.9%
Depletion - ND	29,235	154,131	(124,896)	(81.0%)
Total depreciation, depletion and amortization	\$ 122,806	\$ 257,097	\$ (134,291)	(52.2%)

As discussed in Note 4 of "Notes to the Consolidated Financial Statements," management made a review of its Kansas - Girard Project. Management's outlook for the U.S. natural gas prices indicated it is unlikely that sufficient U.S. demand for natural gas would materialize in the foreseeable future. Using a historical income approach based upon internal estimates of natural gas prices and future deliveries, management determined that the unproved and developed properties in Girard, Kansas should be impaired to the extent of the salvage value of field equipment and pipeline.

General and Administrative Expenses: General and administrative expenses increased 22.2% or \$94,179 to \$518,931 for the year ending September 30, 2015 from \$424,752 for the comparable period ended September 30, 2014.

	Year ended September 30,		\$ Change	Percent change
	2015	2014		
Compensation and payroll taxes	\$ 214,607	\$ 90,764	\$ 123,842	136.4%
Directors fees	26,500	54,000	27,500	(50.9%)
Stock option expense	-	24,803	(24,803)	(100.0%)
Legal, professional and consulting	87,811	60,661	27,150	44.8%
Audit and public company expense	99,085	74,769	24,316	32.5%
Insurance	61,805	65,011	(3,206)	(4.9%)
Office and other general and administrative	29,123	54,744	(25,620)	(46.8%)
Total	\$ 518,931	\$ 424,752	\$ 94,179	22.2%

Compensation and payroll taxes increased \$123,842 over the prior period due to certain change of control provisions and accrued wages due under the terms of an Executive Compensation Agreement for a former officer of the Company.

Directors' fees were accrued but not paid in the years ended September 30, 2015 and 2014, respectively. During the year ended September 30, 2015, the accrued directors' fees were forgone for stock grants in lieu of cash payments. The Company has suspended the customary practice of accruing directors' fees for the foreseeable future.

There was no Stock Option expense for the year ended September 30, 2015. Stock options awarded to certain directors, officers and employees of the Company as part of the 2009 Stock Option Incentive Plan totaled \$24,803 recognized in the year ended September 30, 2014.

Audit fees and public company expense increased for the year ended September 30, 2015 by \$24,316 over the comparable year ended September 30, 2014, primarily as a result of professional fees incurred in various corporate transactions throughout the fiscal year. Audit fees specifically decreased from \$58,697 for the year ended September 30, 2014 to \$51,809 for the year ended September 30, 2015. Public company expense increased from \$11,425 for the year ended September 30, 2014 to \$29,863, primarily as a result of expenses associated with proxy filings and special corporate meetings. Legal, professional and consulting fees increased \$27,150 for the year ended September 30, 2015 compared to the year ended September 30, 2014 for the same reason.

Other Income (Expense): Detail of the aggregate of this classification is disclosed in the following table:

	Year ended September 30,		\$ Change	Percent change
	2015	2014		
Interest expense	\$ (211,077)	\$ (137,503)	\$ (73,574)	(53.5%)
Financing costs	(727,845)	-	(727,845)	-
Amortization of debt discount	(120,000)	(40,000)	(80,000)	200.0%
Gain on settlement of liabilities	317,303	-	317,303	
Loss on extinguishment and conversion of debt	(957,528)	(383,951)	(573,577)	149.4%
Gain (loss) on change in fair value of conversion option derivative	389,589	(115,029)	504,618	(438.7%)
Gain on change in fair value of warrant derivative	19,836	16,856	2,980	17.7%
Total	<u>\$ (1,289,722)</u>	<u>\$ (659,627)</u>	<u>\$ (630,095)</u>	<u>95.5%</u>

Interest expense increased \$70,604 during the year ended September 30, 2015 compared to the year ended September 30, 2014. The increase was a result of additional default interest provisions recognized on certain debentures held by a related party resulting from a notice of default. Additionally, interest expense is reported net of interest income, of which there was a minimal amount reported in the current year as a result of limited excess cash availability for investment. Cost of financing increased \$730,815 during the current fiscal year, directly related to modification of debenture provisions and notification of debentures held in default.

As the modification of terms related to certain debentures resulted in extinguishment of debt under ASC 470-50-40-2, the Company charged \$957,528 to operations.

The Company also recognized a gain of \$317,303 related to settlements of liabilities for officer and director compensation accruals settled with common stock of the Company.

Off Balance Sheet Arrangements.

The Company has no off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is a “Smaller Reporting Company” as defined by § 229.10(f)(1), and is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

JAYHAWK ENERGY, INC. AND SUBSIDIARY

**Consolidated Financial Statements
September 30, 2015 and 2014**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders JayHawk Energy, Inc.

We have audited the accompanying consolidated balance sheets of JayHawk Energy, Inc. ("the Company") as of September 30, 2015 and 2014, and the related consolidated statements of operations, change in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JayHawk Energy, Inc. as of September 30, 2015 and 2014, and the results of its consolidated operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred substantial losses, has negative working capital and has an accumulated deficit. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DeCoria, Maichel & Teague, PS

DeCoria, Maichel, & Teague, P.S.

Spokane, Washington
January 25, 2016

JAYHAWK ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	September 30, 2015	September 30, 2014
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ 177,260
Trade accounts receivable	-	55,528
Other current assets	13,342	19,490
TOTAL CURRENT ASSETS	13,342	252,278
PROPERTY AND EQUIPMENT		
Unproved properties, net (NOTE 4)	185,523	196,144
Proved properties, net (NOTE 5)	-	82,012
NET PROPERTY AND EQUIPMENT	185,523	278,156
RECLAMATION BONDS AND OTHER LONG TERM ASSETS	150,450	151,846
TOTAL ASSETS	\$ 349,315	\$ 682,280
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 804,965	\$ 775,227
Due to working and royalty interests	472,993	596,442
Accrued interest related party	251,579	-
Other payables, interest and taxes accrued	89,014	446,321
Convertible line of credit related party (NOTE 7)	170,285	-
Convertible debentures related party (NOTE 8)	470,439	1,038,687
Current portion of promissory notes payable (NOTE 10)	264,582	30,814
TOTAL CURRENT LIABILITIES	2,523,857	2,887,491
LONG TERM LIABILITIES		
Convertible debenture, net (NOTE 8)	53,333	40,000
Convertible debentures, related party, net (NOTE 8)	106,667	
Promissory notes payable (NOTE 10)	42,293	5,828
Promissory note payable, related party (NOTE 10)	110,781	
Conversion option derivative (NOTE 9)	-	676,533
Warrant derivative liability (NOTE 9)	4,861	24,697
Asset retirement obligation	245,792	160,636
TOTAL LONG TERM LIABILITIES	563,727	907,694
TOTAL LIABILITIES	3,087,584	3,795,185
COMMITMENTS AND CONTINGENCIES (NOTE 18)		-
STOCKHOLDERS' DEFICIT		
Preferred Stock, \$.001 par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common Stock, \$.001 par value; 200,000,000 shares authorized; 1,998,756 and 803,758 shares issued and outstanding (NOTE 12 and 20)	1,999	804
Additional paid in capital	24,998,897	22,393,180
Accumulated deficit	(27,739,165)	(25,506,889)
TOTAL STOCKHOLDERS' DEFICIT	(2,738,269)	(3,112,905)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 349,315	\$ 682,280

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

JAYHAWK ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended	
	September 30, 2015	September 30, 2014
REVENUE		
Oil sales	\$ 244,283	\$ 394,925
Natural gas sales	-	-
TOTAL GROSS REVENUE	244,283	394,925
OPERATING EXPENSES		
Production costs – oil	383,808	230,238
Production costs – natural gas	15,635	8,144
Depreciation, depletion and amortization	122,806	257,097
Loss on leases and equipment	39,765	-
Accretion of asset retirement obligation	15,217	14,603
North Dakota reclamation costs	90,675	280,361
General and administrative	518,931	424,752
TOTAL OPERATING EXPENSES	1,186,837	1,215,195
OPERATING LOSS	(942,554)	(820,270)
OTHER INCOME (EXPENSE)		
Interest expense	(161,204)	(137,503)
Interest expense, related party	(49,873)	-
Financing costs	(727,845)	-
Amortization of debt discount	(120,000)	(40,000)
Gain on settlement of liabilities	317,303	-
Loss on extinguishment of debt	(957,528)	(383,951)
Gain (loss) on change in fair value of conversion option derivative	389,589	(115,029)
Gain on change in fair value of warrant derivative	19,836	16,856
TOTAL OTHER INCOME (EXPENSE)	(1,289,722)	(659,627)
LOSS BEFORE INCOME TAX	(2,232,276)	(1,479,897)
Provision for income taxes	-	-
NET LOSS	\$ (2,232,276)	\$ (1,479,897)
Basic and diluted loss per share	\$ (1.71)	\$ (1.85)
Basic and diluted weighted average numbers shares outstanding	1,303,405	799,731

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

JAYHAWK ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance at September 30, 2013	768,758	\$ 769	\$ 21,733,412	\$ (24,026,992)	\$ (2,292,811)
Issuance of common shares for conversion of debentures	35,000	35	34,965	-	35,000
Proceeds from convertible debentures allocated to conversion option	-	-	600,000	-	600,000
Stock based compensation	-	-	24,803	-	24,803
Net Loss for the year ended September 30, 2014	-	-	-	(1,479,897)	(1,479,897)
Balance at September 30, 2014	803,758	804	22,393,180	(25,506,889)	(3,112,905)
Extinguishment of conversion option derivative	-	-	1,244,472	-	1,244,472
Issuance of warrants in consideration of default waiver (Note 15)	-	-	167,441	-	167,441
Issuance of common shares for conversion of debentures	1,187,498	1,187	1,186,312	-	1,187,499
Issuance of common shares for settlement of liabilities	7,500	8	7,492	-	7,500
Net Loss for the year ended September 30, 2015	-	-	-	(2,232,276)	(2,232,276)
Balance at September 30, 2015	<u>1,998,756</u>	<u>\$ 1,999</u>	<u>\$ 24,998,897</u>	<u>\$ (27,739,165)</u>	<u>\$ (2,738,269)</u>

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

JAYHAWK ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
	September 30, 2015	September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,232,276)	\$ (1,479,897)
Adjustments to reconcile net loss to cash used by operating activities:		
Depreciation, depletion and amortization	122,806	257,097
Accretion of asset retirement obligation	15,217	14,603
Stock based compensation	-	24,803
Non-cash financing costs	727,845	
Amortization of debt discount	120,000	40,000
Loss on leases and equipment	39,765	-
Loss on extinguishment and conversion of debt	957,528	383,951
(Gain) loss on change in fair value of conversion option derivative	(389,589)	115,029
Gain on change in fair value of warrant derivative	(19,836)	(16,856)
Gain on settlement of liabilities	(317,303)	-
Change in operating assets and liabilities:		
Trade accounts receivable	55,528	12,969
Prepaid expenses, and other current assets	6,148	(9,191)
Accounts payable	137,349	204,120
Accrual for North Dakota reclamation	-	(330,000)
Due to working and royalty interest holders	51,976	92,408
Accrued interest, related party	63,389	-
Other payables, interest and taxes accrued	343,721	183,029
Net cash used by operating activities	(317,732)	(507,935)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to proved properties	-	(11,528)
Reclamation bonds and long term assets	(104)	(110)
Net cash used by investing activities	(104)	(11,638)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on promissory notes	(29,709)	-
Borrowings under convertible line of credit, related party	170,285	-
Proceeds from convertible debentures	-	600,000
Net cash provided by financing activities	140,576	600,000
Net increase (decrease) in cash	(177,260)	80,427
CASH AT BEGINNING OF YEAR	177,260	96,833
CASH AT END OF YEAR	\$ -	\$ 177,260

SUPPLEMENTAL DISCLOSURES OF CASH FLOW (NOTE 16)

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

JayHawk Energy, Inc. (the Company or JayHawk) and its wholly owned subsidiary, Jayhawk Gas Transportation Company, are engaged in the acquisition, exploration, development, production and sale of natural gas, crude oil and natural gas liquids primarily from conventional reservoirs within North America. The Company incorporated in Colorado on April 5, 2004 as Bella Trading Company, Inc. During the third quarter ending June 30, 2007, the Company changed management and entered the oil and gas business, and ceased all activity in retail jewelry. On June 21, 2007, the Company changed its name to JayHawk Energy, Inc. Since then, the Company has devoted its efforts principally to the raising of capital, organizational infrastructure development, the acquisition of oil and gas properties and exploration activities in Kansas and North Dakota. The Company also formed a wholly owned subsidiary to transport natural gas in Kansas called JayHawk Gas Transportation Corporation.

On September 1, 2015 the Company disposed of all of its interests, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota. The disposition of the Company's North Dakota assets was completed through an asset assignment to a related party.

The Company's strategy is to increase shareholder value through strategic acquisition and development of oil and gas properties, primarily in North America.

As of September 30, 2015, JayHawk Energy remains an early stage oil and gas exploration company. The Company's immediate business plan is to focus its efforts on identifying oil and gas assets for future acquisition and development. The Company is actively focused on shifting to a liquids-rich development focus, primarily in established oil and gas producing regions of North America. The Company's main priority will be given to projects with near term cash flow potential and proven, producing oil and gas reserves. Future acquisition and development activities will be determined by the Company's ability to access sources of sufficient funding.

On October 13, 2015, the Company changed its domicile from the state of Colorado to the state of Nevada. (Note 20).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This summary of significant accounting policies is presented to assist in understanding the financial statements. These consolidated financial statements as of and for the years ended September 30, 2015 and 2014 are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and have been consistently applied in the preparation of the Consolidated Financial Statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary JayHawk Gas Transportation Company after elimination of the intercompany accounts and transactions.

Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred operating losses since inception. As of September 30, 2015, the Company has limited financial resources with which to achieve the objectives and obtain profitability and positive cash flows. As shown in the accompanying balance sheets and statements of operations, the Company has an accumulated deficit of \$27,739,165 and a net loss of \$2,232,276 for the year ended September 30, 2015, and as of that date the Company's current liabilities exceeded its current assets by \$2,510,515. Achievement of the Company's objectives will be dependent upon the ability to obtain additional financing, to locate profitable energy properties and generate revenue from current and planned business operations, and control costs. The Company plans to fund its future operations by joint venturing, obtaining additional financing from investors, and/or lenders, and attaining additional commercial production. However, there is no assurance that the Company will be able to achieve these objectives, therefore substantial doubt about its ability to continue as a going concern exists. The financial statements do not include adjustments relating to the recoverability of recorded assets nor the implications of associated bankruptcy costs should the Company be unable to continue as a going concern.

JAYHAWK ENERGY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015

Reverse Stock Split

Subsequent to September 30, 2015, pursuant to a majority shareholder consent, a majority of the shareholders of the Company approved a one-for-one hundred reverse stock split of the Company's common stock. After the reverse stock split, each holder of record will hold one share of common stock for every 100 shares held immediately prior to the effective date. As a result of the reverse stock split, the number of shares underlying outstanding stock options and warrants and the related exercise prices will be adjusted to reflect the change in the share price and outstanding shares on the date of the reverse stock split. The effect of fractional shares is not material.

Following the effective date of the reverse stock split, the par value of the common stock will remain at \$0.001. As a result, the Company has reduced the common stock in the consolidated balance sheets and statement of changes in stockholders' equity included herein on a retrospective basis for all periods presented, with a corresponding increase to additional paid-in capital. All share and per-share amounts and related disclosures have been retrospectively adjusted for all periods to reflect the one-for-one hundred reverse stock split.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Significant areas requiring the use of management assumptions and estimates relate to asset impairments, asset retirement obligations, stock-based compensation, income taxes and derivatives. Actual results may differ from these estimates and assumptions which could have a material effect on the Company's reported financial position and results of operations.

Income or Loss Per Common Share

Basic earnings per share ("EPS") is computed as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities.

The dilutive effect of convertible and outstanding securities as of September 30, 2015 and 2014 would be as follows:

	September 30, 2015	September 30, 2014
Stock options	34,000	40,000
Convertible debt	1,573,597	1,100,287
Convertible line of credit	476,665	
Warrants	160,000	37,778
TOTAL POSSIBLE DILUTION	2,244,262	1,178,065

At September 30, 2015 and 2014, the effect of the Company's outstanding options and common stock equivalents would have been anti-dilutive. Stock option, convertible debt and warrant amounts for all periods presented within this report for common stock and additional paid-in capital have been retrospectively adjusted to reflect the Reverse Stock Split (Note 20).

Revenue and Cost Recognition

The Company uses the sales method of accounting for oil and gas revenues. Under this method, revenues are recognized based on the actual volumes of gas and oil sold to purchasers. The volume sold may differ from the volumes the Company may be entitled to, based on the Company's individual interest in the property. Periodically, imbalances between production and nomination volumes can occur for various reasons. In cases where imbalances have occurred, a production imbalance receivable or liability will be recorded when determined. Costs associated with production are expensed in the period in which they are incurred.

Cash Equivalents

The Company considers all highly liquid instruments purchased with maturity of three months or less when acquired to be cash equivalents.

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Trade Accounts Receivable

Trade accounts receivable are carried at original invoice amount less an estimate for doubtful accounts. There was no allowance for doubtful accounts at September 30, 2015 and 2014. Management determines the allowance by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as income when received.

Concentrations

All of the Company's direct operating revenues originated from oil production from its property in Crosby, North Dakota. Each revenue stream is sold to a single customer through month to month contracts. While this creates a customer concentration, there are alternate buyers of the production in the event the sole customer is unable or unwilling to purchase.

Property, Plant and Equipment

Acquisition costs associated with the acquisition of leases are capitalized when incurred. These consist of costs incurred in obtaining a mineral interest or right in the property, such as a lease, concession, license, production sharing agreement, or other type of agreement granting such rights. In addition, options to lease, brokers' fees, recording fees, legal costs, and other similar costs related to activities in acquiring property interests are capitalized.

The Company follows the successful effort method of accounting for oil and gas property as promulgated in Accounting Standards Codification (ASC) Topic 932, "Extractive Activities – Oil and Gas". Under this method of accounting, acquisition costs for proved and unproved properties are capitalized when incurred. Exploration costs, including geological and geophysical costs, the costs of carrying and retaining unproved properties and exploratory dry hole drilling costs, are expensed. Development costs, including the costs to drill and equip development wells, and successful exploratory drilling costs to locate proved reserves are capitalized. Exploratory drilling costs are capitalized when incurred pending the determination of whether a well has found proved reserves. A determination of whether a well has found proved reserves is made shortly after drilling is completed. The determination is based on a process that relies on interpretations of available geologic, geophysics and engineering data. If a well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well. If a well is determined to be unsuccessful, the capitalized drilling costs will be charged to expense in the period the determination is made. If an exploratory well requires a major capital expenditure before production can begin, the cost of drilling the exploratory well will continue to be carried as an asset pending determination of whether proved reserves have been found only as long as: i) the well has found a sufficient quantity of reserves to justify its completion as a producing well if the required capital expenditure is made and ii) drilling of the additional exploratory wells is under way or firmly planned for the near future. If drilling in the area is not under way or firmly planned, or if the well has not found a commercially producible quantity of reserves, the exploratory well is assumed to be impaired and its costs are charged to expense.

In the absence of a determination as to whether the reserves that have been found can be classified as proved, the costs of drilling such an exploratory well is not carried as an asset for more than one year following completion of drilling. If, after that year has passed, a determination that proved reserves exist cannot be made, the well is assumed to be impaired, and its capitalized costs, net of salvage value are charged to expense. Its costs can, however, continue to be capitalized if sufficient quantities of reserves are discovered in the well to justify its completion as a producing well and sufficient progress is made in assessing the reserves and the well's economic and operating feasibility.

The Company calculates depletion, depreciation and amortization (DD&A) of capitalized cost of proved oil properties on a field-by-field basis using the units-of-production method based upon proved reserves. In computing DD&A, the Company will take into consideration restoration, dismantlement and abandonment cost and the anticipated proceeds from equipment salvage. When applicable, the Company will apply the provisions of ASC Topic 410, "Accounting for Asset Retirement Obligations", ("ASC 410") which provides guidance on accounting for dismantlement and abandonment cost (see Note 11).

Support equipment and other property, plant and equipment related to oil and gas production are depreciated on a straight-line basis over their estimated useful lives which range from 5 to 35 years. Property, plant and equipment unrelated to oil and gas producing activities is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 25 years.

The Company recognizes a gain or loss on sales or retirement of property, plant and equipment and includes the gain or loss in the results of operations in the period the sale or retirement occurs.

Impairment of Long-Lived Assets

The Company performs separate impairment tests for proved and unproved properties.

Proved properties - The Company evaluates its proved properties for impairment when circumstances or events occur that may impact the fair value of the assets. The fair value of property is primarily evaluated based upon the present value of expected revenues directly associated with those assets. An impairment loss would be recognized if the carrying amount of a capitalized asset is not recoverable and exceeds its fair value.

Unproved properties - Unproved properties are assessed periodically to determine whether they have been impaired. An undeveloped property may be considered impaired as the expiration of a lease term approaches and the Company has not begun drilling on the property or nearby properties and the possibility of partial or total impairment of the property increases. If the property is found to be impaired, an impairment allowance is provided and a loss is charged to operations. However, if the property is surrendered or the lease expires without identifying proved reserves, the cost of the property is charged against the impairment allowance already to the extent impairment has been recognized. Any remaining cost is charged to operations.

In the case of unproved developed properties, the fair value of property is primarily evaluated based upon the present value of expected revenues directly associated with those assets. An impairment loss would be recognized if the carrying amount of a capitalized asset is not recoverable and exceeds its fair value.

Fair Value Measures

ASC Topic 820 "Fair Value Measurements" ("ASC 820") requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quote prices for similar assets or liabilities in active markets; quoted prices for identical assets in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Derivative Instruments

The Company has financing arrangements that contain freestanding derivative instruments or hybrid instruments that contained embedded derivative features. In accordance with U.S. GAAP, derivative instruments and hybrid instruments are recognized as either assets or liabilities in the Company's balance sheet and are measured at fair value with gains or losses recognized in earnings depending on the nature of the derivative or hybrid instruments. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and recognized at fair value with changes in fair value recognized as either a gain or loss in earnings if they can be reliably measured. When the fair value of embedded derivative features cannot be reliably measured, the Company measures and reports the entire hybrid instrument at fair value with changes in fair value recognized as either a gain or loss in earnings. The Company determines the fair value of derivative instruments and hybrid instruments based on available market data using a Black Scholes model, giving consideration to all of the rights and obligations of each instrument and precluding the use of "blockage" discounts or premiums in determining the fair value of a large block of financial instruments. Fair value under these conditions does not necessarily represent fair value determined using valuation standards that give consideration to blockage discounts and other factors that may be considered by market participants in establishing fair value.

Income Tax and Accounting for Uncertainty

Income taxes are determined using the liability method in accordance with ASC Topic 740 "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 the period that includes the enactment date. 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.

ASC 740 recognizes that the ultimate deductibility of positions taken or expected to be taken on tax returns is often uncertain. It provides guidance on when tax positions claimed by an entity can be recognized and guidance on the dollar amount at which those positions are recorded. In order to recognize the benefits associated with a tax position taken the entity must conclude that the ultimate allowability of the deduction is more likely than not. If the ultimate allowability of the tax position exceeds 50% (more likely than not), the benefit associated with the position is recognized at the largest dollar amount that has more than a 50% likelihood of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and recognized in accordance with the guidance will generally result in (1) an increase in income taxes currently payable or a reduction in an income tax refund receivable or (2) an increase in a deferred tax liability or a decrease in a deferred tax asset, or both (1) and (2).

Stock Options Granted to Employees and Non-Employees

The Company follows financial accounting standards that require the measurement of the value of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Non-employee stock-based compensation is granted at the Board of Director's discretion to award select consultants for exceptional performance. Prior to issuance of the awards, the Company is not under any obligation to issue the stock options. The award vests over a specified period determined by the Company's Board of Directors. The measurement date of the grant is also the date of the award. The fair value of options is expensed ratably during the specified vesting period.

The Company estimates the fair value of employee stock option awards on the date of grant using a Black-Scholes valuation model which requires management to make certain assumptions regarding: (i) the expected volatility in the market price of the Company's common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercised (referred to as the expected holding period). The expected volatility under this valuation model is based on the current and historical implied volatilities of the Company's common stock. The dividend yield is based on the approved annual dividend rate in effect and current market price of the underlying common stock at the time of grant. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for bonds with maturities ranging from one month to five years. The expected holding period of the awards granted is estimated using the historical exercise behavior of employees. In addition, the Company estimates the expected impact of forfeited awards and recognize stock-based compensation cost only for those awards expected to vest. The Company utilizes historical experience to estimate projected forfeitures. If actual forfeitures are materially different from estimates, stock-based compensation expense could be significantly different from what we have recorded in the current period. The cumulative effect on current and prior periods of a change in the estimated forfeiture rate is recognized as compensation cost in the period of the revision.

Stock Granted to Employees and Non-Employees in Lieu of Cash Payments

The Company periodically issues shares of its common stock in lieu of cash payments to certain consultants, vendors and employees. The Company follows financial accounting standards that require the measurement of the value of services received in exchange for an award of an equity instrument based on the grant-date fair value of the award.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements in order to conform to the 2015 presentation. These reclassifications have no effect on net loss, total assets or accumulated deficit as previously reported.

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New Accounting Pronouncements

From time to time, new accounting guidance is issued by the FASB that the Company adopts as of the specified effective date. If not discussed, management believe that the impact of recently issued standards, which are not yet effective, will not have a material impact on its financial statements upon adoption.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, reclamation bonds, convertible line of credit and promissory note payable approximate fair value due to their limited time to maturity or ability to immediately convert them to cash in the normal course. The carrying values of convertible debentures is net of a discount and does not reflect fair value of similar instruments. The approximate fair value of the convertible debentures and convertible line of credit based upon the number of shares into which the debentures are convertible is \$1,558,198 using the current market price per share of stock at September 30, 2015.

The table below sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2015 and September 30, 2014, respectively, and the fair value calculation input hierarchy that the Company has determined has applied to each asset and liability category.

	September 30, 2015	September 30, 2014	Input Hierarchy Level
Assets:			
Cash	\$ -	\$ 177,260	Level 1
Liabilities:			
Conversion option derivative liability	-	676,533	Level 2
Warrant derivative liability	4,861	24,697	Level 2

NOTE 4 – UNPROVED PROPERTIES AND IMPAIRMENT

The total of the Company's investment in unproved properties and equipment at September 30, 2015 and 2014, consists of the following capitalized costs respectively:

	September 30, 2015	September 30, 2014
UNPROVED AND DEVELOPED PROPERTIES		
Kansas Girard Project		
Field equipment – Jayhawk Gas Transport Company	\$ 2,605,871	\$ 2,605,871
Field equipment - Girard	579,027	579,027
Capitalized drilling costs	684,696	614,756
Subtotal	3,869,594	3,799,654
Less accumulated impairments	(2,432,087)	(2,432,087)
Less accumulated depreciation, depletion and amortization	(1,251,984)	(1,211,748)
Unproved and developed properties, net	185,523	155,819
UNPROVED AND UNDEVELOPED PROPERTIES		
North Dakota Project, net	-	40,325
Unproved and undeveloped properties, net	-	40,325
TOTAL UNPROVED PROPERTIES	\$ 185,523	\$ 196,144

The Company's Kansas properties are currently not producing. Management intends to evaluate the prospects of returning to production during the subsequent fiscal year and determine the economic viability of the project thereafter.

NOTE 5 – PROVED PROPERTIES AND IMPAIRMENT

During the year ended September 30, 2015, management scrapped certain capitalized drilling costs and equipment associated with the Jenks and Knudsen wells in Crosby, North Dakota. The Company determined the costs associated with completing the necessary engineering, road improvements and purchase of additional equipment to construct a disposal well exceeded the future benefits of said well. The Company has plugged both the Jenks and Knudsen well bores. The loss on write-off of \$11,527 was charged to operations as “Loss on leases and equipment”.

Effective September 1, 2015, the Company entered into an Assignment, Bill of Sale and Conveyance (the “Assignment”) with Vast Holdings, LLC (“Vast Holdings”), a related party at September 30, 2015. The Assignment sells and assigns to Vast Holdings, in consideration of ten dollars (\$10.00), all of the Company’s right, title, interest and estate, real or personal, movable or immovable, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota, including but not limited to: oil, gas and/or mineral leases, fee mineral interests, leasehold estates, mineral interests, royalty interests, overriding royalty interests, reversionary interests, net profits interests, and other similar rights, estates and interests and other agreements, the oil, gas, and other hydrocarbons produced from or attributable to the assets and all units, wells, equipment, contracts, and records. Vast Holdings did not assume various liabilities associated with the North Dakota assets, including, but not limited to, working and royalty interests payable and liabilities associated with reclamation of the North Dakota properties.

Vast Holdings is a wholly owned subsidiary of Vast Exploration, LLC. Vast Exploration is a controlling shareholder of the Company, the contract operator of the Company’s oil and gas properties and an affiliate of Vast Petroleum Corp., an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. The Assignment was made in lieu of foreclosure of certain Company debt obligations and the Company determined ten dollars was appropriate monetary consideration.

The Company incurred a loss on conveyance of the North Dakota properties of \$28,238 which is included in “Loss on leases and equipment” and charged to operations.

The total of the Company's investment in proved properties and equipment at September 30, 2015 and 2014, consists of the following capitalized costs respectively:

	September 30, 2015	September 30, 2014
Crosby, North Dakota Properties		
Proved reserves	\$ -	\$ 2,381,962
Field equipment	-	1,200,247
Capitalized drilling costs	-	427,957
Subtotal	-	4,010,166
Less impairments	-	(1,092,302)
Less accumulated depreciation, depletion and amortization	-	(2,835,852)
TOTAL PROVED OIL AND GAS PROPERTIES	\$ -	\$ 82,012

For the year ended September 30, 2014, the Company performed an analysis to determine whether the carrying amounts in its financial statements exceeded the present value of the expected revenues directly associated with the Crosby, North Dakota property. Management determined that the net value reflected in the financial statements did not exceed the present value of such revenues.

NOTE 6 – RECLAMATION BONDS AND OTHER LONG-TERM ASSETS

Reclamation bonds and other long-term assets consists of various deposits and reclamation bonds. Detail is disclosed in the following table:

	September 30, 2015	September 30, 2014
Rental security deposit	\$ -	\$ 1,500
Reclamation bonds	150,450	150,346
TOTAL RECLAMATION BONDS AND OTHER LONG TERM ASSETS	\$ 150,450	\$ 151,846

NOTE 7 – CONVERTIBLE LINE OF CREDIT RELATED PARTY

On June 30, 2015, the Company entered into a revolving credit loan agreement (“Loan”) with Vast Exploration, LLC (the “Lender” or “Vast Exploration”).

The Loan permits the Company to borrow up to \$100,000 with an interest rate equal to 1.5% per month of the unpaid principal balance on the loan. The Company is required to pay principal on demand or, if not sooner demanded, then on or before June 30, 2016. The Company is required to pay interest on demand or, if not sooner demanded, then on the 1st day of each month, commencing August 1, 2015. After demand, interest on the outstanding balance of the Loan will accrue at a rate equal to 2% per month. Vast Exploration has the right, at any time after the date of the Loan, at its election, to convert all or part of the Loan into shares of fully paid and non-assessable shares of common stock of the Company at a conversion price of the lesser of 1) \$0.005 per share (\$0.50 per share post reverse stock split) or 2) 50% of the average of the three lowest trades during the twenty-five previous trading days preceding a conversion.

On August 6, 2015, the Company entered into a Line of Credit Modification Agreement with Vast Exploration (“Modification Agreement”). The Modification Agreement adjusts the maximum principal balance that may be borrowed from \$100,000 to \$150,000. At its sole discretion, Vast Exploration may increase the maximum principal balance beyond \$150,000.

On September 25, 2015, the Company entered into a Second Line of Credit Modification Agreement with Vast Exploration (“Second Modification Agreement”). The Second Modification Agreement amends the conversion price in the Loan to a non-variable conversion price of \$0.005 per share of common stock (\$0.50 per share of common stock post reverse stock split). Advances related to reclamation of North Dakota properties (Note 18) may be converted at a non-variable conversion price of \$0.025 per share of common stock (\$0.25 per share of common stock post reverse stock split).

As of September 30, 2015, the Loan balance was \$170,285. The balance of accrued interest on the Loan including origination and modification fees at September 30, 2015 was \$16,183 and is included in “accrued interest, related party”. The balance of the Loan and accrued interest thereon was convertible to 378,530 shares of the Company’s common stock based on the amended conversion price.

NOTE 8 – CONVERTIBLE DEBENTURES

During the years ended September 30, 2010 and 2011, the Company issued, pursuant to a securities purchase agreement, 10% convertible debentures with a face value of \$2,000,000 (the “2010 and 2011 Convertible Debentures”). All of the debentures had a two-year maturity and were issued with attached common stock purchase warrants. The effective interest rate on the debentures was, and is, 10% per annum. The debentures were secured by all assets of the Company except those specifically excluded in the agreement which include all Kansas properties and related assets.

The debentures were convertible at any time after the original issue date into a number of shares of the registrant’s common stock, determined by dividing the amount to be converted by an initial conversion price of \$0.18 per share (\$18.00 post reverse stock split). In addition to the debentures the purchasers were issued an aggregate of 2,833,113 common share purchase warrants, each having a term of 42 months, expiring April 2014, and giving the purchasers the right to purchase the Company’s common shares at an initial exercise price of \$0.18 per share (\$18.00 per share post reverse stock split). Subsequent to the initial issue date, the initial conversion price of \$0.18 per share (\$18.00 per share post reverse stock split) was amended based on provisions in the agreements related to equity issuances and issuance of additional convertible debentures. These provisions required that the conversion option was accounted for as a derivative liability (Note 9). The conversion price was amended on or about January 9, 2012, to \$0.50 per share (\$5.00 per share post reverse stock split). On April 23, 2013, the conversion price was modified to \$0.01 per share (\$1.00 per share post reverse stock split) for up to 25% of the outstanding shares. The maturity date was modified to December 31, 2013.

Fiscal year ended September 30, 2014

Modification of debt

On November 5, 2013, an investor converted \$35,000 in convertible debentures at \$0.01 per share. Pursuant to this conversion, the Company issued 3,500,000 shares of common stock (35,000 shares of stock at exercise price of \$1.00 per share post reverse stock split).

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On June 3, 2014, the Company entered into a Partial Reset of Conversion Price for the 2010 and 2011 Convertible Debentures agreement (the “2014 Partial Reset”) with one of the Investors. Under the terms of the 2014 Partial Reset, the Investor and the Company agreed to the following terms:

The Investor has the right to convert, into common stock of the Company, up to two hundred thousand dollars (\$200,000) of the principal amount of the Debentures outstanding at a Conversion Price equal to \$0.01 per share (\$1.00 per share post reverse stock split).

The Company considered the impact of ASC 470-50 “Debt Modifications and Extinguishments” of the 2014 Partial Reset and concluded it constituted a substantial modification and therefore should be accounted for as an extinguishment of debt. During the year ended September 30, 2014, the Company recognized a loss on extinguishment of \$383,951 representing the change in fair value of the conversion option because of the modification.

On or about June 3, 2014, the Company entered into Securities Purchase Agreements with an institutional investor, an accredited investor and the former Chairman of the Board of Directors of the Company, wherein the Company agreed to issue \$600,000 (total) of Secured Convertible Debentures (“2014 Debentures”). The Debentures are due sixty (60) months from the date of closing. The Debentures are secured by a security agreement granting the Investors a security interest in and to all of the Company’s assets located in the State of Kansas. At closing, the Company also entered into a Stock Pledge Agreement pledging, as additional security, all of the Company’s right, title and interest in and to the capital stock of JayHawk Gas Transportation Corporation (a wholly owned subsidiary of the Company and the owner of the Company’s gas transmission pipeline in Kansas).

The Debentures are convertible at any time after the original issue date into a number of shares of the Company’s common stock, determined by dividing the amount to be converted by a conversion price of \$0.01 per share, or an aggregate of 60,000,000 shares (\$1.00 per share or an aggregate of 600,000 shares post reverse stock split).

Additionally, each investor received rights to a Wastewater Disposal Fee; and a Royalty Interest.

On the date of issue, the price for the Company’s common stock exceeded the \$0.01 conversion price (\$1.00 post reverse split conversion price) stated in the debentures. Management determined that the favorable exercise price represented a beneficial conversion feature. Using the intrinsic value method at the debenture date, a total discount of \$600,000 was recognized on the debentures. The discount is being amortized over the term of the debentures using the straight-line method, which approximated the effective interest method. The Company recorded \$120,000 and \$40,000 in interest expense related to the amortization of the discount for the years ended September 30, 2015 and 2014, respectively. The remaining discount balance was \$440,000 at September 30, 2015.

Fiscal year ended September 30, 2015

On or about April 17, 2015, the former Chairman assigned for consideration a \$200,000 convertible debenture originally issued in 2014 to Vast Exploration, LLC (“Vast Exploration”), a related party. On or about April 17, 2015, Vast Exploration also was assigned for consideration to the holder a \$200,000 convertible debenture originally issued in 2014 and held by an institutional investor.

On April 17, 2015, Vast Exploration also acquired, from the various original institutional holders, the Convertible Debentures originally issued by the Company on or about December 11, 2009, December 30, 2009, April 22, 2010 and October 18, 2010 (collectively the “Convertible Debentures”). Vast Exploration also acquired two outstanding convertible debentures originally issued by the Company on or about June 3, 2014, in aggregate amount of \$400,000 from an institutional holder and a related party to the Company.

On or about April 17, 2015, Vast Exploration notified the Company of its intent to hold the Company in default of certain provisions of the 2010 and 2011 Convertible Debentures, including but not limited to additional interest at 18% and recalculating the principal balances to 125% of their face amount retroactive to the last known date of compliance. The increase in principal balance of the debentures as a result of the default at date of notification was \$259,963. The increase in additional accrued interest on the debentures as a result of the default at the date of notification was \$300,441. The total \$560,404 was recognized as finance expense during the year ended September 30, 2015. As of September 30, 2015, a portion of the Convertible Debentures and accrued interest remain in default and consequently are classified as “current liabilities”.

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Effective April 30, 2015 the Company entered into an agreement, with Vast Exploration, to amend the Company's outstanding 2010 and 2011 convertible debentures held by Vast Exploration. Under the terms of the Amendment to Convertible Debentures the "Conversion Price" for the remaining entire outstanding balance owed by the Company under the Convertible Debentures was reset to \$1.00 per share. The amendment to the convertible debentures includes a conversion feature that allows the principal and accrued interest of the loans to be converted into common stock of Jayhawk Energy, Inc. at \$0.01 per share (\$1.00 per share post stock split) at the option of related party Convertible Debenture holders. These Convertible Debentures and accrued interest as of April 30, 2015, would convert into 207,954,477 shares of the Company's common stock (2,079,545 of the Company's common stock post reverse stock split). The Amendment to Convertible Debentures also eliminated certain provisions of the convertible debentures that required convertible derivative accounting rules to be applied to the convertible debentures (See Note 8).

The fair value of the conversion feature prior to amendment of the agreement was \$286,952. The Company estimated the fair value of the amended conversion feature to be \$1,244,472. The Company, therefore, recognized a loss on extinguishment of debt of \$957,528. The Black Scholes model inputs utilized to estimate the fair value of the amended conversion feature was: Stock price \$0.01 per share; risk-free interest rate = 0.01%; expected term = 3 months; expected volatility = 286.6%.

On April 30, 2015, Vast Exploration gave the Company written Notice of Conversion of four of the 2010 and 2011 Convertible Debentures into the Company's common stock. Vast Exploration converted \$828,211 of the principal balance and \$359,287 of accrued interest of the debentures for a total conversion of \$1,187,498. The conversion price was \$0.01 per share (\$1.00 per share post reverse stock split). The Company issued 118,749,800 shares of its common stock (1,187,498 shares of its common stock post reverse stock split). As a result of the conversion, Vast Exploration became the majority shareholder of the Company and owns 59.4% of the common stock at September 30, 2015.

The aggregate debenture and accrued interest balance due to Vast Exploration as of September 30, 2015 is \$1,103,038 which is convertible at any time after the original issue date into a number of shares of the Company's common stock, determined by dividing the amount to be converted by a conversion price of \$0.01 per share, or an aggregate of 110,303,800) shares of the Company's common stock (\$1.00 per share or an aggregate of 1,103,038 post reverse stock split).

At September 30, 2015, principal payments on the convertible debentures are due as follows:

	Related party	Non-related party	Total
Year ending September 30, 2016	\$ 470,439	\$ -	\$ 470,439
Year ending September 30, 2017	-	-	-
Year ending September 30, 2018	-	-	-
Year ending September 30, 2019	400,000	200,000	600,000
TOTAL CONVERTIBLE DEBENTURES	\$ 870,439	\$ 200,000	\$ 1,070,439

As of September 30, 2015, there remains \$440,000 of unamortized discount on the issuance of the 2014 convertible debentures.

NOTE 9 – DERIVATIVE LIABILITIES

The Company had convertible debentures which contained provisions allowing holders of the debentures to convert outstanding debt to shares of the Company's common stock (Note 8). The debentures contained anti-dilution provisions which call for the debt conversion and warrant exercise prices to be reduced based on future issues of debt or equity with more favorable provisions. Management has determined that these provisions cause the conversion options and warrants to require derivative liability accounting. As such, management valued them at fair value at the date of issuance.

During the year ended September 30, 2015, the Company entered into a modification agreement with the holders of the convertible debentures. The modification agreement changed the conversion price to \$1.00 per common share and also specifically eliminated provisions of the debentures requiring conversion derivative accounting. The fair value of the derivative liability on that date of \$1,244,472 was charged to 'additional paid-in capital'.

Conversion option derivative

At September 30, 2015 and 2014, the fair value of conversion options was estimated at the period's end using the Black-Scholes option pricing model using the following weighted average assumptions.

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	Year Ended September 30,	
	2015	2014
Stock price	\$ 0.0169	\$ 0.0294
Risk-free interest rate	0.01% to 0.28%	0.06% to 0.10%
Expected term	.25 years to 1 year	.25 to .50 years
Expected volatility	242.5% to 298.6%	248.6% to 339.3%
Fair value of conversion option derivative units	\$0.003 to \$0.015	\$.002 to \$0.01

Below is detail of the change in conversion option liability balance for the year ended September 30, 2015 and 2014, respectively.

	For the year ended September 30,	
	2015	2014
Beginning balance	\$ 676,533	\$ 177,553
Net change in fair value of conversion option liability	(389,589)	115,029
Increase in fair value of conversion options due to debt amendment	957,527	383,951
Extinguishment of conversion option derivative	(1,244,472)	-
Ending balance	\$ -	\$ 676,533

Warrant derivative

At September 30, 2015 and 2014, respectively, the fair value of warrant derivative liability was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	September 30,	
	2015	2014
Stock price	\$ 0.0169	\$ 0.0294
Risk-free interest rate	0.56%	0.02% to 0.90%
Expected term	1.88 year	1 month to 1 year
Expected volatility	274.3%	128.4% to 297.7%
Fair value of warrant derivative units	\$0.0106	\$0.0002 to \$0.028

Below is detail of the change in warrant derivative liability balance for years ended September 30, 2015 and 2014, respectively:

	Year ended September 30,	
	2015	2014
Beginning balance	\$ 24,697	\$ 41,553
Net change in fair value of warrant derivative liability	(19,836)	(16,856)
Ending balance	\$ 4,861	\$ 24,697

NOTE 10 – PROMISSORY NOTES

On July 12, 2014, the Company entered into a promissory note for \$46,642 with a working interest partner. The Company was scheduled to make seven monthly payments in the amount of \$2,500 and subsequently make ten monthly payments in the amount of \$2,914. At September 30, 2015, the balance due on the note was \$31,642. The Company is currently in default on the terms of the promissory note. The balance of \$31,642 is included under “Current portion of promissory notes payable” at September 30, 2015.

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On January 27, 2015, the Company entered into a promissory note for \$189,790 with a working interest partner which included past due amounts of \$175,425 and additional interest of \$14,364 which was recognized as expense. The Company will make nineteen monthly payments in the amount of \$9,542 and subsequently make one monthly payment in the amount of \$19,016. The note bears interest at 6% per annum. At September 30, 2015, the total balance due plus accrued interest and late payment charges on the note was \$201,139. The Company is currently in default on the terms of the promissory note and, therefore, the balance of \$201,139 is classified as "Current portion of promissory notes payable" at September 30, 2015.

On February 12, 2015, the Company entered into a promissory note for \$49,696 with a vendor which included accounts payable of \$34,162 and additional interest of \$15,534 which was recognized as expense. The Company was scheduled to make one payment of \$5,000, thirty-eight monthly payments in the amount of \$1,500 and subsequently make one monthly payments in the amount of \$1,378. The note bears interest at 8% per annum. At September 30, 2015, the balance due including accrued interest on the note was \$37,790.

On August 28, 2015, the Company entered into a promissory note for \$37,892 as settlement of payable to a service provider. The Company is scheduled to make twenty-four monthly payments in the amount of \$1,579. The note is non-interest bearing. At September 30, 2015, the balance due on the note was \$36,304.

The Company entered into a Separation Agreement with an executive which included provisions referencing execution of a Promissory Note in consideration of accrued compensation at September 30, 2015 in the amount of \$110,781. The promissory note was subsequently executed on or about December 1, 2015. The former Company officer was appointed to the Board of Directors, therefore is classified as a related party. The note accrues interest at 5% per annum with monthly interest-only payments through September 30, 2016. The Company is scheduled to make twenty-four monthly payments beginning no later than October 31, 2016. In the event of default, the note bears interest at 18%.

At September 30, 2015, principal payments on these notes are due as follows:

	Related party	Non-related party	Total
Year ending September 30, 2016	\$ -	264,582	264,582
Year ending September 30, 2017	51,107	32,443	83,550
Year ending September 30, 2018	53,722	9,850	63,572
Year ending September 30, 2019	5,952	-	5,952
TOTAL PROMISSORY NOTES	\$ 110,781	\$ 306,785	\$ 417,656

NOTE 11. ASSET RETIREMENT OBLIGATIONS

The Company has identified asset retirement obligations at the Girard, Kansas and Crosby, North Dakota operating sites. These retirement obligations are determined based on the estimated cost to comply with abandonment regulations established by the Kansas Corporation Commission and the State of North Dakota. The Company's engineers have estimated the cost, to comply with these regulations. These estimates have been projected out to the anticipated retirement date 6 to 15 years in the future, at an assumed inflation rate of 1.5 percent. These amounts were discounted back at an assumed interest rate of 10 percent, to arrive at a net present value of the obligation. The amount of the annual increase in the obligation is charged to accretion expense and for the years ended September 30, 2015 and 2014, was computed to be \$15,217 and \$14,603, respectively. The remaining balance on the Company's North Dakota Asset Retirement Obligation liability is \$133,481

During the year ended September 30, 2015, with respect to its Kansas properties, the Company has revised its estimate to include additional well bores not previously considered to be subject to remediation exposure for the Company. The increase in present value liability was added to the Company's Asset Retirement Obligation Asset which shall be amortized over the remaining useful life of the Kansas asset. The Company has revised its estimate on the remaining Kansas Asset Retirement Obligation to \$112,311 as of September 30, 2015.

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The following table summarizes the change in the asset retirement obligation since the beginning of the fiscal year ending September 30, 2015 and September 30, 2014, respectively:

	For the year ended September 30,	
	2015	2014
Beginning balance	\$ 160,636	\$ 146,033
Increase in present value of liability due to change in estimate costs (Kansas)	69,939	-
Accretion expense	15,217	14,603
Ending balance	<u>\$ 245,792</u>	<u>\$ 160,636</u>

NOTE 12 – COMMON STOCK

Fiscal Year End September 30, 2014

On November 11, 2013, the Company issued 35,000 shares of common stock to a holder of 10% convertible debentures within the terms thereof referenced in Note 8 who elected to convert the principal amount of \$35,000.

Fiscal Year End September 30, 2015

On April 30, 2015, Vast Exploration presented the Company with a written Notice of Conversion of four of the Convertible Debentures (Note 8) into the Company's common stock. The holder converted \$828,211 of the principal balance and \$359,287 of accrued interest of the debentures for a total conversion of \$1,187,498. The conversion price was \$1.00 per share. The Company issued 1,187,498 shares of its common stock. As a result of the issuance, Vast Exploration became the majority shareholder of the Company.

On June 8, 2015, the Company issued 6,000 shares of its common stock with a fair value of \$6,000 to certain directors of the Company and the former Chief Executive Officer in consideration for accrued board fees and accrued compensation of \$284,750. The Company obtained forbearance agreements with the parties and recognized a gain on settlement of liabilities of \$300,190.

On September 30, 2015, the Company issued 1,500 shares of its common stock with a fair value of \$1,500 to a related party in consideration for termination of a lease agreement and settlement of liabilities of \$17,113.

NOTE 13 – STOCK BASED COMPENSATION

The Company's board of directors approved a stock and option plan on August 11, 2009 (the "Plan"). The purpose of the Plan is to provide employees and consultants of the Corporation and its Subsidiaries with an increased incentive to make significant and extraordinary contributions to the long-term performance and growth of the Corporation and its Subsidiaries, to join the interests of employees and consultants with the interests of the shareholders of the Corporation, and to facilitate attracting and retaining employees and consultants of exceptional ability. The total number of shares available for grant under the terms of the Plan is 4,000,000. The number of shares subject to the Plan and any outstanding awards will be adjusted appropriately by the Board of Directors if the Company's common stock is affected through a reorganization, merger, consolidation, recapitalization, restructuring, reclassification dividend (other than quarterly cash dividends) or other distribution, stock split, spin-off or sale of substantially all of the Company's assets.

On October 10, 2013, the Board of Directors rescinded, from various officers and directors, 20,400 options to purchase shares of the Company's common stock. The rescinded options had a strike price of \$2.00 based on the closing price of the Company's common stock on the date of grant. Also on October 10, 2013, the Board of Directors authorized the grant, to various officers and directors, of 40,000 options to purchase shares of the Company's common stock. The options have a strike price of \$1.00 based on the closing price of the Company's common stock on the date of grant and vest over 9 months. The concurrent grant of a replacement award was accounted for as a modification of terms and resulted in an offset to compensation expense of \$20,151 during the year ended September 30, 2014.

The Company recognizes compensation expense straight-line over the vesting term. Historically, the Company has issued new shares to satisfy exercises of stock options and the Company expects to issue new shares to satisfy any future exercises of stock options.

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The outstanding options at September 30, 2015 have a weighted average remaining term of 3.78 years. No options were exercised during the years ended September 30, 2015 and 2014. At September 30, 2015 and 2014, the Company had 34,000 options outstanding and exercisable.

The following table reflects the summary of changes during the years ended September 30, 2015 and September 30, 2014:

	Number of shares under options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance outstanding, September 30, 2013	20,400	\$ 20.00	\$ -
Issued	40,000	1.00	-
Exercised	-	-	-
Forfeited or rescinded	(20,400)	(20.00)	-
Balance outstanding and exercisable, September 30, 2014	40,000	\$ 1.00	\$ -
Issued	-	-	-
Exercised	-	-	-
Forfeited	(6,000)	(1.00)	-
Balance outstanding and exercisable, September 30, 2015	34,000	\$ 1.00	\$ -

All 34,000 options outstanding are fully vested and exercisable at \$1.00 per share (3,400,000 options outstanding are fully vested and exercisable at \$0.01 per share pre-reverse stock split).

As of September 30, 2015, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. The Company recognized \$Nil and \$24,803 of compensation cost related to options vested during the years ended September 30, 2015 and 2014, respectively. These costs are classified under management and administrative expense.

NOTE 14 – BROKER AND SHARE PURCHASE WARRANTS

A summary of activity of the Company's share purchase and broker warrants outstanding at September 30, 2015 is presented as follows:

	Broker Warrants	Weighted Average Exercise Price	Share Purchase Warrants	Weighted Average Exercise Price
Balance outstanding, September 30, 2013	10,553	\$ 6.00	47,778	\$ 5.00
Forfeited or expired	(553)	(5.00)	(20,000)	(5.00)
Exercised	-	-	-	-
Granted	-	-	-	-
Balance outstanding, September 30, 2014	10,000	\$ 6.00	27,778	\$ 5.00
Forfeited or expired	-	-	(27,778)	(5.00)
Exercised	-	-	-	-
Granted	-	-	150,000	0.10
Balance outstanding, September 30, 2015	10,000	\$ 6.00	150,000	\$ 0.10

The Broker Warrants expire February 15, 2017 and have an exercise price of \$6.00.

On April 17, 2015 the Company granted, to four institutional investors, warrants to purchase up to an aggregate of 150,000 shares of the Company's common stock in consideration of the investors waiving the Company's prior defaults under the Convertible Debentures. In addition to transactions discussed in Notes 5, 7, 10 and 12, the Warrants give the holders thereof the right to purchase common stock of the Company at the purchase price of \$0.10 per share and expire on March 17, 2020. The fair value of the warrants issued was \$167,441 was charged to financing costs.

NOTE 15 – RELATED PARTY TRANSACTIONS

In addition to transactions discussed in Notes 5, 7, 10 and 12, on or about December 1, 2011, the Company entered into a four-year lease with Marlin Property Management, LLC, an entity owned by the spouse of the Company's former President/CEO and member of the board of directors. Under the terms of the lease the Company is required to pay \$2,500 per month for office space in Coeur d'Alene, Idaho. For the years ended September 30, 2015 and 2014, the Company paid \$15,000 and \$15,000 respectively. The balance due to the related party including common area expenses as of September 30, 2015 was \$Nil as a result of the Lease Termination Agreement described in Notes 15 and 18.

On April 17, 2015, the Board of Directors appointed the Chief Executive Officer and Manager of Vast Exploration, LLC as a director of the Company to fill a vacancy on the Board and in connection with Vast Exploration, LLC's acquisition of certain Convertible Debentures from institutional investors (Note 8). The Chief Executive Officer and Manager of Vast Exploration, LLC was appointed as the Chairman of the Board of Directors of the Company.

On July 8, 2015, the Company executed a Contract Operating Agreement (the "Operating Agreement") with Vast Exploration, effective as of January 1, 2015. Under the terms of the Operating Agreement, Vast Exploration became the "operator of record" for all of the Company's properties and is responsible for the operation of the Company's oil and gas properties, which includes handling routine operations, major operations, reporting services and other miscellaneous services. The Company will pay Vast Exploration a monthly fee for services in the amount of \$20,000. The Company will remain responsible for all fees, expenses and taxes related to its properties and has agreed to reimburse Vast Exploration for any fees, expenses or taxes advanced on the Company's behalf. The Company has the right to audit the books, records and invoices maintained by Vast Exploration in its operation of the Company properties. The term of the Operating Agreement is two years from the effective date. The Operating Agreement automatically renews for successive one year terms until the Company or Vast Exploration provide notice of non-renewal. The Operating Agreement includes mutual indemnities and waivers of consequential and punitive damages. The Operating Agreement also includes release and hold harmless provisions for the exclusive benefit of Vast Exploration. Finally, the Operating Agreement consents to and ratifies any operational services Vast Exploration has provided to the Company prior to the date the Operating Agreement was executed. Vast Exploration billed the Company \$160,000 for the year ended September 30, 2015 which was charged to 'production expense' and subsequently billed to working interest partners for their pro-rata share of the expense.

Vast Exploration is a controlling shareholder of the Company, the contract operator of the Company's oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company's oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Agreements. The Chairman of the Board of Directors for the Company, is the individual who possesses voting and dispositive authority on behalf of Vast Exploration. Acting in his capacity of Chairman of the Board of the Company, he recused himself from voting on the approval of the Contract Operating Agreement, which was subsequently approved by the remaining members of the Company's Board of Directors. The accrued balance due to Vast Exploration related to the Contract Operating Agreement at September 30, 2015 is \$5,000 which is included in "Other payables, interest and taxes accrued".

NOTE 16 – SUPPLEMENTAL CASH FLOW AND OTHER DISCLOSURES

	For the year ended September 30,	
	2015	2014
Supplemental disclosures:		
Interest paid in cash	\$ 5,119	\$ -
Non-cash financing and investing activities:		
Proceeds from convertible debentures allocated to conversion option	\$ -	600,000
Common stock issued for conversion of debentures and interest, related party	1,187,499	35,000
Common stock issued for settlement of liabilities	7,500	-
Due to working interest holder converted to promissory note	175,425	46,642
Due to related party converted to promissory note	110,781	-

NOTE 17 – INCOME TAX

The Company did not recognize an income tax benefit or expense for the fiscal years ended September 30, 2015 and 2014.

The deferred tax assets were calculated based on an expected future combined tax rate of 40% consisting of maximum statutory federal tax rate of 35% and state taxes calculated at the rate of 5%, which is net of the expected federal income tax benefit.

The components of the Company's net deferred tax assets are as follows:

	For the year ended September 30,	
	2015	2014
Deferred tax assets rising from:		
Non-deductible stock based compensation	\$ 186,444	\$ 186,444
Property and equipment	1,400,549	2,486,484
Other assets	-	91,299
Net operating loss carryforward	5,752,595	3,949,318
	7,339,588	6,713,545
Less valuation allowance	(7,327,187)	(6,713,545)
Deferred tax assets	\$ 12,401	\$ -
Deferred tax liability	(12,401)	-
NET DEFERRED TAX ASSETS AND LIABILITIES	\$ -	\$ -

As management of the Company cannot determine that it is more likely than not the Company will realize the benefit of the estimated net deferred tax asset, a valuation allowance equal to 100% of the net deferred tax asset has been recorded at September 30, 2015 and 2014.

The Company has approximately \$14 Million of federal and state net operating loss carryforwards that expire through 2026 and 2035 that may be used to offset future taxable income.

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Based on the net loss for the year ended September 30, 2015 and 2014, the income tax benefit shown in the financial statements for the years ended September 30, 2015 and 2014 differs from the projected statutory rate as follows:

	Year ended September 30,			
	2015	Rate	2014	Rate
Provision (benefit) at federal statutory rate	\$ (781,297)	35.0%	\$ (517,964)	35.0%
Permanent differences-financing instruments	244,360	(10.9%)	182,831	(12.3%)
Effect of state taxes	(76,705)	3.4%	(47,876)	3.2%
Increase in valuation allowances	613,642	(27.5%)	383,009	(25.9%)
TOTAL	\$ -	0.0%	\$ -	0.0%

The Company has concluded that the guidance regarding accounting for uncertainty in income taxes had no significant impact on the results of operations or financial position as of September 30, 2015 or 2014. Therefore, the Company does not have an accrual for uncertain tax positions as of September 30, 2015 or 2014. As a result, tabular reconciliation of beginning and ending balances would not be meaningful. If interest and penalties were to be assessed, the Company would charge interest expense and penalties to other operating expense. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date. The Company is currently delinquent in their federal and state tax filings. Fiscal years 2010 through 2015 remain subject to examination by state and federal tax authorities.

On April 30, 2015, Vast Exploration, LLC acquired over 50% of the outstanding stock of the Company. This change in ownership limits the future use of net operating losses due to Code Section 382. Management has not determined the effect of the limitation at this time.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

The Company is obligated to pay royalties to holders of oil and natural gas interests in both North Dakota and Kansas operations. The Company also is obligated to pay working interest holders a pro-rata portion of revenue in oil operations net of shared operating expenses. The amounts are based on monthly oil and natural gas sales and are charged monthly net of oil and gas revenue and recognized as "Due to royalty and working interest holders" on the Company's balance sheet.

On August 1, 2013, the North Dakota Industrial Commission ("NDIC") submitted an administrative complaint to the State of North Dakota related to plugging and remediation of the Company's Jenks #1 and Knudsen #1 wells in Crosby, ND. The administrative complaint alleged the Company violated certain portions of the North Dakota Century Code and requested administrative relief against Jayhawk Energy, Inc. for violation of sections of the North Dakota Administrative Code governing the oil and gas industry.

On or about August 12, 2013, the Company responded to the administrative complaint and entered into settlement negotiations with the NDIC. As a good faith effort, the Company began plugging the Knudsen #1 well on or about December 20, 2013. The work required to plug the Knudsen #1 well was completed in January 2014. The range of associated penalties as proposed by the NDIC was \$100,000 to \$525,000 for failure to comply.

As September 30, 2013, the Company accrued \$330,000 as an estimate of total liability related to the Jenks and Knudsen reclamation. For the year ended September 30, 2014, the Company revised the estimate related to the Jenks and Knudsen reclamation and paid an additional \$190,947 for completion of remaining remediation.

On February 18, 2014, the Company entered into a Consent Agreement with the State of North Dakota whereby the Company was required to finish reclamation work, by June 30, 2014, on the two waste water storage pits adjacent to the Jenks #1 and Knudsen #1 wells respectively. The Consent Agreement required the Company to plug the "production zone" of the Jenks #1 well. Once plugging was completed, the Company could then apply for a permit to convert the Jenks #1 well into a salt water disposal well. As a part of the Consent Agreement the Company agreed to pay a civil penalty of no less than \$105,000, consisting of \$25,000 due and payable upon execution of the Consent Agreement and a \$16,000 installment payment per month for five successive months thereafter. If the Company failed to comply with the terms of the Consent Agreement, the Company would be subject to penalties of up to an additional \$420,000 (over and above the \$105,000 penalty agreed to in the Consent Agreement). The Company made the initial \$25,000 payment and subsequently made each monthly payment with the final installment of \$16,000 paid to the State of North Dakota on June 26, 2014.

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The Company made the final installment payment of \$16,000 to the State of North Dakota on June 26, 2014. As of September 30, 2014 the Company has completed substantially all reclamation work and has paid all fines assessed.

On July 10, 2014, the Company completed reclamation work on both the Jenks #1 and Knudsen #1 waste water storage pits. Although reclamation work was to have been completed by June 30, 2014, unseasonably heavy rains which saturated the soil and limited safe access to the site by heavy equipment delayed scheduled reclamation until such time as ground conditions improved. The Company also completed plugging of the 'production zone' on the Jenks #1 well and set a balance plug on the Knudsen #1 well bore.

Due to JayHawk's failure to timely submit a cost estimate for the final plugging, abandonment and reclamation of the Jenks #1 well and site, the NDIC, on January 28, 2015, pursuant to Commission Order No. 25588 ordered JayHawk to file a \$120,000 bond covering the Jenks #1. The bond was a plugging and reclamation bond.

On May 9, 2015, the Company received a copy of a Summons and Complaint filed by the State of North Dakota and the NDIC in the Northwest Judicial District Court of North Dakota alleging JayHawk had violated N.D.C.C. Chapter 38-08 by failing to post the \$120,000 plugging and reclamation bond pursuant to Commission Order No. 25588. N.D.C.C. § 38-08-16 provides that anyone who violates a provision of N.D.C.C. Chapter 38-08, or any rule or regulation of the Commission is subject to a penalty of up to \$12,500 for each offense, and each day's violation is a separate offense. The Complaint's prayer for relief requested that JayHawk be ordered to deposit \$120,000 with the Bank of North Dakota to satisfy the Commission's requirement for the plugging and reclamation bond on the Jenks #1 well. The NDIC also requested that JayHawk pay a fine of \$12,500 per day beginning February 4, 2015, for failure to provide a plugging and reclamation bond on the Jenks #1. The Company subsequently met with the NDIC, which resulted in the NDIC staying the litigation subject to JayHawk's immediate plugging, abandonment and reclamation of the Jenks #1. In September of 2015 the Company completed final plugging and abandonment of the Jenks #1 and completed a partial reclamation of the well and site.

On February 12, 2015, the Company entered into a settlement agreement with the Staff of the Corporation Commission of the State of Kansas with respect to a Penalty Order served by the Company for failure to comply with certain portions of the Kansas Administrative Regulations. The Company was found in violation of failure to plug, return to service or temporarily abandon 71 wells and assessed a \$7,100 penalty, of which \$3,100 was payable immediately, a \$2,000 payment due by April 1, 2015 and the final \$2,000 payment by May 1, 2015. The Company has subsequently submitted 71 temporary abandonment applications, of which 71 applications were approved. The Company has up to one year to plug the wells, return them to service or file additional temporary abandonment applications.

NOTE 19 – GAIN ON SETTLEMENT OF LIABILITIES

During the year ended September 30, 2015, the former President, Chief Executive Officer and Chairman of the board of directors forgave \$84,500 of accrued compensation and four members of the Company's board of directors entered into agreements in which \$206,250 of accrued directors' fees were forgiven in consideration of 6,000 shares of the Company's common stock with a fair value of \$6,000. The Company recognized 'gain on settlement of liabilities' of \$284,750.

During the year ended September 30, 2015, the Company executed a settlement agreement with a vendor. As consideration for forgiveness of \$36,983 including accrued interest, the vendor received a cash payment of \$8,000. The Company recognized 'gain on settlement of liabilities' of \$18,540.

During the year ended September 30, 2015, an entity controlled by a related party to the former President and Chairman of the Board of directors entered into a Lease Termination Agreement whereby certain leased property formerly utilized by the Company was returned to the related party. As consideration for forgiveness of \$17,113 due from the Company per the terms of the Lease, the related party received 150,000 shares of the Company's common stock with a fair value of \$1,500 and the Company relinquished a security deposit of \$1,500. The Company recognized 'gain on settlement of liabilities' of \$15,363.

The total gain on settlement of liabilities as a result of the transactions described herein was \$317,303 for the year ended September 30, 2015.

NOTE 20 – SUBSEQUENT EVENTS

Warrant Purchase Agreement

On September 25, 2015, the Company executed a Warrant Purchase Agreement pursuant to which the Company plans to issue and sell securities. The terms of the Purchase Agreement allow a purchaser to receive a credit for its subscription for securities if the purchaser assumes certain accrued and/or contingent liabilities of the Company. The exercise price for the securities is \$0.0050 per share for securities issued in exchange for the satisfaction of an assumed debt. The exercise price for the securities is \$0.0025 per share for securities issued in exchange for the satisfaction of an assumed North Dakota reclamation liability. The securities are subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Company's common stock that occur after the date of the Purchase Agreement. Each purchaser is required to deliver to the Company, prior to the issuance of securities, the following: (a) immediately available funds sufficient to satisfy or otherwise terminate a given liability; or (b) a "receipt of funds and release of claims" executed by a creditor of the Company, or other evidence, in a form satisfactory to the Company in its sole discretion, of the satisfaction of an assumed debt or North Dakota reclamation liability by the purchaser.

On October 8, 2015, the Company granted 943,337 Warrants to Vast Exploration, LLC pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration's assumption of certain Company liabilities totaling approximately \$471,668. The warrants may be exercised any time after October 8, 2015 until the close of business on October 7, 2020 for \$0.50 per share.

On November 3, 2015, the Company granted 396,459 Warrants to Vast Exploration, LLC and/or assigns pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration's elimination of certain Company liabilities totaling approximately \$198,229. The warrants may be exercised any time after November 3, 2015 until the close of business on November 3, 2020 for \$0.50 per share.

NOTE 21 – SUPPLEMENTAL OIL AND GAS RESERVE INFORMATION (Unaudited)

In January 2010, the FASB issued an ASU to amend existing oil and gas reserve accounting and disclosure guidance to align its requirements with the SEC's revised rules discussed in Note 1. The significant revisions involved revised definitions of oil and gas producing activities, changing the pricing used to estimate reserves the period end to a twelve-month arithmetic average of the first day of the month prices and additional disclosure requirements. In contrast to the SEC rule, the FASB does not permit the disclosure of probable and possible reserves in the supplemental oil and gas information in the notes to the financial statements. The amendments are effective for annual reporting periods ending on or after December 31, 2009. Application of the revised rules is prospective and companies are not required to change prior period presentation to conform to the amendments. Application of the amended guidance has only resulted in changes to the prices used to determine proved reserves at December 31, 2009. The new guidelines have expanded the definition of proved undeveloped reserves that can be recorded from an economic producer did not impact or prove undeveloped reserves.

The Company follows the guidelines prescribed in ASC 932 for computing a standardized measure of future cash net cash flows and changes therein relating to estimated proved reserves. Future cash inflows and future production and development costs are determined by applying prices and costs, including transportation, quality and basis differentials to the year-end estimated quantities of oil and gas to be produced in the future. The resulting net cash flows are reduced to present value amounts by applying a ten percent annual discount factor. Future operating costs are determined based on estimates of expenditures to be incurred in producing the proved oil and gas reserves in place at the end of the period using year-end costs and assuming continuation of existing conditions, plus Company overhead incurred. Future development costs are determined based on estimates of capital expenditures to be incurred in developing proved oil and gas reserves.

The assumptions used to compute the standardized measure are those prescribed by the FASB and the SEC. The assumptions do not necessarily reflect the Company's expectations of actual revenues to be derived from these reserves, nor their present value. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these reserve quantity estimates are the basis for the valuation process. The Company emphasizes that reserve estimates are inherently imprecise and that estimate of new discoveries and undeveloped locations are more imprecise than estimates of establishing proved producing oil properties. Users of this information should be aware that the process of estimating quantities of "proved" and "proved-developed" oil reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving

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production history and continual reassessment of the viability of production under varying economic conditions. As a result, revisions to existing reserve estimates may occur from time to time. Although every reasonable effort is made to ensure reserve estimates reported represent the most accurate assessments possible, the subjective decisions and variances in available data for various reservoirs make these estimates generally less precise than other estimates included in the financial statements disclosures.

Proved oil reserve quantities at September 30, 2014 and the related future net cash flows are based on the estimates prepared by independent petroleum engineers.

The following reserve quantity and future net cash flow information for 2014 was prepared by Cedar Technical Associates and are consistent with internal estimates. The Company provided Cedar Technical Associates with engineering, geological and geophysical data, actual production histories and other information necessary for the reserve determination. The reserve estimates were prepared based on economic and operating conditions existing at September 30, 2014.

At September 30, 2015, the Company held no ownership interest in proved developed oil reserves due to conveyance of its North Dakota property (Note 5).

All of the Company's oil reserves were within the continental United States in the states of North Dakota. Based on the evaluation described in the preceding paragraph, presented below (in barrels) is a summary of changes to the Company's net interest in proved developed and proved undeveloped reserves for the years ending September 30, 2015 and 2014:

September 30, 2013	60,900
Revisions of previous estimates	65,772
Purchase of minerals in place	-
Production	(6,906)
September 30, 2014	119,766
Conveyance of proved reserves	(119,766)
September 30, 2015	-

Oil reserves

At September 30, 2015, the Company held no ownership interest in proved developed oil reserves due to conveyance of its North Dakota property (Note 5).

Based on the evaluation described in the preceding paragraph, presented below (in barrels) is a summary of changes to the Company's net interest in proved undeveloped and proved developed producing and non-producing reserves for the years ending September 30, 2015 and 2014:

	2015	2014
Supplemental disclosures:	Oil (Bbls)	Oil (Bbls)
Proved developed producing	N/A	85,122
Proved developed non-producing	N/A	7,635
Proved undeveloped reserves	N/A	27,009
TOTAL PROVED RESERVES	N/A	119,766

The reserves in this report have been estimated using deterministic methods. For wells classified as proved developed producing where sufficient production history existed, reserves were based on individual well performance evaluation and production decline curve extrapolation techniques. For undeveloped locations and wells that lacked sufficient production history, reserves were based on analogy to producing wells within the same area exhibiting similar geologic and reservoir characteristics, combined with volumetric methods. The volumetric estimates were based on geologic maps and rock and fluid properties derived from well logs, core data, pressure measurements, and fluid samples. Well spacing was determined from drainage patterns derived from a combination of performance-based recoveries and volumetric estimates for each area or field. Proved undeveloped locations were limited to areas of uniformly high quality reservoir properties, between existing commercial producers.

JAYHAWK ENERGY, INC. AND SUBSIDIARY
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September 30, 2015

Capitalized Costs Relating to Oil and Gas Producing Activities

Evaluated and unevaluated capitalized costs related to the Company's oil and natural gas producing activities are summarized as follow in \$ thousands:

	2015	2014
Unproved properties	\$ -	\$ 1,462
Proved properties	-	2,382
Wells and equipment	3,870	5,427
Total capitalized costs	3,870	9,271
Less: Allowance for depreciation, depletion, amortization and lease impairment	(3,684)	(8,933)
TOTAL	\$ 186	\$ 238

The Company will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred in Oil and Gas Producing Activities (in \$ thousands)

Costs incurred in oil and natural gas property acquisitions, exploration and development are summarized as follows, in \$ thousands:

	Year ended September 30,	
	2015	2014
Property acquisitions:		
Unproved properties	\$ -	\$ -
Proved properties (includes wells, equipment and related facilities acquired with proved reserves)	-	12
Exploration	-	-
Production and development capital expenditures	-	-
TOTAL	\$ -	\$ 12

Standardized Measure of Discounted Future Net Cash Flow

The following Standardized Measure of Discounted Future Net Cash Flow information has been developed utilizing ASC 932, Extractive Activities – Oil and Gas (ASC 932) procedures and based on estimated oil reserve and production volumes. It can be used for some comparisons, but should not be the only method used to evaluate the Company or the Company performance. Further, the information in the following table may not represent realistic assessments of future cash flows, nor should the Standardized Measure of Discounted Future Net Cash Flows be viewed as representative of the Company's current value.

The Company believes that the following factors should be taken into account when reviewing the following information:

- future costs and selling prices will probably differ from those required to be used in these calculations;
- due to future market conditions and governmental regulations, actual rates of production in future years may vary significantly from the rate of production assumed in the calculations;
- a 10% discount rate may not be reasonable as a measure of the relative risk in realizing future net oil reserves; and
- future net revenues may be subject to different rates of income taxation.

JAYHAWK ENERGY, INC. AND SUBSIDIARY
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September 30, 2015

The Standardized Measure of discounted future net cash flows relating to the Company's ownership interests in proved developed oil reserves for the years ended September 30, 2015 and 2014 are as follows:

	Year ended September 30,	
	2015	2014
Future cash flows	\$ -	\$ 8,914,183
Future oil and natural gas operation expense	-	(2,654,896)
Future abandonment costs	-	(910,000)
Future severance tax	-	(445,714)
Future income tax expense	-	-
Future net cash flows	-	4,903,573
Less: 10% annual discount for estimating time of cash flow	-	(2,518,637)
STANDARDIZED MEASURE OF DISCOUNTED FUTURE CASH FLOW	\$ -	\$ 2,384,936

At September 30, 2015, the Company held no ownership interest in proved developed oil reserves due to conveyance of its North Dakota property (Note 5).

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil Reserves

The following is a summary of the changes in Standardized Measure of discounted future net cash flows for the Company's proved oil reserves during each of the years in the two-year period ended September 30, 2015:

	Year ended September 30,	
	2015	2014
Standardized measure of discounted future cash flow at beginning of year	\$ (878,400)	\$ 878,400
Net changes in price and production costs	1,339,226	(1,339,226)
Sales of oil produced, net of production costs	230,238	(230,238)
Revisions of previous quantity estimates	(2,988,000)	2,988,000
Development costs incurred	-	-
Change in income taxes	-	-
Accretion of discount	(88,000)	88,000

Results of Operations for Oil and Gas Producing Activities

The results of operations shown below exclude non-oil and gas producing activities, corporate overhead items, interest expense and other incomes expense, gains and losses. Therefore, these results are on a different basis than results of operations reported upon in the consolidated statement of operations.

All operations were conducted in the United States. The Company produces crude oil in North Dakota and natural gas in southeast Kansas. The Company produces no natural gas in North Dakota and no oil in Kansas at this time. Because of limited funding, exploration activities were not conducted in the years ended September 30, 2015 and 2014.

JAYHAWK ENERGY, INC. AND SUBSIDIARY
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	2015	2014
Operating revenue	\$ 244,283	\$ 394,925
Costs and expenses:		
Exploration expenses	-	-
Production expenses	399,483	238,382
Depreciation, depletion and amortization	122,806	257,097
North Dakota reclamation complaint	90,675	280,361
Loss on disposal and conveyance of leases and equipment	39,765	-
Total costs and expenses	667,906	775,840
Net results of operations for oil and natural gas producing activities	\$ 423,623	\$ (380,915)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this report, an evaluation was carried out by the Company's management, with the participation of the chief executive officer and chief financial officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of September 30, 2015. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

During the evaluation of disclosure controls and procedures as of September 30, 2015, management identified material weaknesses in internal control over financial reporting, which management considers an integral component of disclosure controls and procedures. Material weaknesses identified include the lack of any segregation of duties, lack of appropriate accounting policies and management's assessment of internal control over financial reporting. As a result of the material weaknesses identified, management concluded that Company's disclosure controls and procedures were not effective.

Notwithstanding the existence of these material weaknesses, management believes that the consolidated financial statements in this report on Form 10-K fairly present, in all material respects, the Company's financial condition as reported, in conformity with United States generally accepted accounting principles (GAAP).

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process, under the supervision of the chief executive officer and chief financial officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with United States generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that:

- * Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- * Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the board of directors; and
- * Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of this assessment, management identified material weaknesses in internal control over financial reporting.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified are disclosed below.

Ineffective Oversight of Financial Reporting. The Company has not provided an appropriate level of oversight of the financial reporting process and has not appropriately monitored the Company's system of internal control. The Company's monitoring of management's assessment of internal control over financial reporting did not result in appropriate actions taken by management to remedy the deficiencies in the process to assess internal control over financial reporting. The Company has no independent audit committee overseeing the financial reporting process.

Failure to Segregate Duties. Management has not maintained any segregation of duties within the Company due to its reliance on a few individuals to fill multiple roles and responsibilities. Our failure to segregate duties has been a material weakness for the period covering this report.

Sufficiency of Accounting Resources. The Company has limited accounting personnel to prepare its financial statements. The insufficiency of our accounting resources has been a material weakness for the period covering this report.

As a result of the material weaknesses in internal control over financial reporting described above, the Company's management has concluded that, as of September 30, 2015, the Company's internal control over financial reporting was not effective based on the criteria in Internal Control – Integrated Framework issued by the COSO.

This report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged the Company's independent registered public accounting firm to perform an audit of internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Controls over Financial Reporting

During the period ended September 30, 2015, there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers.

The following table sets forth the names, ages, positions and dates of appointment of our current directors and executive officers.

Name	Age	Position	Date Appointed
Scott Mahoney (1)	40	Chairman of the Board and Director	April 17, 2015
Kelly Stopher (2)(3)	52	(a) Interim President, Chief Executive Officer (b) Chief Financial Officer	April 9, 2013 September 28, 2010
Matthew Wayrynen (4)	53	Director	April 30, 2008
Jeffrey W. Bright (5)	50	Director	April 30, 2008
Tyrone Docherty (6)	54	Director	July 10, 2008
Lindsay E. Gorrill (7)	53	Director	April 9, 2013

(1) On April 17, 2015, Scott Mahoney was appointed as to the Board of Directors of the Company and was named Chairman of the Board.

(2) On October 1, 2015, Kelly Stopher tendered his resignation as interim President, CEO and CFO of the Company.

(3) On October 1, 2015, Kelly Stopher was appointed to the Board of Directors of the Company.

(4) On October 1, 2015, Matthew Wayrynen tendered his resignation from the Board of Directors of the Company.

(5) On May 15, 2015, Jeff Bright tendered his resignation from the Board of Directors of the Company.

(6) On May 31, 2015, Tyrone Docherty tendered his resignation from the Board of Directors of the Company.

(7) On October 1, 2015, Lindsay E. Gorrill tendered his resignation from the Board of Directors of the Company.

Scott Mahoney – Chairman of the Board and Director

Mr. Scott Mahoney was appointed to the Board of Directors of the Company on April 17, 2015 and was named Chairman of the Board. Mr. Mahoney is the CEO and Manager of Vast Exploration, LLC and has held that role since June 2014. In addition to his role with Vast, Mr. Mahoney is the CEO of Vast Petroleum Corp. and has held that role since December of 2012. From October 2010 until November 2012 Mr. Mahoney was the CFO of American Standard Energy Corp, a company formerly quoted on the OTCQB. Mr. Mahoney began his career in oil and gas working for XOG Operating, LLC and Geronimo Holding Corporation in Midland Texas as a consultant and interim Chief Financial Officer in 2009 and 2010. Prior to his entry into the oil and gas industry, Mr. Mahoney spent 13 years in corporate and investment banking with JP Morgan Chase, Key Bank, Wells Fargo, and ING. Mr. Mahoney graduated with and holds a Bachelor's of Arts in Political Science and Japanese from the University of New Hampshire. He graduated with an International MBA from Thunderbird in 2000. Mr. Mahoney is a Chartered Financial Analyst.

Kelly Stopher – Interim President, Chief Executive Officer and Chief Financial Officer

Mr. Kelly Stopher was appointed Chief Financial Officer of the Company on September 28, 2010. Mr. Stopher was appointed interim President and Chief Executive Officer on April 9, 2013. On October 1, 2015, Mr. Stopher resigned from his position as interim President, CEO and CFO of the Company and was appointed a Director of the Company. Mr. Stopher has developed strategies to implement financial management systems, internal control policies and procedures, and financial reporting and modeling for small-cap companies. From March, 2010 through September, 2010, Mr. Stopher worked for Allied Security. Mr. Stopher worked as business relationship manager for Wells Fargo Bank, Spokane, WA, from April 2006 through August 2009. From September 2004 through January 2006, he acted as CFO for Weldon Barber, Spokane, WA. From October 2003 through September 2004, he was a sales associate for Kiemle & Hagood Company, in Spokane, WA. And from January 2001 through March 2003 he worked as an account executive for Aston Business Solutions in Boise, ID specializing in enterprise accounting software systems. Prior that Mr. Stopher worked as CFO for Lee Read Jewelers in Boise, ID and spent 5 years in public accounting with Langlow Tolles & Company in Tacoma, WA. Mr. Stopher also serves as Chief Financial Officer for Star Gold Corp., a company quoted on the OTCQB, and was appointed to that position in October 2010. Mr. Stopher holds a bachelor's degree from Washington State University in Business Administration - Accounting.

Matthew Wayrynen – Director

Mr. Wayrynen was appointed to the Board of Directors on April 30, 2008. Mr. Wayrynen has also, in the past, served as the Company's Chairman of the Board of Directors. Mr. Wayrynen is a citizen of Canada. He also serves as a director of Deer Horn Metals, Inc. (since 2009), as a Director of Discovery Ventures Inc. (since August 2012) as a director of Avino Silver & Gold Mines, Ltd. (since 2004), as a director and President of American Uranium Corporation (since 2010) and as a director, President and CEO of Berkley Resources, Inc. (since 2003). Mr. Wayrynen is an original co-founder and former President and Chief Executive Officer of TrichoScience Innovations Inc., which was acquired by Replicel Life Sciences Inc. Mr. Wayrynen also serves as Director, President and CEO of WestKam Gold Corp. Prior to these positions Mr. Wayrynen was a broker with Golden Capital Securities, located in Vancouver, British Columbia. Mr. Wayrynen is not an officer or director of any other U.S. reporting company.

Jeffrey W. Bright – Director

Mr. Bright was appointed to the Board of Directors on April 30, 2008. Mr. Bright is a citizen of Canada. Mr. Bright has worked as an attorney since 2003, currently employed with Miller Thomson LLP of Calgary, Alberta, Canada. Mr. Bright was previously legal counsel for Agrium Inc., located in Calgary Alberta, Canada. He is a member of the Association of International Petroleum Negotiators, and the Canadian and American Bar Associations. Mr. Bright is not an officer or director of any other U.S. reporting entity.

Tyrone Docherty – Director

Mr. Docherty was appointed to the Board of Directors on July 10, 2008. Mr. Docherty is a citizen of Canada and is presently the CEO and a director of Deer Horn Metals, Inc. Prior to this position he was president and CEO of Quinto Mining Corporation from June 1997 to June 2008. Mr. Docherty is not an officer or director of any other U.S. reporting company.

Lindsay E. Gorrill – Director

Mr. Lindsay Gorrill is a C.A. and has university degrees in Finance and Marketing. Mr. Gorrill has a background in acquisitions, company building, financial markets and world exposure. Mr. Gorrill has served as a member of the Company's Board of Directors since July 2007. Mr. Gorrill was appointed Chairman of JayHawk Energy, Inc. on April 9, 2013. Mr. Gorrill has also, in the past, served as the Company's Chief Financial Officer, Chief Executive Officer and also President. He has also served as President and Treasurer of Star Gold Corp., a company quoted on the OTC Bulletin Board, from February 2008 until April 2012. Mr. Gorrill had, in the past, served as Star Gold's Treasurer. Mr. Gorrill currently serves as the Chairman of the Board of Directors for Star Gold Corp. Mr. Gorrill has also served as a member of the board of directors of Yaterra Ventures Corp, a company quoted on the OTC Bulletin Board previously. He has served as President, Chief Operating Officer and as a member of the board of directors of Berkley Resources Inc., a company listed on the TSX Venture Exchange, since July 2004. Since April 2009, Mr. Gorrill has served as Chief Executive Officer and Chief Financial Officer of Canada Fluorspar Inc., a now privately held company formerly listed on the TSX Venture Exchange. Mr. Gorrill also served as President and Chief Financial Officer of Canada Fluorspar, Inc. He has also been a member of the board of directors of Deer Horn Metals, Inc., a TSX Venture Exchange listed company since September 2009.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% owners are required by certain SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by it, we believe that during 2015, there was compliance with the filing requirements applicable to its officers, directors and 10% common stockholders.

Code of Ethics.

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial and accounting officer, controller and persons performing similar functions. We will provide to any person, without charge, upon request, a copy of such Code of Ethics, as amended. Requests should be addressed to the address appearing on the cover page of this Annual Report on Form 10-K, Attn: Corporate Secretary.

Corporate Governance.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual meeting of our stockholders until their successors are duly appointed and qualified or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by our board of directors. Except as set forth in the section entitled "Executive Compensation," there are no agreements with respect to the election of directors. Our bylaws provide that officers are appointed annually by our board of directors and each executive officer serves at the discretion of our board of directors.

Director Independence

We use the definition of "independence" of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- the director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the company's outside auditor, or at any time during the past three years was a partner or employee of the company's outside auditor, and who worked on the company's audit.

We have determined that none of the Company's directors are "independent" directors as defined by applicable SEC rules and NASDAQ Stock Market listing standards.

Board Committees

Our board of directors has an Audit Committee, a Compensation Committee Interlocks & Insider Participation, a Reserves Committee, a Corporate Governance and Nominating Committee. Each committee's members and certain other information regarding each committee are described below.

Audit Committee

The Audit Committee is comprised entirely of "independent" directors as defined by applicable SEC rules and NASDAQ Stock Market listing standards. The Audit Committee is currently vacant. The Audit Committee will remain vacant until the Board is able to recruit a director who will qualify as a "financial expert" as defined by SEC Rules.

Compensation Committee Interlocks & Insider Participation

The current member of our Compensation Committee is Mr. Gorrill.

Reserves Committee

The current member of our Reserves Committee is Mr. Gorrill.

Nominating Committee

The current members of the Nominating Committee are Messrs. Gorrill and Wayrynen.

Board Leadership Structure and Role in Risk Oversight

Leadership of our board of directors is vested in a Chairman of the Board. Although our Chief Executive Officer currently does not serve as Chairman of the Board of Directors, we currently have no policy prohibiting our current or any future chief executive officer from serving as Chairman of the Board. The board of directors, in recognizing the importance of its ability to operate independently, determined that separating the roles of Chairman of the Board and Chief Executive Officer is advantageous for us and our shareholders.

Family Relationships

None.

Involvement in Certain Legal Proceedings

To our knowledge, during the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Item 11. Executive Compensation.

The following sets forth information with respect to the compensation awarded or paid to our named executive officers during the fiscal years ended September 30, 2015 and 2014 (collectively, the “named executive officers”) for all services rendered in all capacities to us and our subsidiaries in fiscal 2015 and 2014.

Summary Compensation Table.

The following table sets forth information regarding each element of compensation that we paid or awarded to our named executive officers for fiscal years 2015 and 2014.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$)	Stock Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
Kelly Stopher								
Interim CEO	2015	\$45,219			-	-	-	\$ 45,219
CFO	2014	84,000	-	-	12,584	-	-	\$ 96,584

(1) Accrued wages and change of control provisions payable for the fiscal year ended September 30, 2015 were \$167,781.

The amounts in the Option Awards column reflect the dollar amount recognized and expensed for financial statement reporting purposes for the years ended September 30, 2013, in accordance with ASC Topic 718 of awards of stock options and thus do not represent aggregate fair value of grants. The Company used the Black-Scholes option price calculation to value the options granted in 2010 and using the following assumptions: risk-free rate of 0.06% and 5.35%; volatility of 0.99; actual term and exercise price of options granted. See Note 13 - Stock Based Compensation in the Notes to the Consolidated Financial Statements for additional details on option issuances.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information regarding our shares of common stock beneficially owned as of September 30, 2015, for (i) each stockholder known to be the beneficial owner of 5% or more of our outstanding shares of common stock, (ii) each named executive officer and director and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (i) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options or warrants. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

Security Ownership of Certain Beneficial Owners.

For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person has the right to acquire within 60 days of September 30, 2015. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within 60 days of September 30, 2015 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership.

Class of Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (14)
Common	Scott Mahoney, Interim President, CEO, CFO, Director ⁽¹³⁾ 10119 W. Lariat Lane, Peoria, AZ 85383	118,874,159(indirect) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	59.44% ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Common	Lindsay Gorrill, Director ⁽¹⁰⁾	5,200,483 (direct) ⁽⁵⁾	2.60% ⁽⁵⁾
Common	Matthew Wayrynen, Director ⁽¹¹⁾ 560 Granville, Suite 900 Vancouver, BC V6C 3P1	490,954 ⁽⁷⁾	0.25% ⁽⁷⁾
Common	Kelly Stopher Director ⁽¹²⁾ 1314 S. Grand, Suite 2, Box 348 Spokane, WA 99202	125,371 (direct) ⁽⁶⁾	0.06% ⁽⁶⁾
Common	Vast Exploration, LLC 10119 W. Lariat Lane, Peoria, AZ 85383	118,874,159 (direct) ⁽²⁾⁽⁴⁾	59.44% ⁽²⁾⁽⁴⁾
Common	Galaxy Energy, Inc. 603 W. Main, Stigler, OK 74462	124,371 ⁽⁸⁾	0.06% ⁽⁸⁾

(1) Scott Mahoney, as the CEO and Managing Member of Vast Exploration, LLC is the natural person with voting and dispositive control over Vast Exploration, LLC and is deemed to be a beneficial owner. Mr. Mahoney disclaims beneficial ownership of the Vast Exploration, LLC owned shares.

(2) Pursuant to the terms of certain debt securities held by Vast Exploration, LLC and the default interest accruing thereunder, the aggregate amount of securities beneficially owned by Vast Exploration, LLC may be increased by an additional 297,686,251 as of September 30, 2015, subject to an increase in the authorized capital of the Company.

(3) The nature of Scott Mahoney's indirect beneficial ownership is due to Mr. Mahoney being the natural person with voting and dispositive control over Vast Exploration, LLC.

(4) Vast Exploration, LLC beneficially owns 118,749,788 shares of common stock and pursuant to the terms of certain debt securities held by Vast Exploration, LLC the aggregate amount of securities it beneficially owns may be increased by 165,944,142 shares for a total of 284,818,301 shares as of September 30, 2015, subject to an increase in the authorized capital of the Company. For purposes of determining the aggregate amount of securities beneficially owned pursuant to the aforementioned debt securities the Company has assumed beneficial ownership based upon the maximum principal balance of the debt securities as of September 30, 2015. The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. The Percent of Class beneficially owned was calculated as follows: 118,749,788 (shares of common stock owned) plus (+) 124,371 (beneficial ownership based on conversion of derivative securities held up to the Company's current authorized capital of 200,000,000) equals (=) 118,874,159 shares beneficially owned. 118,874,159 (shares beneficially owned) divided (/) by 200,000,000 (current authorized capital) equals (=) 59.44%.

(5) Lindsay Gorrill beneficially owns 5,076,112 shares of common stock and pursuant to the terms of certain stock options held by Lindsay Gorrill, the aggregate amount of securities he beneficially owns may be increased by 1,950,000 shares for a total of 7,026,112 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Lindsay Gorrill without an increase in authorization capital of the Company would result in the beneficial ownership of 5,200,483 shares beneficially owned (5,076,112+124,371=5,200,483). The Percent of Class beneficially owned was calculated as follows: 5,076,112 (shares of common stock owned) plus (+) 124,371 (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000) equals (=) 5,200,483 shares beneficially owned. 5,200,483 (shares beneficially owned) divided (/) by 200,000,000 (current authorized capital) equals (=) 2.60% of Class.

(6) Kelly Stopher beneficially owns 1,000 shares of common stock, and pursuant to the terms of certain stock options held by Kelly Stopher, the aggregate amount of securities he beneficially owns may be increased by 1,150,000 shares for a total of 1,151,000 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Kelly Stopher without an increase in authorization capital of the Company would result in the beneficial ownership of 125,371 shares beneficially owned (1,000+124,371=125,371). The Percent of Class beneficially owned was calculated as follows: 1,000 (shares of common stock owned) plus (+) 124,371 (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000) equals (=) 125,371 shares beneficially owned. 125,371 (shares beneficially owned) divided (/) by 200,000,000 (current authorized capital) equals (=) 0.06% of Class.

(7) Matthew Wayrynen beneficially owns 366,583 shares of common stock and pursuant to the terms of certain stock options held by Matthew Wayrynen, the aggregate amount of securities he beneficially owns may be increased by 300,000 shares for a total of 666,583 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Matthew Wayrynen without an increase in authorization capital of the Company would result in the beneficial ownership of 490,954 shares beneficially owned (366,583+124,371= 490,954). The Percent of Class beneficially owned was calculated as follows: 366,583 (shares of common stock owned) plus (+) 124,371 (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000) equals (=) 490,954 shares beneficially owned. 490,954 (total shares beneficially owned) divided (/) by 200,000,000 (current authorized capital) equals (=) 0.25% of Class.

(8) Galaxy Energy, Inc. beneficially owns 0 shares of common stock and pursuant to the terms of certain debt securities held by Galaxy Energy, Inc., the aggregate amount of securities it beneficially owns may be increased by 20,000,000 shares for a total of 20,000,000 shares as of September 30, 2015, subject to an increase in the authorized capital of the Company. For purposes of determining the aggregate amount of securities beneficially owned pursuant to the aforementioned debt securities the Company has assumed beneficial ownership based upon the maximum principal balance of the debt securities as of September 30, 2015. The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. The Percent of Class beneficially owned was calculated as follows: 0 (shares of common stock owned) plus (+) 124,371 (beneficial ownership based on conversion of derivative securities held up to the Company's current authorized capital of 200,000,000) equals (=) 124,371 shares beneficially owned. 124,371 (shares beneficially owned) divided (/) by 200,000,000 (current authorized capital) equals (=) 0.06%.

(10) On October 1, 2015, Lindsay E. Gorrill tendered his resignation from the Board of Directors of the Company.

(11) On October 1, 2015, Matthew Wayrynen tendered his resignation from the Board of Directors of the Company.

(12) On October 1, 2015, Kelly Stopher tendered his resignation as interim President, CEO and CFO of the Company. On October 1, 2015, Kelly Stopher was appointed to the Board of Directors of the Company.

(13) On October 1, 2015, Scott Mahoney was appointed as interim President, CEO and CFO of the Company.

(14) Pursuant to Rule 13d-3(d)(1)(i) the percentage calculations use different totals of outstanding securities for the purpose of determining ownership. Any securities not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.

(15) The Beneficial Ownership Table does not reflect any transactions subsequent to fiscal year end September 30, 2015. On or about October 8, 2015, Vast Exploration LLC assumed \$471,668 of the Company's liabilities via the provisions of the Warrant Purchase Agreement dated September 25, 2015 and in consideration received 94,333,678 warrants of the Company stock. On or about November 3, 2015, the Company granted 39,645,872 warrants to Vast Exploration, LLC pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The warrants were granted in consideration of Vast Exploration's elimination of certain Company liabilities totaling approximately \$198,229.36. Given the effects of the two subsequent transactions, the amount beneficially owned by Vast Exploration would increase by 133,979,550 shares, subject to an increase in the authorized capital of the Company in addition to the amount disclosed in the table above.

(16) On October 27, 2015, the Company obtained the written consent of the stockholders holding 118,749,788 shares of issued and outstanding common stock, which is equal to approximately 59.41% of the voting power of the Company's outstanding capital stock, to effect a 1:100 reverse split of the capital stock of the Company. As of the filing date of this Form 10-K the reverse split has not occurred and therefore any reference to the Company's outstanding shares is based upon the pre-reverse split figure. However, Staff Accounting Bulletin ("SAB") Topic 4.C requires the retrospective presentation of the reverse split in the Company's audited financial statements.

Security ownership of management.

(b) Security Ownership of Management.

Class of Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁴⁾
Common	Scott Mahoney, Interim President, CEO, CFO, Director ⁽¹³⁾ 10119 W. Lariat Lane, Peoria, AZ 85383	118,874,159(indirect) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	59.44% ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Common	Lindsay Gorrill, Director ⁽¹⁰⁾	5,200,483 (direct) ⁽⁵⁾	2.60% ⁽⁵⁾
Common	Matthew Wayrynen, Director ⁽¹¹⁾ 560 Granville, Suite 900 Vancouver, BC V6C 3P1	490,954 ⁽⁷⁾	0.25% ⁽⁷⁾
Common	Kelly Stopher Director ⁽¹²⁾ 1314 S. Grand, Suite 2, Box 348 Spokane, WA 99202	125,371 (direct) ⁽⁶⁾	0.06% ⁽⁶⁾
All Officers and Directors as a Group		124,690,967	62.3%

(1) Scott Mahoney, as the CEO and Managing Member of Vast Exploration, LLC is the natural person with voting and dispositive control over Vast Exploration, LLC and is deemed to be a beneficial owner. Mr. Mahoney disclaims beneficial ownership of the Vast Exploration, LLC owned shares.

(2) Pursuant to the terms of certain debt securities held by Vast Exploration, LLC and the default interest accruing thereunder, the aggregate amount of securities beneficially owned by Vast Exploration, LLC may be increased by an additional 165,944,142 as of September 30, 2015, subject to an increase in the authorized capital of the Company.

(3) The nature of Scott Mahoney's indirect beneficial ownership is due to Mr. Mahoney being the natural person with voting and dispositive control over Vast Exploration, LLC.

(4) Vast Exploration, LLC beneficially owns 118,749,788 shares of common stock and pursuant to the terms of certain debt securities held by Vast Exploration, LLC the aggregate amount of securities it beneficially owns may be increased by 297,686,251 shares for a total of 416,436,039 shares as of October 30, 2015, subject to an increase in the authorized capital of the Company. For purposes of determining the aggregate amount of securities beneficially owned pursuant to the aforementioned debt securities the Company has assumed beneficial ownership based upon the maximum principal balance of the debt securities as of October 30, 2015. The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. The Percent of Class beneficially owned was calculated as follows: $118,749,788 \text{ (shares of common stock owned)} + 124,371 \text{ (beneficial ownership based on conversion of derivative securities held up to the Company's current authorized capital of 200,000,000)} = 118,874,159 \text{ shares beneficially owned. } 118,874,159 \text{ (shares beneficially owned)} \div 200,000,000 \text{ (current authorized capital)} = 59.44\%$.

(5) Lindsay Gorrill beneficially owns 5,076,112 shares of common stock and pursuant to the terms of certain stock options held by Lindsay Gorrill, the aggregate amount of securities he beneficially owns may be increased by 1,950,000 shares for a total of 7,026,112 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Lindsay Gorrill without an increase in authorization capital of the Company would result in the beneficial ownership of 5,200,483 shares beneficially owned ($5,076,112 + 124,371 = 5,200,483$). The Percent of Class beneficially owned was calculated as follows: $5,076,112 \text{ (shares of common stock owned)} + 124,371 \text{ (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000)} = 5,200,483 \text{ shares beneficially owned. } 5,200,483 \text{ (shares beneficially owned)} \div 200,000,000 \text{ (current authorized capital)} = 2.60\%$ of Class.

(6) Kelly Stopher beneficially owns 1,000 shares of common stock, and pursuant to the terms of certain stock options held by Kelly Stopher, the aggregate amount of securities he beneficially owns is may be increased by 1,150,000 shares for a total of 1,151,000 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Kelly Stopher without an increase in authorization capital of the Company would result in the beneficial ownership of 125,371 shares beneficially owned ($1,000 + 124,371 = 125,371$). The Percent of Class beneficially owned was calculated as follows: $1,000 \text{ (shares of common stock owned)} + 124,371 \text{ (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000)} = 125,371 \text{ shares beneficially owned. } 125,371 \text{ (shares beneficially owned)} \div 200,000,000 \text{ (current authorized capital)} = 0.06\%$ of Class.

(7) Matthew Wayrynen beneficially owns 366,583 shares of common stock and pursuant to the terms of certain stock options held by Matthew Wayrynen, the aggregate amount of securities he beneficially owns may be increased by 300,000 shares for a total of 666,583 shares, subject to an increase in the authorized shares of the Company. The Percent of Class beneficially owned was calculated as follows: The Company has issued 199,875,629 out of a total authorized capital amount of 200,000,000 leaving 124,371 unissued shares. Exercising of the options held by Matthew Wayrynen without an increase in authorization capital of the Company would result in the beneficial ownership of 490,954 shares beneficially owned ($366,583 + 124,371 = 490,954$). The Percent of Class beneficially owned was calculated as follows: $366,583 \text{ (shares of common stock owned)} + 124,371 \text{ (beneficial ownership based on exercise of options held up to the Company's current authorized capital of 200,000,000)} = 490,954 \text{ shares beneficially owned. } 490,954 \text{ (total shares beneficially owned)} \div 200,000,000 \text{ (current authorized capital)} = 0.25\%$ of Class

(8) On October 1, 2015, Lindsay E. Gorrill tendered his resignation from the Board of Directors of the Company.

(9) On October 1, 2015, Matthew Wayrynen tendered his resignation from the Board of Directors of the Company.

(10) On October 1, 2015, Kelly Stopher tendered his resignation as interim President, CEO and CFO of the Company. On October 1, 2015, Kelly Stopher was appointed to the Board of Directors of the Company.

(11) On October 1, 2015, Scott Mahoney was appointed as interim President, CEO and CFO of the Company.

(12) Pursuant to Rule 13d-3(d)(1)(i) the percentage calculations use different totals of outstanding securities for the purpose of determining ownership. Any securities not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.

(13) On October 27, 2015, the Company obtained the written consent of the stockholders holding 118,749,788 shares of issued and outstanding common stock, which is equal to approximately 59.41% of the voting power of the Company's outstanding capital stock, to effect a 1:100 reverse split of the capital stock of the Company. As of the filing date of this Form 10-K the reverse split has not occurred and therefore any reference to the Company's outstanding shares is based upon the pre-reverse split figure. However, Staff Accounting Bulletin ("SAB") Topic 4.C requires the retrospective presentation of the reverse split in the Company's audited financial statements.

(14) Pursuant to Rule 13d-3(d)(1)(i) the percentage calculations use different totals of outstanding securities for the purpose of determining ownership. Any securities not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person.

Changes in Control.

Management is not currently aware of any arrangements which may result in a change in control of the Company.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Related Persons.

Termination of Lease Agreement

On or about December 1, 2011, the Company entered into a four-year lease with Marlin Property Management, LLC, an entity owned by the spouse of Lindsay E. Gorrill, the Company's former President/CEO and member of the Board of Directors. Under the terms of the lease the Company was required to pay \$2,500 per month for office space in Coeur d'Alene, Idaho. For the years ended September 30, 2015 and 2014, the Company paid \$15,000 and \$15,000 respectively. The balance due to the related party including common area expenses as of September 30, 2015 was \$Nil as a result of the Lease Termination Agreement described in Notes 15 and 18.

Convertible Debenture Transfer Agreements

On April 17, 2015, Scott Mahoney, the CEO and Manager of Vast Exploration was appointed to the Board of Directors of the Company in connection with Vast Exploration, LLC's acquisition of certain convertible debentures described below. At the time of closing of each Convertible Debenture Transfer Agreement, Mr. Mahoney was both a Director of the Company and as the CEO and Manager of Vast Exploration and is the individual with voting and dispositive control over Vast Exploration, and is therefore deemed to be the beneficial owner of the underlying securities represented by the various debentures. Mr. Mahoney has disclaimed beneficial ownership of the underlying convertible debenture securities.

On April 17, 2015, closing related to a Convertible Debenture Transfer Agreement ("Gorrill Transfer Agreement") entered by the Company, Lindsay E. Gorrill, the Company's former President/CEO and member of the Board of Directors and Vast Exploration, LLC ("Vast Exploration") on March 17, 2015 occurred. The Gorrill Transfer Agreement conveyed a 10% Convertible Debenture originally entered into between the Company and Mr. Gorrill on June 4, 2014 to Vast Exploration. Mr. Gorrill received a \$200,000 promissory note as consideration for the transfer. The aggregate amount of the 10% Convertible Debenture and the amount outstanding on the 10% Convertible Debenture as of the effective date of the Transfer Agreement was \$200,000. The Company had not made any payments of principal or interest at a rate of ten percent (10%). The 10% Convertible Debenture may be converted into shares of the Company's common stock at a price of \$0.01 per share at any time from the original issue date until the 10% Convertible Debenture is due. The foregoing summary of the Gorrill Transfer Agreement's terms is qualified in its entirety by the fully executed Gorrill Transfer Agreement attached as Exhibit 10.6.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement ("Alpha Transfer Agreement") entered into by the Company, Alpha Capital Anstalt ("Alpha") and Vast Exploration, LLC ("Vast Exploration") dated March 17, 2015 and originally executed on or about March 30, 2015. The Alpha Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Alpha on December 11, 2009, December 30, 2009, April 21, 2010, October 18, 2010 and one 10% Convertible Debenture dated June 3, 2014. The aggregate amount of the various debentures at the time of transfer was \$1,209,744. The amount outstanding on the various debentures at the time of transfer was \$967,657. The various convertible debentures may be converted into shares of the Company's common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Alpha Transfer Agreement's terms is qualified in its entirety by the fully executed Alpha Transfer Agreement attached as Exhibit 10.7.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement ("Ellis Transfer Agreement") entered into by the Company, Ellis International Ltd. ("Ellis") and Vast Exploration, LLC ("Vast Exploration") dated March 17, 2015 and originally executed on or about March 30, 2015. The Ellis Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Ellis on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$309,173. The amount outstanding on the various debentures at the time of transfer was \$141,877.51. The various convertible debentures may be converted into shares of the Company's common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Ellis Transfer Agreement's terms is qualified in its entirety by the fully executed Ellis Transfer Agreement attached as Exhibit 10.8.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Momona Transfer Agreement”) entered into by the Company, Momona Capital. (“Momona”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Momona Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Momona on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$113,333. The amount outstanding on the various debentures at the time of transfer was \$82,749.76. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Momona Transfer Agreement’s terms is qualified in its entirety by the fully executed Momona Transfer Agreement attached as Exhibit 10.9.

On April 17, 2015, closing occurred related to a Convertible Debenture Transfer Agreement (“Lane Transfer Agreement”) entered into by the Company, Lane Ventures, Inc. (“Lane”) and Vast Exploration, LLC (“Vast Exploration”) dated March 17, 2015 and originally executed on or about March 30, 2015. The Lane Transfer Agreement conveyed four 10% Senior Secured Convertible Debentures originally entered into between the Company and Lane on December 11, 2009, December 30, 2009, April 22, 2010, October 18, 2010. The aggregate amount of the various debentures at the time of transfer was \$61,750. The amount outstanding on the various debentures at the time of transfer was \$46,312.50. The various convertible debentures may be converted into shares of the Company’s common stock at a price of \$0.01 per share at any time from the original issue date until the various debentures are due. The foregoing summary of the Lane Transfer Agreement’s terms is qualified in its entirety by the fully executed Lane Transfer Agreement attached as Exhibit 10.10.

On or about April 17, 2015, Vast Exploration notified the Company of its intent to hold the Company in default of certain provisions of the Convertible Debentures, including but not limited to additional interest at 18% and recalculating the principal balances to 125% of their face amount retroactive to the last known date of compliance.

On April 30, 2015 the Company entered into an Amendment to its outstanding Convertible Debentures (the “Amendment”) with Vast Exploration. Under the terms of the Amendment the “Beneficial Ownership Limitation” provisions located in each Convertible Debenture were been deleted. The elimination of the Beneficial Ownership Limitation permits the Vast Exploration to convert any or all of the outstanding Convertible Debentures into common shares at any time. Under the terms of the Amendment the “Conversion Price” for the remaining entire outstanding balance owed by the Company under the Convertible Debentures has been reset to \$.01 per share. Also, under the terms of the Amendment the “Derivative Provisions” located in each Convertible Debenture have been deleted. The fair value of the derivative liability on that date of \$1,244,472 was charged to ‘additional paid-in capital’. No other terms of the Convertible Debentures were amended. The foregoing summary of the Amendment’s terms is qualified in its entirety by the fully executed Amendment attached as Exhibit 10.11.

Employment Contract - Change of Control

On or about April 30, 2015, the Company reported a Change of Control which triggered certain provisions of an Executive Employment Contract of Kelly Stopher – Interim President, CEO and CFO of the Company. The Company accrued a liability of \$57,000 which is included in “other payables, taxes and interest accrued” at September 30, 2015.

On or about October 1, 2015, the Company entered into a Separation Agreement with an executive which included provisions referencing execution of a Promissory Note in consideration of accrued compensation at September 30, 2015 in the amount of \$110,781 (“Promissory Note”). For the years ended September 30, 2015, the Company charged “general and administrative” expense in the amount of \$167,781. The foregoing summary of the Promissory Note’s terms is qualified in its entirety by the fully executed Promissory Note attached as Exhibit 10.12.

Revolving Credit Note

On June 30, 2015, the Company entered into a Revolving Credit Note (the “Loan”) with Vast Exploration. Vast Exploration is the controlling shareholder of the Company and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company’s oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Loan. Scott Mahoney, the Chairman of the board for the Company, is the individual who possesses voting and dispositive authority on behalf of Vast Exploration. Mr. Mahoney, acting in his capacity of Chairman of the Board of the Company, recused himself from voting on the approval of the Loan. The Loan permits the Company to borrow up to \$100,000 with an interest rate equal to 1.5% per month of the unpaid principal balance on the loan. The Company is required to pay principal on demand or, if not sooner demanded, then on or before June 30, 2016. The Company is required to pay interest on demand or, if not sooner demanded, then on the 1st day of each month, commencing August 1, 2015. After demand, interest on the outstanding balance of the Loan will accrue at a rate equal to 2% per month. Vast Exploration has the right, at any time after the date of the Loan, at its election, to convert all or part of the Loan into shares of fully paid and non-assessable shares of common stock of the Company. The conversion price shall be the lesser of (a) \$0.01 per share of common stock, (b) 50% of

the average of the three lowest trade prices of three separate trading days of Common Stock recorded during the twenty five previous trading days prior to conversion, or (c) the lowest effective price per share granted to any person or entity after the date of this Note to acquire Common Stock, or adjust, whether by operation of purchase price adjustment, settlement agreements, exchange agreements, reset provision, floating conversion or otherwise, any outstanding warrant, option or other right to acquire Common Stock or outstanding Common Stock equivalents, excluding any outstanding warrants or options that existed prior to the date of the loan. The foregoing summary of the Loan's terms is qualified in its entirety by the fully executed Loan attached as Exhibit 10.13.

Line of Credit Modification Agreement

On August 6, 2015, the Company entered into a Line of Credit Modification Agreement with Vast Exploration ("Modification Agreement"). The Modification Agreement adjusts the maximum principal balance that may be borrowed from \$100,000 to \$150,000. At its sole discretion, Vast Exploration may increase the maximum principal balance beyond \$150,000. The foregoing summary of the Modification Agreement's terms is qualified in its entirety by the fully executed Modification Agreement attached as Exhibit 10.14.

Second Line of Credit Modification Agreement

On September 25, 2015, the Company entered into a Second Line of Credit Modification Agreement with Vast Exploration ("Second Modification Agreement"). The Second Modification Agreement amends the conversion price in the Loan to a non-variable conversion price of \$0.005 per share of common stock to eliminate any provisions in the Loan that may require derivative accounting. The foregoing summary of the Second Modification Agreement's terms is qualified in its entirety by the fully executed Second Modification Agreement attached as Exhibit 10.15.

As of September 30, 2015, the Revolving Credit Note balance of \$189,265 including accrued interest was convertible to 37,853,000 shares of the Company's common stock at a share price of \$0.005 based on the amended conversion price.

Contract Operating Agreement

On July 8, 2015, the Company executed a Contract Operating Agreement (the "Operating Agreement") with Vast Exploration, which was made retroactive to January 01, 2015. Under the terms of the Operating Agreement, Vast Exploration became the "operator of record" for all of the Company's properties and is responsible for the operation of the Company's oil and gas properties, including handling routine operations, major operations, reporting services and other miscellaneous services. The Company is required to pay Vast Exploration a monthly fee for services in the amount of \$20,000. The Company remains responsible for all fees, expenses and taxes related to its properties and has agreed to reimburse Vast Exploration for any fees, expenses or taxes advanced on the Company's behalf. The Company has the right to audit the books, records and invoices maintained by Vast Exploration in its operation of the Company properties. The term of the Operating Agreement is two years from the effective date of the Operating Agreement. The Operating Agreement automatically renews for successive one year terms until the Company or Vast Exploration provide notice of non-renewal. The Operating Agreement includes mutual indemnities and waivers of consequential and punitive damages. The Operating Agreement also includes release and hold harmless provisions for the exclusive benefit of Vast Exploration. Finally, the Operating Agreement consents to and ratifies any operational services Vast Exploration had provided to the Company prior to the date the Operating Agreement was executed. Vast Exploration billed the Company \$160,000 for the year ended September 30, 2015 – this amount was charged to 'production expense' and subsequently billed to working interest partners for their pro-rata share of the expense. The foregoing summary of the Operating Agreement's terms is qualified in its entirety by the fully executed Operating Agreement attached as Exhibit 10.4.

Disposition of North Dakota Assets

On October 2, 2015, the Company entered into an Assignment, Bill of Sale and Conveyance (the "Assignment") with Vast Holdings, LLC ("Vast Holdings") with an effective date of September 1, 2015. The Assignment sold and assigned to Vast Holdings, in consideration of ten dollars (\$10.00), all of the Company's right, title, interest and estate, real or personal, movable or immovable, tangible or intangible, in and to the assets held or owned by the Company in the State of North Dakota, including but not limited to: oil, gas and/or mineral leases, fee mineral interests, leasehold estates, mineral interests, royalty interests, overriding royalty interests, reversionary interests, net profits interests, and other similar rights, estates and interests and other agreements, the oil, gas, and other hydrocarbons produced from or attributable to the assets and all units, wells, equipment, contracts, and records. The foregoing summary of the Assignment's terms is qualified in its entirety by the fully executed Assignment attached as Exhibit 10.16.

Vast Holdings is a wholly owned subsidiary of Vast Exploration, LLC. Vast Exploration is the controlling shareholder of the Company, the contract operator of the Company's oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company's oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Assignment. Scott Mahoney, interim President, CEO, CFO and Chairman of the Board of Directors of the Company, is the individual who possesses voting and dispositive authority on behalf of Vast Holdings and Vast Exploration. Mr. Mahoney, acting in his capacity of Chairman of the Board of the Company, recused himself from voting on the approval of the Assignment.

Warrant Purchase Agreement

On September 25, 2015 the Company executed a Warrant Purchase Agreement (the "Purchase Agreement") pursuant to which the Company to plans to issue and sell securities, pursuant to Section 4(a)(2) of the Securities Act of 1933 and Regulation D Rule 506 promulgated thereunder. The terms of the Purchase Agreement allow a purchaser to receive a credit for its subscription for securities if the purchaser assumes certain accrued and/or contingent liabilities of the Company. The exercise price for the securities is \$0.0050 per share for securities issued in exchange for the satisfaction of an assumed debt. The exercise price for the securities is \$0.0025 per share for securities issued in exchange for the satisfaction of an assumed North Dakota liability. The securities are subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Company's common stock that occur after the date of the Purchase Agreement. Each purchaser is required to deliver to the Company, the prior to the issuance of securities, the following: (a) immediately available funds sufficient to satisfy or otherwise terminate a given liability; or (b) a "receipt of funds and release of claims" executed by a creditor of the Company, or other evidence, in a form satisfactory to the Company in its sole discretion, of the satisfaction of an assumed debt or North Dakota liability by the purchaser. The Purchase Agreement includes various standard representations and warranties of the purchaser, which include, a confirmation that a purchaser is an "Accredited Investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933. The Purchase Agreement includes the Form of Warrant Agreement that will be used upon issuance of the securities by the Company. The foregoing summary of the Purchase Agreement and Form of Warrant's terms is qualified in its entirety by the fully executed Purchase Agreement and included Form of Warrant attached as Exhibit 10.17.

Vast Exploration is the controlling shareholder of the Company, the contract operator of the Company's oil and gas properties and an affiliate of Vast Petroleum Corp. – an entity that entered into a joint development agreement for the Company's oil and gas operations in Kansas in May 2014. Vast Petroleum Corp. was not a party to the Agreement. Scott Mahoney, the Chairman of the board for the Company, is the individual who possesses voting and dispositive authority on behalf of Vast Exploration. Mr. Mahoney, acting in his capacity of Chairman of the Board of the Company, recused himself from voting on the approval of the Purchase Agreement.

On October 8, 2015, the Company granted 94,333,678 Warrants ("October 2015 Warrant") to Vast Exploration pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration's assumption of certain Company liabilities totaling approximately \$471,668.39. The warrants may be exercised any time after October 8, 2015 until the close of business on October 7, 2020 for \$0.005 per share. The foregoing summary of the October 2015 Warrant's terms is qualified in its entirety by the fully executed October 2015 Warrant attached as Exhibit 10.19.

On November 3, 2015, the Company granted 39,645,872 Warrants ("November 2015 Warrant") to Vast Exploration and/or assigns pursuant to that certain Warrant Purchase Agreement dated September 25, 2015. The Warrants were granted in consideration of Vast Exploration's elimination of certain Company liabilities totaling approximately \$198,229. The warrants may be exercised any time after November 3, 2015 until the close of business on November 3, 2020 for \$0.005 per share. The foregoing summary of the October 2015 Warrant's terms is qualified in its entirety by the fully executed November 2015 Warrant attached as Exhibit 10.20.

Review, Approval or Ratification of Transactions with Related Persons.

The Company is a "Smaller Reporting Company," as defined by § 229.10(f)(1), and is not required to provide information required by 17 CFR §229.404(b).

Promoters and Certain Control Persons.

Not Applicable.

Item 14. Principal Accountant Fees and Services.Audit Fees.

The aggregate fees billed by the Company's auditors, for professional services rendered for the audit of the Company's annual financial statements for the years ended September 30, 2015 and 2014 and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q during the fiscal years were \$51,809 and \$58,696, respectively.

Tax Fees.

No fees were billed by the Company's auditors for tax fees for the years ended September 30, 2015 and 2014.

All Other Fees.

No other fees have been billed in the last two years for products and services provided by the principal accountant other than the services reported pursuant to the above portions of this Item 14.

The Company's board of directors acts as the audit committee and had no "pre-approval policies and procedures" in effect for the auditors' engagement for the audit years 2015 and 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit No.	Description
-------------	-------------

3.1	Articles of Incorporation, filed as an exhibit to the registration statement on Form SB-2 filed with the Securities and Exchange Commission (the "Commission") on December 7, 2004, and incorporated herein by reference.
3.2	Certificate of Amendment to Articles of Incorporation, filed as an exhibit to the 8-K filed with the Commission on June 25, 2007, and incorporated herein by reference.
3.3	Bylaws, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on December 7, 2004, and incorporated herein by reference.
10.1	Alpha Capital Anstalt Convertible Debenture, Pledge Agreement, Securities Purchase Agreement, Security Agreement, Intercreditor Agreement and Partial Reset of Conversion Price submitted as an exhibit to the 10K/A filed with the Commission on June 2, 2015 and incorporated herein by reference
10.2	Lindsay Gorrill Convertible Debenture, Pledge Agreement, Securities Purchase Agreement, Security Agreement, and Intercreditor Agreement submitted as an exhibit to the 10K/A filed with the Commission on June 2, 2015 and incorporated herein by reference
10.3	Galaxy Energy, Inc. Convertible Debenture, Pledge Agreement, Securities Purchase Agreement, Intercreditor Agreement and Security Agreement submitted as an exhibit to the 10K/A filed with the Commission on June 2, 2015 and incorporated herein by reference
10.4	Contract Operating Agreement submitted as an exhibit to Form 8-K filed with the Commission on July 14, 2015 incorporated herein by reference
10.5*	Consent Agreement with the Kansas Corporate Commission effective July 14, 2015
10.6*	Gorrill Convertible Debenture Transfer Agreement effective March 17, 2015
10.7*	Alpha Convertible Debenture Transfer Agreement effective March 30, 2015
10.8*	Ellis Convertible Debenture Transfer Agreement effective March 30, 2015
10.9*	Momona Convertible Debenture Transfer Agreement effective March 30, 2015
10.10*	Lane Convertible Debenture Transfer Agreement effective March 30, 2015
10.11*	Amendment to Convertible Debentures effective April 30, 2015.
10.12*	Stopher Promissory Note dated April 30, 2015
10.13	Vast Exploration Revolving Credit Note submitted as an exhibit to Form 8-K filed with the Commission on July 6, 2015 and incorporated herein by reference.
10.14	Vast Exploration Line of Credit Modification Agreement submitted as an exhibit to Form 8-K filed with the Commission on August 11, 2015 and incorporated herein by reference.
10.15	Vast Exploration Line of Credit Modification Agreement submitted as an exhibit to Form 8-K filed with the Commission on October 1, 2015 and incorporated herein by reference.
10.16	Vast Holdings, LLC Assignment, Bill of Sale and Conveyance submitted as an exhibit to Form 8-K filed with the Commission on October 7, 2015 and incorporated herein by reference.
10.17	Warrant Purchase Agreement submitted as an exhibit to Form 8-K filed with the Commission on October 1, 2015 and incorporated herein by reference.

10.18	Form of Warrant Agreement submitted as an exhibit to Form 8-K filed with the Commission on October 13, 2015 and incorporated herein by reference.
10.19*	Common Stock Purchase Warrant issued October 8, 2015 pursuant to Warrant Purchase Agreement dated September 25, 2015.
10.20*	Common Stock Purchase Warrant issued November 3, 2015 pursuant to Warrant Purchase Agreement dated September 25, 2015.
14.1	Code of Ethics filed as an exhibit to the 8-K filed with the Commission on July 03, 2008, and incorporated herein by reference.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)
99.1	Reserve Estimate and Evaluation submitted as an exhibit to Form 10-K filed with the Commission on January 13, 2015 and incorporated by reference
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Label
101.PRE**	XBRL Taxonomy Extension Presentation

* filed herewith

** to be filed by amendment

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JAYHAWK ENERGY, INC.

Date: January 28, 2016

By: /s/ SCOTT MAHONEY

SCOTT MAHONEY

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
<u>By: /s/ SCOTT MAHONEY</u> Scott Mahoney	President, Chief Executive Officer, Chief Financial Officer	January 28, 2016
<u>By: /s/ KELLY J. STOPHER</u> Kelly J. Stopher	Director	January 28, 2016

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the matter of the failure of Jayhawk Energy)	Docket No.: 15-CONS-458-CPEN
Inc. to comply with K.A.R. 82-3-111 at 71)	
wells Bourbon and Crawford County, Kansas.)	CONSERVATION DIVISION
)	
)	License No.: 34102

ORDER APPROVING SETTLEMENT AGREEMENT

The above-captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1. The Staff of the Kansas Corporation Commission and the captioned operator have executed a settlement agreement, which is attached to and incorporated into this Order.
2. The Commission finds and concludes that the settlement agreement provides a fair and efficient resolution of the issues in this docket.

THEREFORE, THE COMMISSION ORDERS:

- A. The attached Settlement Agreement is approved and incorporated into this Order.
- B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed to the Commission and sent to 266 N. Main, Ste. 220, Wichita, Kansas 67202. Pursuant to K.S.A. 55-606 and K.S.A. 77-529(a), reconsideration is prerequisite for judicial review of this Order. Any party taking an action permitted by this summary

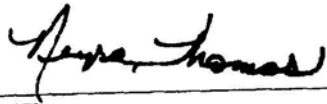
proceeding before the deadline for a petition for reconsideration does so at their own risk of further proceedings.

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: MAR 26 2015



Neysa Thomas
Acting Secretary

Mailed Date: March 27, 2015

LRP

SETTLEMENT AGREEMENT

This Settlement Agreement is between Jayhawk Energy Inc. ("Operator") and the Staff of the Corporation Commission of the State of Kansas ("Staff"). The effective date of this Settlement Agreement shall be the date it is approved by an Order of the Commission. If the Commission does not approve this Settlement Agreement by a signed Order, then this Settlement Agreement shall not be binding on either party. This Settlement Agreement shall settle the proceedings instituted in Commission Docket Number 15-CONS-458-CPEN.

A. Background

1. The December 16, 2014, Penalty Order in this docket required Operator to comply with K.A.R. 82-3-111 at 71 wells by plugging them, returning them service, or obtaining temporary abandonment status for them. The Penalty Order assessed a \$7,100 penalty for Operator's failure to have already brought the wells into compliance. Operator timely filed an appeal of the Penalty Order.

2. Operator has recently submitted temporary abandonment applications for all 71 wells. Sixty-three of the applications were approved. But 8 of the applications were not approved, because Operator did not have a valid lease for those 8 wells.

3. Operator seeks a payment plan for the \$7,100 owed, and seeks additional time to bring the remaining 8 wells into compliance with K.A.R. 82-3-111. Staff finds this acceptable.

4. The following are the remaining 8 wells:

- | | |
|------------------------|------------------------------|
| a. D. Fry #14-1 | API #15-011-23092-00-00; |
| b. Davied #1 | API #15-037-21605-00-00; |
| c. Roye #14-2 | API #15-037-22024-00-00; |
| d. Roye #OLD 1 | API #15-037-19355-00-00; |
| e. S. Johnson #10-3 | API #15-037-22025-00-00; |
| f. T. Anderson #14-2 | API #15-037-21615-00-00; |
| g. Tony Anderson #1 | API #15-037-21607-00-00; and |
| h. Tony Anderson #24-8 | API #15-037-22057-00-00. |

B. Terms of Settlement

5. Operator has recently paid \$3,100 toward the amount owed in this docket, so \$4,000 remains to be paid. Operator shall pay \$2,000 by April 1, 2015, and the remaining \$2,000 by May 1, 2015. If Operator fails to meet a payment deadline, then Operator shall be assessed an additional \$250 penalty for each payment deadline missed. Payments made by Operator will first be applied toward any additional penalties that have been assessed pursuant to this Settlement, and then toward the original penalty owed.

6. Operator shall bring the remaining 8 wells into compliance with K.A.R. 82-3-111, by plugging the wells, returning them to production, or obtaining temporary abandonment status for them, by June 15, 2015. If Operator fails to meet this deadline, Operator shall be assessed a \$5,000 penalty.

7. If Operator fails to bring the remaining 8 wells into compliance with K.A.R. 82-3-111 by August 14, 2015, then Staff is directed to plug the wells and assess the costs to Operator, along with an additional \$20,000 penalty.

8. If Operator fails to comply with any deadline in Paragraphs 6 or 7, or if a penalty or costs are owed under Paragraphs 5, 6, or 7, then Staff shall suspend Operator's license until compliance is obtained and the penalties and/or costs are paid.

9. Operator agrees to waive its right to appeal any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Settlement Agreement.

C. Conclusion

Both parties believe that this Settlement Agreement represents a fair and appropriate resolution to the matters in this docket.

This Settlement Agreement has been agreed to by the undersigned:

Commission Staff

By: Jon Myers

Printed Name: JON MYERS

Title: LITIGATION COUNSEL

Date: 2/17/15

Jayhawk Energy Inc.

By: [Signature]

Printed Name: Kelly J. Stephen

Title: CFD

Date: 2/12/15

KANSAS CORPORATION COMMISSION

Conservation Division
266 N. Main St., Ste 220
Wichita, Kansas 67202-1513
316-337-6200
Fax: 316-337-6211
FEIN: 48-1124839

INVOICE

Jayhawk Energy Inc.
CORPORATE OFFICE
611 E SHERMAN AVE
COEUR D'ALENE, ID 83814

Invoice Date: March 27, 2015
Invoice Number: 2015050277
Accounting Code: 535
License Number: 34102
Due Date: ~~April 29, 2015~~
April 1, 2015

Docket Number: 15-CONS-458-CPEN **Attorney:** J. Myers **Date Order Mailed:** March 27, 2015

Violation	Violation Description	Cnt	Lease Id	Amount
AP-8 82-3-111	Failure to file notice of temporary abandonment of well (Form CP-111).	71	71 Wells Bourbon & Crawford Cty	7,100.00
			Total Fines Imposed:	\$ 7,100.00
			Invoice Total:	\$ 7,100.00
			Payments Received:	(3,100.00)
			Amount Due:	\$ 4,000.00
			\$2,000 due by April 1, 2015 \$2,000 due by May 1, 2015 per Settlement Agreement (see Order approved 3/26/15)	

Please Return One Copy of Invoice with Your Payment in Order to Insure Correct Credit to Your Account.

CERTIFICATE OF SERVICE

I certify that on 3/27/15, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Kelly J. Stopher
Jayhawk Energy Inc.
Corporate Office
611 E. Sherman Avenue
Coeur D'Alene, Idaho 83814

John Almond
KCC District #3

And delivered by hand to:

Jon Myers, Litigation Counsel
Conservation Division Central Office

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission

CONVERTIBLE DEBENTURE TRANSFER AGREEMENT

This CONVERTIBLE DEBENTURE TRANSFER AGREEMENT (this "Agreement") is entered into as of the 17th day of March, 2015 (the "Effective Date"), by and among, LINDSAY E. GORRILL (the "Holder"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814; VAST EXPLORATION, LLC, a Texas limited liability company (the "Purchaser"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and JAYHAWK ENERGY, INC., a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, on June 4, 2014, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Convertible Debenture in the principal amount of \$200,000 with a current balance of \$200,000 (the "06/04/2014 Gorrill Convertible Debenture") described in greater detail on Exhibit 1-B.

WHEREAS, the "06/03/2014 Gorrill Convertible Debenture", (including any amendments thereto), the 06/03/2014 Security Agreement, 06/13/2014 Intercreditor Agreement, and 06/03/2014 Stock Pledge (the "Related Documents"), shall be collectively referred to herein as (the "Transaction Documents"). The Transaction Documents are described in further detail on the Index following the signature page to this Agreement.

WHEREAS, the Holder has determined that it is in its best interests to sell, subject to the terms and conditions set forth herein, the Convertible Debenture to the Purchaser;

WHEREAS, the Purchaser has determined that it is in its best interest to purchase, subject to the terms and conditions set forth herein, the Convertible Debenture from the Holder; and

WHEREAS, the Company has agreed to the provisions of this Agreement that are necessary for the parties to complete the transaction which they have negotiated.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the Recitals set forth above and incorporated herein by reference and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Transfer of the Convertible Debentures. The Purchaser shall pay the Holder the sum of Two Hundred Thousand Dollars and 00/100's (\$200,000) Dollars (the "Transfer Price") in consideration of the purchase of Holder's entire right, title and interest in the Convertible Debenture and Related Documents. The payment shall be made by issuance of a promissory note.
 - a. Promissory Note: Purchase shall make and deliver to Holder one (1) promissory note with a face value of \$200,000. (See EXHIBIT X).
 - b. Convertible Debenture Purchase Price Allocation:
 - i. "06/04/2014 Gorrill Convertible Debenture" with a principal balance of

- c. The transfer of the Transaction Documents and payment of the Transfer Price shall be completed within five (5) business days of the Effective Date of this Agreement.
 - d. The Convertible Debenture shall be transferred with all the conversion rights described in the Convertible Debenture. Unless otherwise provided in this Agreement, the risks and full economic benefits with respect to the Transaction Documents shall pass to the Purchaser upon receipt of the Transaction Documents. If the Purchaser fails to pay the Transfer Price in full within five (5) business days of the Effective Date, the transfer of the Transaction Documents shall be postponed accordingly until such date when the Holder receives the promissory note.
 - e. The transfer of the Transaction Documents shall be completed through the execution of an assignment (the "Assignment of Convertible Debenture & Related Documents") attached hereto on EXHIBIT 1-A.
 - f. Upon receipt of the Transfer Price the Holder shall surrender the originally executed Transaction Documents to the Purchaser's address as first set forth above.
2. Further Documentation. The parties hereby agree to execute such other documents as may be required to carry out this transaction including, but not limited to the updating of any Uniform Commercial Code filings with a replacement debtor, and the issuance of any replacement Convertible Debenture(s), Security Agreements, Warrant Agreements or other Transaction Documents, if necessary.
3. REPRESENTATIONS AND WARRANTIES.
- a. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Holder as follows:
 - i. The Purchaser has all power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby including, without limitation, the purchase of the Convertible Debenture, have been duly authorized by the Purchaser.
 - ii. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.
 - iii. The execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Purchaser, or (b) result in a material breach or default under any of the contractual obligations of the Purchaser, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Purchaser or its properties.

- iv. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Purchaser (including, without limitation, the acquisition of the Convertible Debenture) or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.
- b. Representations and Warranties of the Holder. The Holder represents and warrants to the Purchaser as follows:
- i. The Holder has all power and authority to execute, deliver and perform this Agreement.
 - ii. This Agreement is the valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.
 - iii. The Holder is the record and beneficial owner of the Convertible Debenture acquired by the Purchaser, and the Convertible Debenture conveyed pursuant to this Agreement has not been assigned, pledged, sold, transferred, fully converted or otherwise previously conveyed.
 - iv. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Holder, or (b) result in a material breach or default under any of the contractual obligations of the Holder, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Holder or its properties.
 - v. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Holder (including, without limitation, the transfer of the Convertible Debenture) or enforcement against the Holder of this Agreement or the transactions contemplated hereby.
- c. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:
- i. The Company has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

- iii. The Transaction Documents were validly issued and are presently outstanding in the representative form attached hereto and have not been altered or amended (except as disclosed herein) nor are they subject to any adverse claim or dispute whatsoever. The Company affirms the representation and warranty contained in Section 4 below.
 - iv. The Company is currently in breach of the terms of the Convertible Debenture and is incurring default rates of interest on the Convertible Debenture.
 - v. The Company consents the assignment of the Transaction Documents from Holder to Purchaser.
4. No Impairment of Security Interests. All of the property securing the Convertible Debenture shall remain subject to the liens, charges, or encumbrances of such property, and nothing in this Agreement shall affect the security interests granted in conjunction with the Convertible Debenture or the priority of such security interests over any other liens, charges, encumbrances or conveyances.
5. Governing Law; Successors and Assigns. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho and applicable federal law without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Idaho or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Idaho and shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties.
6. Confidentiality. Each party agrees to hold and keep the information in this Agreement confidential and will not disclose any of such information in any manner whatsoever, except as may otherwise be required by applicable law.
7. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired.
8. Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.
9. Counterparts. This Agreement may be executed in any number of counterpart copies, all of which copies shall constitute one and the same instrument.
10. Independent Counsel. The Purchaser, the Holder and the Company have been provided with an opportunity to consult with their own counsel and their own business, securities and tax advisors with respect to this Agreement.
11. Effective. This Agreement becomes effective upon the parties' execution.
12. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement.

13. Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.
14. Amendments. This Agreement may be amended, modified or supplemented at any time by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.
15. Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses.

[REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

For and on behalf of:

VAST EXPLORATION, LLC

Signature: /s/ Scott Mahoney
Name: Scott Mahoney
Title: Managing Member

For and on behalf of:

HOLDER – LINDSAY E. GORRILL

Signature: /s/ Lindsay E. Gorrill
Name: Lindsay E. Gorrill

For and on behalf of:

JAYHAWK ENERGY, INC.

Signature: /s/ Kelly J. Stopher
Name: Kelly J. Stopher
Title: Interim President/CEO

INDEX
"Transaction Documents"

Document No.	Exhibit Title	Description of Transaction Document
(1)	Ex. 1-A	06/03/2014 Gorrill Convertible Debenture Assignment
(2)	Ex. 1-B	06/03/2014 Gorrill Convertible Debenture
(3)	Ex. 1-C	06/03/2014 Gorrill Security Agreement
(4)	Ex. 1-D	06/13/2014 Gorrill Intercreditor Agreement
(5)	Ex. 1-E	06/03/2014 Gorrill Stock Pledge Agreement

EXHIBIT 1-A
06/03/2014 Gorrill Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture, Security Agreement, Intercreditor Agreement, Stock Pledge Agreement and Related Documents (the "06/03/2014 Gorrill Convertible Debenture") dated June 3, 2014 in the amount of \$200,000 executed by JayHawk Energy, Inc.

The "06/03/2014 Gorrill Convertible Debenture" is attached hereto as Exhibit 1-B. The Security Agreement is attached hereto as Exhibit 1-C, the Intercreditor Agreement is attached as Exhibit 1-D, the Stock Pledge Agreement is attached as Exhibit 1-E.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

LINDSAY E. GORRILL

"ASSIGNOR":

LINDSAY E. GORRILL

"ASSIGNOR":

Signature: _____

Name: Lindsay E. Gorrill

STATE OF Washington
COUNTY OF Spokane

On March 30 2015, before me, Robert J. Burnett, personally appeared Lindsay E. Gorrill, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Washington that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public



EXHIBIT 1-B
06/03/2014 Gorrill Convertible Debenture

EXHIBIT 1-C
06/03/2014 Security Agreement

EXHIBIT 1-D
06/13/2014 Intercreditor Agreement

EXHIBIT 1-E
06/03/2014 Stock Pledge Agreement

EXHIBIT X
\$200,000 Gorrill Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Lindsay E. Gorrill 611 E. Sherman Avenue Coeur d'Alene, ID 83814
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Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to the order of Lindsay E. Gorrill ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Two Hundred Thousand Dollars (\$200,000), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for four (4) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for four (4) years after the execution of this Note. On the four (4) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:
VAST EXPLORATION, LLC:
/s/ Scott Mahoney

Scott Mahoney, Managing Member

LENDER:
LINDSAY E. GORRILL



By: Lindsay E. Gorrill, Individually

CONVERTIBLE DEBENTURE TRANSFER AGREEMENT

This CONVERTIBLE DEBENTURE TRANSFER AGREEMENT (this "Agreement") is entered into as of the 17th day of March, 2015 (the "Effective Date"), by and among, **ALPHA CAPITAL ANSTALT** (the "Holder"), whose address is 510 Madison Avenue, New York, New York 10022; **VAST EXPLORATION, LLC**, a Texas limited liability company (the "Purchaser"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and **JAYHAWK ENERGY, INC.**, a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, on December 11, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$159,250 with a current balance of \$101,503.59 (the "12/11/2009 Alpha Convertible Debenture") described in greater detail on Exhibit 1-B.

WHEREAS, on December 30, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$315,747 with a current balance of \$201,252.45 (the "12/30/2009 Alpha Convertible Debenture") described in greater detail on Exhibit 2-B.

WHEREAS, on April 21, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$415,747 with a current balance of \$264,990.96 (the "04/21/2010 Alpha Convertible Debenture") described in greater detail on Exhibit 3-B.

WHEREAS, on October 18, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$200,000 with a current balance of \$200,000 (the "10/18/10 Alpha Convertible Debenture") described in greater detail on Exhibit 4-B.

WHEREAS, on June 4, 2014, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Convertible Debenture in the principal amount of \$200,000 with a current balance of \$200,000 (the "06/04/2014 Alpha Convertible Debenture") described in greater detail on Exhibit 5-B.

WHEREAS, the "12/11/2009 Alpha Convertible Debenture", "12/30/2009 Alpha Convertible Debenture", "04/21/2010 Alpha Convertible Debenture", "10/18/2010 Alpha Convertible Debenture", "06/03/2014 Alpha Convertible Debenture", (including amendments thereto), the 06/03/2014 Security Agreement and Intercreditor Agreement and the related Partial Reset of Conversion Price letters (the "Related Documents"), shall be collectively referred to herein as (the "Transaction Documents"). The Transaction Documents are described in further detail on the Index following the signature page to this Agreement.

WHEREAS, the Holder has determined that it is in its best interests to sell, subject to the terms and conditions set forth herein, the various Convertible Debentures to the Purchaser;

WHEREAS, the Purchaser has determined that it is in its best interest to purchase, subject to the terms and conditions set forth herein, the various Convertible Debentures from the Holder; and

WHEREAS, the Company has agreed to the provisions of this Agreement that are necessary for the parties to complete the transaction which they have negotiated.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the Recitals set forth above and incorporated herein by reference and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Transfer of the Convertible Debentures. The Purchaser shall pay the Holder the sum of Five Hundred Thirty-Two Thousand Six Hundred Seventeen and 99/100's (\$532,617.99) Dollars (the "Transfer Price") in consideration of the purchase of Holder's entire right, title and interest in the Convertible Debentures and Related Documents. The payment shall be made by a combination of cash and promissory notes.
 - a. Cash Payment: Purchaser shall pay the sum of: \$110,872.50 by wire transfer to Holder's U.S. Banking institution. Wire instructions will be provided to the Purchaser upon execution of this Agreement.
 - b. Promissory Notes: Purchase shall make and deliver to Holder two (2) promissory notes as follows:
 - i. The first promissory note shall cover the balance due for the convertible debentures described in Section 1(c)(i-iv) below and shall have a face value of: \$221,746 (See EXHIBIT X).
 - ii. The second promissory note shall cover the balance due for the convertible debenture described in Section 1(c)(v) below and shall have a face value of: \$200,000 (See EXHIBIT Y).
 - c. Convertible Debenture Purchase Price Allocation:
 - i. "12/11/2009 Alpha Convertible Debenture" with a principal balance of \$101,503.59: Purchase Price is \$29,316.90.
 - ii. "12/30/2009 Alpha Convertible Debenture" with a principal balance of \$201,252.45: Purchase price is \$58,126.99.
 - iii. "04/21/2009 Alpha Convertible Debenture" with a principal balance of \$264,990.96: Purchase price is \$76,536.35.
 - iv. "10/18/2010 Alpha Convertible Debenture" with a principal balance of \$200,000.00: Purchase price is \$57,765.25.
 - v. "06/04/2014 Alpha Convertible Debenture" with a principal balance of

- d. The transfer of the Transaction Documents and payment of the Transfer Price shall be completed within five (5) business days of the Effective Date of this Agreement.
 - e. The Convertible Debenture(s) shall be transferred with all the conversion rights described in the Convertible Debenture(s). Unless otherwise provided in this Agreement, the risks and full economic benefits with respect to the Transaction Documents shall pass to the Purchaser upon receipt of the Transaction Documents. If the Purchaser fails to pay the Transfer Price in full within five (5) business days of the Effective Date, the transfer of the Transaction Documents shall be postponed accordingly until such date when the Holder receives the wire and promissory notes.
 - f. The transfer of the Transaction Documents shall be completed through the execution of various assignments (the "Assignment of Convertible Debenture & Related Documents") attached hereto on EXHIBITS 1-A, 2-A, 3-A, 4-A and 5-A.
 - g. Upon receipt of the Transfer Price the Holder shall surrender the originally executed Transaction Documents to the Purchaser's address as first set forth above.
2. Further Documentation. The parties hereby agree to execute such other documents as may be required to carry out this transaction including, but not limited to the updating of any Uniform Commercial Code filings with a replacement debtor, and the issuance of any replacement Convertible Debenture(s), Security Agreements, Warrant Agreements or other Transaction Documents, if necessary.
3. REPRESENTATIONS AND WARRANTIES.
- a. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Holder as follows:
 - i. The Purchaser has all power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby including, without limitation, the purchase of the Convertible Debenture(s), have been duly authorized by the Purchaser.
 - ii. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.
 - iii. The execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Purchaser, or (b) result in a material breach or default under any of the contractual obligations of the Purchaser, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Purchaser or its properties.

- iv. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Purchaser (including, without limitation, the acquisition of the Convertible Debenture(s)) or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.
- b. Representations and Warranties of the Holder. The Holder represents and warrants to the Purchaser as follows:
- i. The Holder has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.
 - iii. The Holder is the record and beneficial owner of the Convertible Debentures acquired by the Purchaser, and the Convertible Debentures conveyed pursuant to this Agreement have not been assigned, pledged, sold, transferred, fully converted or otherwise previously conveyed.
 - iv. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Holder, or (b) result in a material breach or default under any of the contractual obligations of the Holder, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Holder or its properties.
 - v. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Holder (including, without limitation, the transfer of the Convertible Debentures) or enforcement against the Holder of this Agreement or the transactions contemplated hereby.
- c. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:
- i. The Company has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

- iii. The Transaction Documents were validly issued and are presently outstanding in the representative form attached hereto and have not been altered or amended (except as disclosed herein) nor are they subject to any adverse claim or dispute whatsoever. The Company affirms the representation and warranty contained in Section 4 below.
 - iv. The Company is currently in breach of the terms of the Convertible Debentures and is incurring default rates of interest on the Convertible Debentures.
 - v. The Company consents the various assignments of the Transaction Documents from Holder to Purchaser.
4. No Impairment of Security Interests. All of the property securing the Convertible Debentures shall remain subject to the liens, charges, or encumbrances of such property, and nothing in this Agreement shall affect the security interests granted in conjunction with the Convertible Debentures or the priority of such security interests over any other liens, charges, encumbrances or conveyances.
5. Governing Law; Successors and Assigns. This Agreement shall be governed and construed in accordance with the laws of the State of New York and applicable federal law without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York and shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties.
6. Confidentiality. Each party agrees to hold and keep the information in this Agreement confidential and will not disclose any of such information in any manner whatsoever, except as may otherwise be required by applicable law.
7. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired.
8. Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.
9. Counterparts. This Agreement may be executed in any number of counterpart copies, all of which copies shall constitute one and the same instrument.
10. Independent Counsel. The Purchaser, the Holder and the Company have been provided with an opportunity to consult with their own counsel and their own business, securities and tax advisors with respect to this Agreement.
11. Effective. This Agreement becomes effective upon the parties' execution.

12. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement.
13. Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.
14. Amendments. This Agreement may be amended, modified or supplemented at any time by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.
15. Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses.

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[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

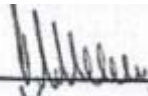
For and on behalf of:

VAST EXPLORATION, LLC

Signature: /s/ Scott Mahoney
Name: Scott Mahoney
Title: Managing Member

For and on behalf of:

HOLDER – ALPHA CAPITAL ANSTALT

Signature: 
Name: Kamel Achermann
Title: Director

For and on behalf of:

JAYHAWK ENERGY, INC.

Signature: /s/ Kelly J. Stopher
Name: Kelly J. Stopher
Title: Interim President/CEO

INDEX
"Transaction Documents"

Document No.	Exhibit Title	Description of Transaction Document
(1)	Ex. 1-A	12/11/2009 Alpha Convertible Debenture Assignment
(2)	Ex. 1-B	12/11/2009 Alpha Convertible Debenture
(3)	Ex. 2-A	12/30/2009 Alpha Convertible Debenture Assignment
(4)	Ex. 2-B	12/30/2009 Alpha Convertible Debenture
(5)	Ex. 3-A	04/21/2010 Alpha Convertible Debenture Assignment
(6)	Ex. 3-B	04/21/2010 Alpha Convertible Debenture
(7)	Ex. 4-A	10/18/2010 Alpha Convertible Debenture Assignment
(8)	Ex. 4-B	10/18/2010 Alpha Convertible Debenture
(9)	Ex. 5-A	06/03/2014 Alpha Convertible Debenture Assignment
(10)	Ex. 5-B	06/03/2014 Alpha Convertible Debenture
(11)	Ex. 5-C	06/03/2014 Alpha Security Agreement
(12)	Ex. 5-D	06/13/2014 Alpha Intercreditor Agreement

EXHIBIT 1-A
12/11/2009 Alpha Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture and Related Documents (the "12/11/2009 Alpha Convertible Debenture") dated December 11, 2009 in the amount of \$159,250 executed by JayHawk Energy, Inc.

The "12/11/2009 Alpha Convertible Debenture" is attached hereto as Exhibit 1-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ALPHA CAPITAL ANSTALT
"ASSIGNOR":

ALPHA CAPITAL ANSTALT
"ASSIGNOR":

Signature: [Handwritten Signature]
Name: Kenneth Achermann
Title: Director

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 1-B
12/11/2009 Alpha Convertible Debenture

EXHIBIT 2-A
12/30/2009 Alpha Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture and Related Documents (the "12/30/2009 Alpha Convertible Debenture") dated December 30, 2009 in the amount of \$315,747 executed by JayHawk Energy, Inc.

The "12/30/2009 Alpha Convertible Debenture" is attached hereto as Exhibit 2-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ALPHA CAPITAL ANSTALT
"ASSIGNOR":

ALPHA CAPITAL ANSTALT
"ASSIGNOR":

Signature: [Handwritten Signature]
Name: Konrad Ackermann
Title: Director

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 2-B
12/30/2009 Alpha Convertible Debenture

EXHIBIT 3-A
04/21/2010 Alpha Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture and Related Documents (the "**04/21/2010 Alpha Convertible Debenture**") dated April 21, 2010 in the amount of \$415,747 executed by JayHawk Energy, Inc.

The "04/21/2010 Alpha Convertible Debenture" is attached hereto as Exhibit 3-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ALPHA CAPITAL ANSTALT

"ASSIGNOR":

ALPHA CAPITAL ANSTALT

"ASSIGNOR":

Signature: _____

Name: _____

Title: _____

[Handwritten Signature]
Howard Achermann
Director

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 3-B
04/21/2010 Alpha Convertible Debenture

EXHIBIT 4-A
10/18/2010 Alpha Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture and Related Documents (the "**10/18/2010 Alpha Convertible Debenture**") dated October 18, 2010 in the amount of \$200,000 executed by JayHawk Energy, Inc.

The "10/18/2010 Alpha Convertible Debenture" is attached hereto as Exhibit 4-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ALPHA CAPITAL ANSTALT

"ASSIGNOR":

ALPHA CAPITAL ANSTALT

"ASSIGNOR":

Signature: _____

Name: _____

Title: _____

[Handwritten Signature]
Heinrich Ackermann
Director

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)

Signature of Notary Public

EXHIBIT 4-B
10/18/2010 Alpha Convertible Debenture

EXHIBIT 5-A
06/03/2014 Alpha Convertible Debenture Assignment

**ASSIGNMENT OF CONVERTIBLE DEBENTURE
AND RELATED DOCUMENTS**

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture, Security Agreement, Intercreditor Agreement and Related Documents (the "06/03/2014 Alpha Convertible Debenture") dated June 3, 2014 in the amount of \$200,000 executed by JayHawk Energy, Inc.

The "06/03/2014 Alpha Convertible Debenture" is attached hereto as Exhibit 5-B. The Security Agreement is attached hereto as Exhibit 5-C, and the Intercreditor Agreement is attached as Exhibit 5-D.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture and Related Documents.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ALPHA CAPITAL ANSTALT

"ASSIGNOR":

ALPHA CAPITAL ANSTALT
"ASSIGNOR":
Signature: [Signature]
Name: Harold Ackermann
Title: Director

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 5-B
06/03/2014 Convertible Debenture

EXHIBIT 5-C
06/03/2014 Security Agreement

EXHIBIT 5-D
06/13/2014 Intercreditor Agreement

EXHIBIT X
\$221,746 Alpha Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Alpha Capital Anstalt 510 Madison Ave New York, NY 10022
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Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to the order of Alpha Capital Anstalt ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Two Hundred Twenty One Thousand Seven Hundred Forty Six Dollars (\$221,746), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for two (2) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for two (2) years after the execution of this Note. On the two (2) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials SM	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:
VAST EXPLORATION, LLC:
/s/ Scott Mahoney

Scott Mahoney, Managing Member

LENDER:
ALPHA CAPITAL ANSTALT:

By: _____

Title: _____

EXHIBIT Y
\$200,000 Alpha Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Alpha Capital Anstalt 510 Madison Ave New York, NY 10022
------------------	---	----------------	--

Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to the order of Alpha Capital Anstalt ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Two Hundred Thousand Dollars (\$200,000), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for four (4) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for four (4) years after the execution of this Note. On the four (4) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

STOCK IN LIEU OF CASH PAYMENT. Buyer agrees that for the term of this Note the Borrower may convey (at Lender's option) Fifteen Million (15,000,000) shares of common stock in JayHawk Energy, Inc. in exchange for a \$15,000 reduction in the principal balance of this Note. Each share of JayHawk Energy, Inc. common stock will be valued at \$0.001/share.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as

a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials SM	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

[REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE

BORROWER:

VAST EXPLORATION, LLC:

/s/ Scott Mahoney

Scott Mahoney, Managing Member

LENDER:

ALPHA CAPITAL ANSTALT:

By: _____

Title: _____

CONVERTIBLE DEBENTURE TRANSFER AGREEMENT

This CONVERTIBLE DEBENTURE TRANSFER AGREEMENT (this "Agreement") is entered into as of the 17th day of March, 2015 (the "Effective Date"), by and among, ELLIS INTERNATIONAL LTD. (the "Holder"), whose address is 510 Madison Avenue, New York, New York 10022; VAST EXPLORATION, LLC, a Texas limited liability company (the "Purchaser"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and JAYHAWK ENERGY, INC., a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, on December 11, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$33,333 with a current balance of \$12,188.52 (the "12/11/2009 Ellis Convertible Debenture") described in greater detail on Exhibit 1-B.

WHEREAS, on December 30, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$66,670 with a current balance of \$24,378.50 (the "12/30/2009 Ellis Convertible Debenture") described in greater detail on Exhibit 2-B.

WHEREAS, on April 22, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$134,170 with a current balance of \$49,060.49 (the "04/22/2010 Ellis Convertible Debenture") described in greater detail on Exhibit 3-B.

WHEREAS, on October 18, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$75,000 with a current balance of \$56,250 (the "10/18/10 Ellis Convertible Debenture") described in greater detail on Exhibit 4-B.

WHEREAS, the "12/11/2009 Ellis Convertible Debenture", "12/30/2009 Ellis Convertible Debenture", "04/22/2010 Ellis Convertible Debenture", "10/18/2010 Ellis Convertible Debenture" (including amendments thereto) and the corresponding Partial Reset of Conversion Price letters shall be collectively referred to herein as (the "Convertible Debentures"). The Convertible Debentures are described in further detail on the Index following the signature page to this Agreement.

WHEREAS, the Holder has determined that it is in its best interests to sell, subject to the terms and conditions set forth herein, the various Convertible Debentures to the Purchaser;

WHEREAS, the Purchaser has determined that it is in its best interest to purchase, subject to the terms and conditions set forth herein, the various Convertible Debentures from the Holder; and

WHEREAS, the Company has agreed to the provisions of this Agreement that are necessary for the parties to complete the transaction which they have negotiated.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the Recitals set forth above and incorporated herein by reference and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Transfer of the Convertible Debentures. The Purchaser shall pay the Holder the sum of Sixty-One Thousand Four Hundred Sixty-Six and 50/100's (\$61,466.50) Dollars (the "Transfer Price") in consideration of the purchase of Holder's entire right, title and interest in the Convertible Debentures. The payment shall be made by a combination of cash and promissory note.
 - a. Cash Payment: Purchaser shall pay the sum of: \$20,488.50 by wire transfer to Holder's U.S. Banking institution. Wire instructions will be provided to the Purchaser upon execution of this Agreement.
 - b. Promissory Note: Purchase shall make and deliver to Holder one (1) promissory note as follows:
 - i. The promissory note shall cover the balance due for the Convertible Debentures described in Section 1(c)(i-iv) below and shall have a face value of: \$40,978 (See EXHIBIT X).
 - c. Convertible Debenture Purchase Price Allocation:
 - i. "12/11/2009 Ellis Convertible Debenture" with a principal balance of \$12,188.52: Purchase Price is \$3,520.36.
 - ii. "12/30/2009 Ellis Convertible Debenture" with a principal balance of \$24,378.50: Purchase price is \$7,041.15.
 - iii. "04/21/2009 Ellis Convertible Debenture" with a principal balance of \$49,060.49: Purchase price is \$14,169.96.
 - iv. "10/18/2010 Ellis Convertible Debenture" with a principal balance of \$56,250: Purchase price is \$16,246.48.
 - d. The transfer of the Convertible Debentures and payment of the Transfer Price shall be completed within five (5) business days of the Effective Date of this Agreement.
 - e. The Convertible Debentures shall be transferred with all the conversion rights described in the Convertible Debentures. Unless otherwise provided in this Agreement, the risks and full economic benefits with respect to the Convertible Debentures shall pass to the Purchaser upon receipt of the Convertible Debentures. If the Purchaser fails to pay the Transfer Price in full within five (5) business days of the Effective Date, the transfer of the Convertible Debentures

- f. The transfer of the Convertible Debentures shall be completed through the execution of various assignments (the "Assignment of Convertible Debenture") attached hereto on EXHIBITS 1-A, 2-A, 3-A, and 4-A.
 - g. Upon receipt of the Transfer Price the Holder shall surrender the originally executed Convertible Debentures to the Purchaser's address as first set forth above.
 - 2. Further Documentation. The parties hereby agree to execute such other documents as may be required to carry out this transaction including, but not limited to the issuance of any replacement Convertible Debentures, if necessary.
 - 3. REPRESENTATIONS AND WARRANTIES.
 - a. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Holder as follows:
 - i. The Purchaser has all power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby including, without limitation, the purchase of the Convertible Debentures, have been duly authorized by the Purchaser.
 - ii. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.
 - iii. The execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Purchaser, or (b) result in a material breach or default under any of the contractual obligations of the Purchaser, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Purchaser or its properties.
 - iv. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Purchaser (including, without limitation, the acquisition of the Convertible Debentures) or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.
 - b. Representations and Warranties of the Holder. The Holder represents and warrants to the Purchaser as follows:

- i. The Holder has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.
 - iii. The Holder is the record and beneficial owner of the Convertible Debentures acquired by the Purchaser, and the Convertible Debentures conveyed pursuant to this Agreement have not been assigned, pledged, sold, transferred, fully converted or otherwise previously conveyed.
 - iv. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Holder, or (b) result in a material breach or default under any of the contractual obligations of the Holder, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Holder or its properties.
 - v. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Holder (including, without limitation, the transfer of the Convertible Debentures) or enforcement against the Holder of this Agreement or the transactions contemplated hereby.
- c. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:
- i. The Company has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
 - iii. The Convertible Debentures were validly issued and are presently outstanding in the representative form attached hereto and have not been altered or amended (except as disclosed herein) nor are they subject to any adverse claim or dispute whatsoever. The Company affirms the representation and warranty contained in Section 4 below.
 - iv. The Company is currently in breach of the terms of the Convertible Debentures and is incurring default rates of interest on the Convertible Debentures.
 - v. The Company consents the various assignments of the Convertible Debentures from Holder to Purchaser.

4. No Impairment of Security Interests. All of the property securing the Convertible Debentures shall remain subject to the liens, charges, or encumbrances of such property, and nothing in this Agreement shall affect the security interests granted in conjunction with the Convertible Debentures or the priority of such security interests over any other liens, charges, encumbrances or conveyances.
5. Governing Law; Successors and Assigns. This Agreement shall be governed and construed in accordance with the laws of the State of New York and applicable federal law without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York and shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties.
6. Confidentiality. Each party agrees to hold and keep the information in this Agreement confidential and will not disclose any of such information in any manner whatsoever, except as may otherwise be required by applicable law.
7. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired.
8. Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.
9. Counterparts. This Agreement may be executed in any number of counterpart copies, all of which copies shall constitute one and the same instrument.
10. Independent Counsel. The Purchaser, the Holder and the Company have been provided with an opportunity to consult with their own counsel and their own business, securities and tax advisors with respect to this Agreement.
11. Effective. This Agreement becomes effective upon the parties' execution.
12. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement.
13. Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.
14. Amendments. This Agreement may be amended, modified or supplemented at any time by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.

15. Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

For and on behalf of:

VAST EXPLORATION, LLC

/s/ Scott Mahoney

Signature: _____

Name: Scott Mahoney

Title: Managing Member

For and on behalf of:

HOLDER – ELLIS INTERNATIONAL LTD

/s/ Mendy Sheen

Signature: _____

Name: Mendy Sheen

Title: President

For and on behalf of:

JAYHAWK ENERGY, INC.

/s/ Kelly J. Stopher

Signature: _____

Name: Kelly J. Stopher

Title: Interim President/CEO

INDEX

Document No.	Exhibit Title	Description of Document
(1)	Ex. 1-A	12/11/2009 Ellis Convertible Debenture Assignment
(2)	Ex. 1-B	12/11/2009 Ellis Convertible Debenture
(3)	Ex. 2-A	12/30/2009 Ellis Convertible Debenture Assignment
(4)	Ex. 2-B	12/30/2009 Ellis Convertible Debenture
(5)	Ex. 3-A	04/22/2010 Ellis Convertible Debenture Assignment
(6)	Ex. 3-B	04/22/2010 Ellis Convertible Debenture
(7)	Ex. 4-A	10/18/2010 Ellis Convertible Debenture Assignment
(8)	Ex. 4-B	10/18/2010 Ellis Convertible Debenture

EXHIBIT 1-A
12/11/2009 Ellis Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION, LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**12/11/2009 Ellis Convertible Debenture**") dated December 11, 2009 in the amount of \$33,333 executed by JayHawk Energy, Inc.

The "12/11/2009 Ellis Convertible Debenture" is attached hereto as Exhibit 1-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ELLIS INTERNATIONAL LTD.

"ASSIGNOR":

/s/ Mendy Sheen

Signature: _____

Name: Mendy Sheen

Title: President

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)

Signature of Notary Public

EXHIBIT 1-B
12/11/2009 Ellis Convertible Debenture

EXHIBIT 2-A
12/30/2009 Ellis Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**12/30/2009 Ellis Convertible Debenture**") dated December 30, 2009 in the amount of \$66,670 executed by JayHawk Energy, Inc.

The "12/30/2009 Ellis Convertible Debenture" is attached hereto as Exhibit 2-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ELLIS INTERNATIONAL LTD.

"ASSIGNOR":

/s/ Mendy Sheen

Signature: _____

Name: Mendy Sheen

Title: President

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 2-B
12/30/2009 Ellis Convertible Debenture

EXHIBIT 3-A
04/22/2010 Ellis Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**04/22/2010 Ellis Convertible Debenture**") dated April 22, 2010 in the amount of \$134,170 executed by JayHawk Energy, Inc.

The "04/22/2010 Ellis Convertible Debenture" is attached hereto as Exhibit 3-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ELLIS INTERNATIONAL LTD.

"ASSIGNOR":

/s/ Mendy Sheen

Signature: _____

Name: Mendy Sheen

Title: President

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)

Signature of Notary Public

EXHIBIT 3-B
04/22/2010 Ellis Convertible Debenture

EXHIBIT 4-A
10/18/2010 Ellis Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**10/18/2010 Ellis Convertible Debenture**") dated October 18, 2010 in the amount of \$75,000 executed by JayHawk Energy, Inc.

The "10/18/2010 Ellis Convertible Debenture" is attached hereto as Exhibit 4-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

ELLIS INTERNATIONAL LTD.

"ASSIGNOR":

/s/ Mendy Sheen

Signature: _____

Name: Mendy Sheen

Title: President

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)

Signature of Notary Public

EXHIBIT 4-B
10/18/2010 Ellis Convertible Debenture

EXHIBIT X
\$40,978 Ellis Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Ellis International Ltd. 510 Madison Ave New York, NY 10022
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Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to Ellis International Ltd. ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Forty Thousand Nine Hundred Seventy Eight Dollars (\$40,978), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for two (2) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for two (2) years after the execution of this Note. On the two (2) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials SM	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:
VAST EXPLORATION, LLC:
/s/ Scott Mahoney 4/17/15

Scott Mahoney, Managing Member

LENDER:
ELLIS INTERNATIONAL LTD.
/s/ Mendy Sheen

By: _____Mendy Sheen_____

Title: _____President_____

Exhibit 10.9

CONVERTIBLE DEBENTURE TRANSFER AGREEMENT

This CONVERTIBLE DEBENTURE TRANSFER AGREEMENT (this "Agreement") is entered into as of the 17th day of March, 2015 (the "Effective Date"), by and among, MOMONA CAPITAL (the "Holder"), whose address is 510 Madison Avenue, New York, New York 10022; VAST EXPLORATION, LLC, a Texas limited liability company (the "Purchaser"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and JAYHAWK ENERGY, INC., a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, on December 11, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$16,667 with a current balance of \$12,050.24 (the "12/11/2009 Momona Convertible Debenture") described in greater detail on Exhibit 1-B.

WHEREAS, on December 30, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$33,333 with a current balance of \$24,099.76 (the "12/30/2009 Momona Convertible Debenture") described in greater detail on Exhibit 2-B.

WHEREAS, on April 22, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$33,333 with a current balance of \$24,099.76 (the "04/22/2010 Momona Convertible Debenture") described in greater detail on Exhibit 3-B.

WHEREAS, on October 18, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$113,333 with a current balance of \$22,500 (the "10/18/10 Momona Convertible Debenture") described in greater detail on Exhibit 4-B.

WHEREAS, the "12/11/2009 Momona Convertible Debenture", "12/30/2009 Momona Convertible Debenture", "04/22/2010 Momona Convertible Debenture", "10/18/2010 Momona Convertible Debenture" (including amendments thereto) and the corresponding Partial Reset of Conversion Price letters shall be collectively referred to herein as (the "Convertible Debentures"). The Convertible Debentures are described in further detail on the Index following the signature page to this Agreement.

WHEREAS, the Holder has determined that it is in its best interests to sell, subject to the terms and conditions set forth herein, the various Convertible Debentures to the Purchaser;

WHEREAS, the Purchaser has determined that it is in its best interest to purchase, subject to the terms and conditions set forth herein, the various Convertible Debentures from the Holder; and

WHEREAS, the Company has agreed to the provisions of this Agreement that are necessary for the parties to complete the transaction which they have negotiated.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the Recitals set forth above and incorporated herein by reference and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Transfer of the Convertible Debentures. The Purchaser shall pay the Holder the sum of Thirty-Five Thousand Eight Hundred Fifty and 50/100's (\$35,850.50) Dollars (the "Transfer Price") in consideration of the purchase of Holder's entire right, title and interest in the Convertible Debentures. The payment shall be made by a combination of cash and promissory note.
 - a. Cash Payment: Purchaser shall pay the sum of: \$11,950.50 by wire transfer to Holder's U.S. Banking institution. Wire instructions will be provided to the Purchaser upon execution of this Agreement.
 - b. Promissory Note: Purchase shall make and deliver to Holder one (1) promissory note as follows:
 - i. The promissory note shall cover the balance due for the Convertible Debentures described in Section 1(c)(i-iv) below and shall have a face value of: \$23,900 (See EXHIBIT X).
 - c. Convertible Debenture Purchase Price Allocation:
 - i. "12/11/2009 Momona Convertible Debenture" with a principal balance of \$12,050.24: Purchase Price is \$3,480.43.
 - ii. "12/30/2009 Momona Convertible Debenture" with a principal balance of \$24,099.76: Purchase price is \$6,960.64.
 - iii. "04/21/2009 Momona Convertible Debenture" with a principal balance of \$24,099.76: Purchase price is \$6,960.64.
 - iv. "10/18/2010 Momona Convertible Debenture" with a principal balance of \$22,500: Purchase price is \$6,498.59.
 - d. The transfer of the Convertible Debentures and payment of the Transfer Price shall be completed within five (5) business days of the Effective Date of this Agreement.
 - e. The Convertible Debentures shall be transferred with all the conversion rights described in the Convertible Debentures. Unless otherwise provided in this Agreement, the risks and full economic benefits with respect to the Convertible Debentures shall pass to the Purchaser upon receipt of the Convertible Debentures. If the Purchaser fails to pay the Transfer Price in full within five (5) business days of the Effective Date, the transfer of the Convertible Debentures

- f. The transfer of the Convertible Debentures shall be completed through the execution of various assignments (the "Assignment of Convertible Debenture") attached hereto on EXHIBITS 1-A, 2-A, 3-A, and 4-A.
 - g. Upon receipt of the Transfer Price the Holder shall surrender the originally executed Convertible Debentures to the Purchaser's address as first set forth above.
- 2. Further Documentation. The parties hereby agree to execute such other documents as may be required to carry out this transaction including, but not limited to the issuance of any replacement Convertible Debentures, if necessary.
- 3. REPRESENTATIONS AND WARRANTIES.
 - a. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Holder as follows:
 - i. The Purchaser has all power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby including, without limitation, the purchase of the Convertible Debentures, have been duly authorized by the Purchaser.
 - ii. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.
 - iii. The execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Purchaser, or (b) result in a material breach or default under any of the contractual obligations of the Purchaser, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Purchaser or its properties.
 - iv. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Purchaser (including, without limitation, the acquisition of the Convertible Debentures) or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.
 - b. Representations and Warranties of the Holder. The Holder represents and warrants to the Purchaser as follows:

- i. The Holder has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.
 - iii. The Holder is the record and beneficial owner of the Convertible Debentures acquired by the Purchaser, and the Convertible Debentures conveyed pursuant to this Agreement have not been assigned, pledged, sold, transferred, fully converted or otherwise previously conveyed.
 - iv. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Holder, or (b) result in a material breach or default under any of the contractual obligations of the Holder, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Holder or its properties.
 - v. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Holder (including, without limitation, the transfer of the Convertible Debentures) or enforcement against the Holder of this Agreement or the transactions contemplated hereby.
- c. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:
- i. The Company has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
 - iii. The Convertible Debentures were validly issued and are presently outstanding in the representative form attached hereto and have not been altered or amended (except as disclosed herein) nor are they subject to any adverse claim or dispute whatsoever. The Company affirms the representation and warranty contained in Section 4 below.
 - iv. The Company is currently in breach of the terms of the Convertible Debentures and is incurring default rates of interest on the Convertible Debentures.
 - v. The Company consents the various assignments of the Convertible Debentures from Holder to Purchaser.

4. No Impairment of Security Interests. All of the property securing the Convertible Debentures shall remain subject to the liens, charges, or encumbrances of such property, and nothing in this Agreement shall affect the security interests granted in conjunction with the Convertible Debentures or the priority of such security interests over any other liens, charges, encumbrances or conveyances.
5. Governing Law; Successors and Assigns. This Agreement shall be governed and construed in accordance with the laws of the State of New York and applicable federal law without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York and shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties.
6. Confidentiality. Each party agrees to hold and keep the information in this Agreement confidential and will not disclose any of such information in any manner whatsoever, except as may otherwise be required by applicable law.
7. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired.
8. Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.
9. Counterparts. This Agreement may be executed in any number of counterpart copies, all of which copies shall constitute one and the same instrument.
10. Independent Counsel. The Purchaser, the Holder and the Company have been provided with an opportunity to consult with their own counsel and their own business, securities and tax advisors with respect to this Agreement.
11. Effective. This Agreement becomes effective upon the parties' execution.
12. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement.
13. Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.
14. Amendments. This Agreement may be amended, modified or supplemented at any time by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.

15. Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

For and on behalf of:

VAST EXPLORATION, LLC

/s/ Scott Mahoney

Signature: _____

Name: Scott Mahoney

Title: Managing Member

For and on behalf of:

HOLDER – MOMONA CAPITAL

/s/

Signature: _____

Name: _____

Title: _____

For and on behalf of:

JAYHAWK ENERGY, INC.

/s/ Kelly J. Stopher

Signature: _____

Name: Kelly J. Stopher

Title: Interim President/CEO

INDEX

Document No.	Exhibit Title	Description of Document
(1)	Ex. 1-A	12/11/2009 Momona Convertible Debenture Assignment
(2)	Ex. 1-B	12/11/2009 Momona Convertible Debenture
(3)	Ex. 2-A	12/30/2009 Momona Convertible Debenture Assignment
(4)	Ex. 2-B	12/30/2009 Momona Convertible Debenture
(5)	Ex. 3-A	04/22/2010 Momona Convertible Debenture Assignment
(6)	Ex. 3-B	04/22/2010 Momona Convertible Debenture
(7)	Ex. 4-A	10/18/2010 Momona Convertible Debenture Assignment
(8)	Ex. 4-B	10/18/2010 Momona Convertible Debenture

EXHIBIT 1-A
12/11/2009 Momona Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "12/11/2009 Momona Convertible Debenture") dated December 11, 2009 in the amount of \$16,667 executed by JayHawk Energy, Inc.

The "12/11/2009 Momona Convertible Debenture" is attached hereto as Exhibit 1-B.


TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

MOMONA CAPITAL

"ASSIGNOR":

Signature: /s/ 
Name: [illegible]
Title: Pres

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 1-B
12/11/2009 Momona Convertible Debenture

EXHIBIT 2-A
12/30/2009 Momona Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**12/30/2009 Momona Convertible Debenture**") dated December 30, 2009 in the amount of \$33,333 executed by JayHawk Energy, Inc.

The "12/30/2009 Momona Convertible Debenture" is attached hereto as Exhibit 2-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

MOMONA CAPITAL

"ASSIGNOR":

Signature: _____
Name: _____
Title: _____

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 2-B
12/30/2009 Momona Convertible Debenture

EXHIBIT 3-A
04/22/2010 Momona Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**04/22/2010 Momona Convertible Debenture**") dated April 22, 2010 in the amount of \$33,333 executed by JayHawk Energy, Inc.

The "04/22/2010 Momona Convertible Debenture" is attached hereto as Exhibit 3-B.


TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

MOMONA CAPITAL

"ASSIGNOR":

Signature: 
Name: _____
Title: _____

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 3-B
04/22/2010 Momona Convertible Debenture

EXHIBIT 4-A
10/18/2010 Momona Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "**10/18/2010 Momona Convertible Debenture**") dated October 18, 2010 in the amount of \$113,333 executed by JayHawk Energy, Inc.

The "10/18/2010 Momona Convertible Debenture" is attached hereto as Exhibit 4-B.


TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

MOMONA CAPITAL

"ASSIGNOR":

Signature: 
Name: _____
Title: _____

STATE OF _____
COUNTY OF _____

On _____, 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 4-B
10/18/2010 Momona Convertible Debenture

EXHIBIT X
\$23,900 Momona Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Momona Capital 510 Madison Ave New York, NY 10022
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Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to Momona Capital ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Twenty Three Thousand Nine Hundred Dollars (\$23,900), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for two (2) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for two (2) years after the execution of this Note. On the two (2) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:
VAST EXPLORATION, LLC:
/s/ Scott Mahoney 4/17/15

Scott Mahoney, Managing Member

LENDER:
MOMONA CAPITAL

/s/ 

By: _____

Title: _____

Exhibit 10.10

CONVERTIBLE DEBENTURE TRANSFER AGREEMENT

This CONVERTIBLE DEBENTURE TRANSFER AGREEMENT (this "Agreement") is entered into as of the 17th day of March, 2015 (the "Effective Date"), by and among, LANE VENTURES, INC. (the "Holder"), whose address is 510 Madison Avenue, New York, New York 10022; VAST EXPLORATION, LLC, a Texas limited liability company (the "Purchaser"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and JAYHAWK ENERGY, INC., a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, on December 11, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$8,250 with a current balance of \$6,187.50 (the "12/11/2009 Lane Convertible Debenture") described in greater detail on Exhibit 1-B.

WHEREAS, on December 30, 2009, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$16,750 with a current balance of \$12,562.50 (the "12/30/2009 Lane Convertible Debenture") described in greater detail on Exhibit 2-B.

WHEREAS, on April 22, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$16,750 with a current balance of \$12,562.50 (the "04/22/2010 Lane Convertible Debenture") described in greater detail on Exhibit 3-B.

WHEREAS, on October 18, 2010, the Holder and the Company entered into a Convertible Debenture Purchase Agreement pursuant to which the Company issued to the Holder a 10% Senior Secured Convertible Debenture in the principal amount of \$20,000 with a current balance of \$15,000 (the "10/18/10 Lane Convertible Debenture") described in greater detail on Exhibit 4-B.

WHEREAS, the "12/11/2009 Lane Convertible Debenture", "12/30/2009 Lane Convertible Debenture", "04/22/2010 Lane Convertible Debenture", "10/18/2010 Lane Convertible Debenture" (including amendments thereto) and the corresponding Partial Reset of Conversion Price letters shall be collectively referred to herein as (the "Convertible Debentures"). The Convertible Debentures are described in further detail on the Index following the signature page to this Agreement.

WHEREAS, the Holder has determined that it is in its best interests to sell, subject to the terms and conditions set forth herein, the various Convertible Debentures to the Purchaser;

WHEREAS, the Purchaser has determined that it is in its best interest to purchase, subject to the terms and conditions set forth herein, the various Convertible Debentures from the Holder; and

WHEREAS, the Company has agreed to the provisions of this Agreement that are necessary for the parties to complete the transaction which they have negotiated.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the Recitals set forth above and incorporated herein by reference and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Transfer of the Convertible Debentures. The Purchaser shall pay the Holder the sum of Twenty Thousand Sixty-Four and 50/100's (\$20,064.50) Dollars (the "Transfer Price") in consideration of the purchase of Holder's entire right, title and interest in the Convertible Debentures. The payment shall be made by a combination of cash and promissory note.
 - a. Cash Payment: Purchaser shall pay the sum of: \$6,688.50 by wire transfer to Holder's U.S. Banking institution. Wire instructions will be provided to the Purchaser upon execution of this Agreement.
 - b. Promissory Note: Purchase shall make and deliver to Holder one (1) promissory note as follows:
 - i. The promissory note shall cover the balance due for the Convertible Debentures described in Section 1(c)(i-iv) below and shall have a face value of: \$13,376 (See EXHIBIT X).
 - c. Convertible Debenture Purchase Price Allocation:
 - i. "12/11/2009 Lane Convertible Debenture" with a principal balance of \$6,187.50: Purchase Price is \$1,787.11.
 - ii. "12/30/2009 Lane Convertible Debenture" with a principal balance of \$12,562.50: Purchase price is \$3,628.38.
 - iii. "04/21/2009 Lane Convertible Debenture" with a principal balance of \$12,562.50: Purchase price is \$3,628.38.
 - iv. "10/18/2010 Ellis Convertible Debenture" with a principal balance of \$15,000: Purchase price is \$4,332.39.
 - d. The transfer of the Convertible Debentures and payment of the Transfer Price shall be completed within five (5) business days of the Effective Date of this Agreement.
 - e. The Convertible Debentures shall be transferred with all the conversion rights described in the Convertible Debentures. Unless otherwise provided in this Agreement, the risks and full economic benefits with respect to the Convertible Debentures shall pass to the Purchaser upon receipt of the Convertible Debentures. If the Purchaser fails to pay the Transfer Price in full within five (5) business days of the Effective Date, the transfer of the Convertible Debentures shall be postponed accordingly until such date when the Holder receives the wire and promissory note.

- f. The transfer of the Convertible Debentures shall be completed through the execution of various assignments (the "Assignment of Convertible Debenture") attached hereto on EXHIBITS 1-A, 2-A, 3-A, and 4-A.
 - g. Upon receipt of the Transfer Price the Holder shall surrender the originally executed Convertible Debentures to the Purchaser's address as first set forth above.
- 2. Further Documentation. The parties hereby agree to execute such other documents as may be required to carry out this transaction including, but not limited to the issuance of any replacement Convertible Debentures, if necessary.

3. REPRESENTATIONS AND WARRANTIES.

- a. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Holder as follows:
 - i. The Purchaser has all power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby including, without limitation, the purchase of the Convertible Debentures, have been duly authorized by the Purchaser.
 - ii. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.
 - iii. The execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Purchaser, or (b) result in a material breach or default under any of the contractual obligations of the Purchaser, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Purchaser or its properties.
 - iv. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Purchaser (including, without limitation, the acquisition of the Convertible Debentures) or enforcement against the Purchaser of this Agreement or the transactions contemplated hereby.
- b. Representations and Warranties of the Holder. The Holder represents and warrants to the Purchaser as follows:
 - i. The Holder has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.

- ii. This Agreement is the valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms.
 - iii. The Holder is the record and beneficial owner of the Convertible Debentures acquired by the Purchaser, and the Convertible Debentures conveyed pursuant to this Agreement have not been assigned, pledged, sold, transferred, fully converted or otherwise previously conveyed.
 - iv. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated thereby, do not and will not (a) violate any requirement of law applicable to the Holder, or (b) result in a material breach or default under any of the contractual obligations of the Holder, or under any order, writ, judgment, injunction, decree, determination or award of any governmental authority, in each case applicable the Holder or its properties.
 - v. No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person in respect of any requirement of law, and no lapse of a waiting period under any requirement of law, is necessary or required in connection with the execution, delivery or performance by the Holder (including, without limitation, the transfer of the Convertible Debentures) or enforcement against the Holder of this Agreement or the transactions contemplated hereby.
- c. Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as follows:
- i. The Company has all power and authority to execute, deliver and perform this Agreement and is in good standing under the laws of the state of its formation.
 - ii. This Agreement is the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
 - iii. The Convertible Debentures were validly issued and are presently outstanding in the representative form attached hereto and have not been altered or amended (except as disclosed herein) nor are they subject to any adverse claim or dispute whatsoever. The Company affirms the representation and warranty contained in Section 4 below.
 - iv. The Company is currently in breach of the terms of the Convertible Debentures and is incurring default rates of interest on the Convertible Debentures.
 - v. The Company consents the various assignments of the Convertible Debentures from Holder to Purchaser.
4. No Impairment of Security Interests. All of the property securing the Convertible Debentures shall remain subject to the liens, charges, or encumbrances of such

5. Governing Law; Successors and Assigns. This Agreement shall be governed and construed in accordance with the laws of the State of New York and applicable federal law without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York and shall be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties.
6. Confidentiality. Each party agrees to hold and keep the information in this Agreement confidential and will not disclose any of such information in any manner whatsoever, except as may otherwise be required by applicable law.
7. Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired.
8. Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.
9. Counterparts. This Agreement may be executed in any number of counterpart copies, all of which copies shall constitute one and the same instrument.
10. Independent Counsel. The Purchaser, the Holder and the Company have been provided with an opportunity to consult with their own counsel and their own business, securities and tax advisors with respect to this Agreement.
11. Effective. This Agreement becomes effective upon the parties' execution.
12. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith shall survive the execution and delivery of this Agreement.
13. Further Assurances. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.
14. Amendments. This Agreement may be amended, modified or supplemented at any time by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.
15. Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees or expenses.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

For and on behalf of:

VAST EXPLORATION, LLC

Signature: /s/ Scott Mahoney

Name: Scott Mahoney

Title: Managing Member

For and on behalf of:

HOLDER – LANE VENTURES, INC.

HOLDER – LANE VENTURES, INC.

Signature: 

Name: Joseph Hamman

Title: pres.

For and on behalf of:

JAYHAWK ENERGY, INC.

Signature: /s/ Kelly J. Stopher

Name: Kelly J. Stopher

Title: Interim President/CEO

INDEX

Document No.	Exhibit Title	Description of Document
(1)	Ex. 1-A	12/11/2009 Lane Convertible Debenture Assignment
(2)	Ex. 1-B	12/11/2009 Lane Convertible Debenture
(3)	Ex. 2-A	12/30/2009 Lane Convertible Debenture Assignment
(4)	Ex. 2-B	12/30/2009 Lane Convertible Debenture
(5)	Ex. 3-A	04/22/2010 Lane Convertible Debenture Assignment
(6)	Ex. 3-B	04/22/2010 Lane Convertible Debenture
(7)	Ex. 4-A	10/18/2010 Lane Convertible Debenture Assignment
(8)	Ex. 4-B	10/18/2010 Lane Convertible Debenture

EXHIBIT 1-A
12/11/2009 Lane Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "12/11/2009 Lane Convertible Debenture") dated December 11, 2009 in the amount of \$8,250 executed by JayHawk Energy, Inc.

The "12/11/2009 Lane Convertible Debenture" is attached hereto as Exhibit 1-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

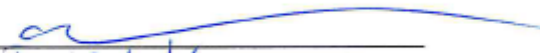
Dated this 17th day of March, 2015.

LANE VENTURES, INC.

"ASSIGNOR":

LANE VENTURES, INC.

"ASSIGNOR":

Signature: 
Name: Joseph Hamm
Title: CEO

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 1-B
12/11/2009 Lane Convertible Debenture

EXHIBIT 2-A
12/30/2009 Lane Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "12/30/2009 Lane Convertible Debenture") dated December 30, 2009 in the amount of \$16,750 executed by JayHawk Energy, Inc.

The "12/30/2009 Lane Convertible Debenture" is attached hereto as Exhibit 2-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

LANE VENTURES, INC.

"ASSIGNOR":

LANE VENTURES, INC.

"ASSIGNOR":

Signature: _____
Name: Joseph Hanna
Title: President

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 2-B
12/30/2009 Lane Convertible Debenture

EXHIBIT 3-A
04/22/2010 Lane Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "04/22/2010 Lane Convertible Debenture") dated April 22, 2010 in the amount of \$16,750 executed by JayHawk Energy, Inc.

The "04/22/2010 Lane Convertible Debenture" is attached hereto as Exhibit 3-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

LANE VENTURES, INC.

"ASSIGNOR":

LANE VENTURES, INC.

"ASSIGNOR":

Signature: _____
Name: Jess
Title: Jess Hama

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)
Signature of Notary Public

EXHIBIT 3-B
04/22/2010 Lane Convertible Debenture

EXHIBIT 4-A
10/18/2010 Lane Convertible Debenture Assignment

ASSIGNMENT OF CONVERTIBLE DEBENTURE

FOR VALUE RECEIVED, the undersigned hereby grants, assigns, and transfers to VAST EXPLORATION LLC, a Texas limited liability company ("Assignee"), that certain Convertible Debenture (the "10/18/2010 Lane Convertible Debenture") dated October 18, 2010 in the amount of \$20,000 executed by JayHawk Energy, Inc.

The "10/18/2010 Lane Convertible Debenture" is attached hereto as Exhibit 4-B.

TOGETHER with the Convertible Debenture therein described or referred to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Convertible Debenture.

THIS ASSIGNMENT IS BEING MADE PURSUANT TO THE TERMS OF A CONVERTIBLE DEBENTURE TRANSFER AGREEMENT OF EVEN DATE HERewith BETWEEN ASSIGNOR AND ASSIGNEE (the "AGREEMENT") AND IS SUBJECT TO ALL OF THE PROVISIONS THE AGREEMENT.

Dated this 17th day of March, 2015.

LANE VENTURES, INC.

"ASSIGNOR":

Signature: _____

Name: _____

Title: _____

STATE OF _____
COUNTY OF _____

On _____ 2015, before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (OFFICIAL SEAL)

Signature of Notary Public

EXHIBIT 4-B
10/18/2010 Lane Convertible Debenture

EXHIBIT X
\$13,376 Lane Promissory Note

PROMISSORY NOTE

Borrower:	Vast Exploration, LLC a Texas limited liability company 10119 W. Lariat Peoria, AZ 85383	Lender:	Lane Ventures, Inc. 510 Madison Ave New York, NY 10022
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Date of Note: March 17, 2015

Interest Rate: 5.0% per year

PROMISE TO PAY. Vast Exploration, LLC ("Borrower") promises to pay to Lane Ventures, Inc. ("Lender"), without set off or counterclaim, in lawful money of the United States of America, the principal amount of Thirteen Thousand Three Hundred Seventy Six Dollars (\$13,376), together with interest at the rate of Five Percent (5.0%) on the unpaid outstanding principal balance of this Note. Interest shall accrue and compound upon the unpaid balance of this Note using an Actual/360 days counting method.

PAYMENT. Buyer shall make quarterly interest only payments for two (2) years after the execution of this Note. The first interest only payment shall be due three (3) months after the execution of this Note and subsequent quarterly interest only payments shall be due on the same day of the subject month thereafter. Said interest only payments shall be calculated by applying an interest rate of Five Percent (5%) to the unpaid principal balance of this Note, using an Actual/360 days accounting method. The aforesaid interest only payments shall cause Borrower to pay all accrued interest, in arrears, quarterly for two (2) years after the execution of this Note. On the two (2) year anniversary of this Note the remaining principal balance together with accrued and unpaid interest and any other amounts owing under this Note shall be due and payable.

MAXIMUM INTEREST AMOUNT. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid principal balance of the Note and any remainder will be refunded to Borrower.

PREPAYMENT. There shall be no prepayment penalty for the early payment of all or part of this Note.

LATE CHARGE. If a payment is ten (10) days or more late, Borrower will be charged \$5.00 as a late fee. This fee shall be imposed each month during which a payment is ten (10) days or more late, and said fee shall be promptly paid by Borrower in addition to the full regularly scheduled monthly payment for said month. Any unpaid late charges will be added to the unpaid balance of this Note and interest shall accrue and compound thereon.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Defaults. Borrower fails to make any payment when due under this Note.

OPPORTUNITY TO CURE. Upon default, Borrower shall be entitled to notice and an opportunity to cure before Lender may declare Borrower in default. If Borrower defaults upon this Note, Lender shall deliver written notice to Borrower by certified mail return receipt

requested to Borrower at the address shown above, notifying Borrower of such default and the reasonable particulars of such default. Borrower shall have thirty (30) days after receiving such written notice to either cure the default or to dispute that an actual material default exists.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Kansas. This Note has been accepted by Lender in the State of Kansas.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Miami County, State of Kansas.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$5.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower and shall inure to the benefit of Lender and its successors and assigns.

Borrower's Initials	NO ORAL AGREEMENTS. This written agreement is the final expression of the agreement between Lender and Borrower and may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between Lender and Borrower. By initialing the boxes to the left, Lender and Borrower affirm that no unwritten oral agreement exists between them.
Lender's Initials	

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.


BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:
VAST EXPLORATION, LLC:
/s/ Scott Mahoney

Scott Mahoney, Managing Member

LENDER:
LANE VENTURES, INC.

LENDER:
LANE VENTURES, INC.


By: Joseph Hannon
Title: President

AMENDMENT TO CONVERTIBLE DEBENTURES

This AMENDMENT TO CONVERTIBLE DEBENTURES (this "Amendment") by and among, VAST EXPLORATION, LLC, a Texas limited liability company (the "Holder"), whose address is 10119 W. Lariat Lane, Peoria, AZ 85383; and JAYHAWK ENERGY, INC., a Colorado corporation (the "Company"), whose address is 611 E. Sherman Avenue, Coeur d'Alene, Idaho 83814.

RECITALS:

WHEREAS, the Vast Exploration, LLC is the Holder of certain 10% Senior Secured Convertible Debentures (the "Convertible Debentures") of various dates issued by the Company and described in further detail below.

WHEREAS, the Holder and the Company have agreed to amend those certain Convertible Debentures as of the date of this Amendment.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Holder and the Company agree as follows:

1. Section 4(b) "Conversion Price" located in each of the Convertible Debentures described in Paragraph 1(a)(i-iv) below and in further detail on Exhibit A shall be amended to \$.01 per share for the entire amount of principal balances outstanding, as of the date of this Amendment, on the Convertible Debentures:
 - a. List of Amended Convertible Debentures. Each of the following Convertible Debentures were issued in a series of offerings to Alpha Capital Anstalt, Ellis International Ltd., Lane Ventures, Inc., and Momona Capital. In total there are sixteen (16) Convertible Debentures being amended by this Amendment and described in further detail on Exhibit A attached hereto. For the avoidance of doubt it is the parties' intent to amend all sixteen (16) Convertible Debentures in the manner described above in Paragraph 1:
 - i. "10% Senior Secured Convertible Debenture Due December 11, 2009"
 - ii. "10% Senior Secured Convertible Debenture Due December 14, 2009"
 - iii. "10% Senior Secured Convertible Debenture Due December 14, 2011"
 - iv. "10% Senior Secured Convertible Debenture Due October 18, 2012"
2. Section 5(b) "Subsequent Equity Sales" located in each of the Convertible Debentures, any reference to the "Base Conversion Price" and "Dilutive Issuance" (as set forth in the Convertible Debentures) and any other provision that triggers derivative accounting principles under Generally Accepted Accounting Practices (collectively the "Derivative Provisions") in any Convertible Debenture documentation, including, without limitation all corresponding Securities Purchase Agreements are hereby deleted in their entirety.

3. No other provisions of the Convertible Debentures, as they exist as of the date of this Amendment, are being amended.

THIS AMENDMENT IS EFFECTIVE as of the 30th day of April, 2015.

For and on behalf of:

HOLDER – VAST EXPLORATION, LLC

/s/ Scott Mahoney

Signature: _____

Name: Scott Mahoney

Title: Managing Member

For and on behalf of:

JAYHAWK ENERGY, INC.

/s/ Kelly Stopher

Signature: _____

Name: Kelly Stopher

Title: Interim President & CEO

EXHIBIT A

1. "10% Senior Secured Convertible Debenture Due December 11, 2011" issued to Alpha Capital Anstalt on 12/11/09 with an original face value of \$159,250
2. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Alpha Capital Anstalt on 12/30/09 with an original face value of \$315,747
3. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Alpha Capital Anstalt on 04/21/10 with an original face value of \$415,747
4. "10% Senior Secured Convertible Debenture Due October 18, 2012" issued to Alpha Capital Anstalt on 10/18/10 with an original face value of \$200,000
5. "10% Senior Secured Convertible Debenture Due December 11, 2011" issued to Ellis International Ltd on 12/11/09 with an original face value of \$33,333
6. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Ellis International Ltd on 12/30/09 with an original face value of \$66,670
7. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Ellis International Ltd on 4/22/10 with an original face value of \$134,170
8. "10% Senior Secured Convertible Debenture Due October 18, 2012" issued to Ellis International Ltd on 10/18/10 with an original face value of \$75,000
9. "10% Senior Secured Convertible Debenture Due December 11, 2011" issued to Momona Capital on 12/11/09 with an original face value of \$16,667
10. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Momona Capital on 12/30/09 with an original face value of \$33,333
11. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Momona Capital on 04/22/10 with an original face value of \$33,333
12. "10% Senior Secured Convertible Debenture Due October 18, 2012" issued to Momona Capital on 10/18/10 with an original face value of \$30,000
13. "10% Senior Secured Convertible Debenture Due December 11, 2011" issued to Lane Ventures, Inc. on 12/11/09 with an original face value of \$8,250
14. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Lane Ventures, Inc. on 12/30/09 with an original face value of \$16,750
15. "10% Senior Secured Convertible Debenture Due December 14, 2011" issued to Lane Ventures, Inc. on 04/22/10 with an original face value of \$16,750
16. "10% Senior Secured Convertible Debenture Due October 18, 2012" issued to Lane Ventures, Inc. on 10/18/10 with an original face value of \$20,000

PROMISSORY NOTE

\$110,781.00

Peoria, AZ
September 30, 2015

THIS PROMISSORY NOTE ("Note") is made and effective as of the date hereof, by JAYHAWK ENERGY, INC., a Nevada corporation ("Payor" or the "Company"), in favor of KELLY J. STOPHER, a married man or his registered assigns (the "Payee" or the "Holder").

FOR VALUE RECEIVED, Payor promises to pay to Payee, or order, the sum of ONE HUNDRED TEN THOUSAND SEVEN HUNDRED EIGHTY-ONE AND NO/100 DOLLARS (\$110,781.00), together with interest thereon, all as hereinafter provided.

1. Definitions

When used in this Note, the following terms shall have the respective meanings specified herein or in the section referred to herein.

"BUSINESS DAY" means any day other than a Saturday, Sunday, or other day on which a bank is authorized to be closed under the laws of Idaho.

"BANKRUPTCY EVENT" means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"CHANGE OF CONTROL" means the consummation of any transaction or series of any related transactions (including without limitation, by way of merger) the result of which is that any "person" (as defined in Section 13(d) of the Exchange Act) or "group" (as defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13(d)(3) and 13(d)(5) under the Exchange Act) of more than fifty percent (50%) of the voting power of the Common Stock.

"COMMON STOCK" means the Common Stock, par value \$.001 per share, of Company, any successor class or classes of common equity (however designated) of Company into or for which such Common Stock may hereafter be converted, exchanged, or reclassified and any class or classes of common equity (however designated) of Company which may be distributed or issued with respect to such Common Stock or successor class or classes to holders thereof

generally.

“EQUITY ISSUANCE” means the issuance or sale by any Company of any Common Stock or any other shares, options, warrants, or other ownership interests (regardless of how designated) of or in any Company, or any other security or instrument convertible into, or exchangeable for, Common Stock.

“EVENT OF DEFAULT” is defined in SECTION 5 hereof.

“EXCHANGE ACT” means the Securities Exchange Act of 1934, as amended.

“INTEREST PAYMENT DATE” means the Maturity Date.

“MATURITY DATE” means November 30, 2019.

“MAXIMUM RATE” means the highest non-usurious rate of interest (if any) permitted from day to day by applicable law.

“PERSON” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, charitable foundation, unincorporated organization, government or any agency or political subdivision thereof, or any other entity.

“SEC” means the Securities and Exchange Commission and any successor thereof.

“STOCK” means all shares, options, warrants, general or limited partnership interests, membership interests, or other ownership interests (regardless of how designated) of or in a corporation, partnership, limited liability company, trust, or other entity, whether voting or nonvoting, including common stock, preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Exchange Act).

2. Interest

All sums from time to time owing hereon shall bear interest from the date hereof at the rate of five percent (5%) per annum, compounding annually.

3. Installment Payments

Payor shall make monthly payments of interest only per the payment schedule (EXHIBIT A). All monthly payments of principal and interest shall be due on the last day of each month.

From September 30, 2015 through March 31, 2016, the Payor may defer, at its sole option, payments of accrued interest. Beginning April 30, 2016, all accrued interest through that date are due and payable and Payor shall make monthly interest-only payments thereafter through September 30, 2016.

Beginning on October 31, 2016, Payor shall make 25 monthly payments of \$4,623.78.

On November 30, 2018, Payor shall make 1 payment of \$1,353.14.

4. Due Date

The entire principal balance of this Note together with any and all accrued but unpaid interest thereon shall be due and payable in full on or before November 30, 2018 ("Maturity Date").

5. Secured Obligation

The obligations of the Company under this Promissory Note are secured by: (i) all assets of the Company and its affiliates, located in the State of North Dakota

6. Events of Default

"Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of the Promissory Note or (B) interest, liquidated damages and other amounts owing to a Holder on the Promissory Note, as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within 5 Business Days;

ii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);

iv. any representation or warranty made in this Promissory Note, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;

v. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$150,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vi. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within seven Trading Days;

vii. the Company shall be a party to any Change of Control Transaction or Fundamental Transaction or shall agree to sell or dispose of all or in excess of 33% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

ix. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to Section 4(c) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Promissory Notes in accordance with the terms hereof;

x. the Company does not meet the current public information requirements under Rule 144;

xi. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than \$100,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

7. Default Interest

After maturity, or failure to make any payment, any unpaid principal shall accrue interest at the rate of eighteen percent (18%) per annum, or the maximum allowed by law, whichever is less, during such period of Payor's default under this Note. The Holder agrees to waive default interest provisions through March 31, 2016.

8. Allocation of Payments

Each payment shall be credited first to any late charge or other fees and costs then due, second to interest, and the remainder to principal.

9. Prepayment

All or any part of the principal may be prepaid, together with interest accrued thereon, at any time without premium or penalty.

10. Currency

All principal and interest payments shall be made in lawful money of the United States.

11. Late Charge

If Payee receives any installment payment more than fifteen (15) days after its due date, then a late payment charge of five percent (5%) of the delinquent amount will be added to the scheduled payment.

12. Acceleration

If the Payor fails to make any payment owed under this Note and such default is not cured with five (5) days after written notice of such default, then Payee may, at its option, declare all outstanding sums owed on this Note to be immediately due and payable.

In the event assets are contributed to Jayhawk Energy, Inc. by any party with a net book value in excess of \$2,000,000, the Promissory Note including accrued interest shall be repaid ratably over two years from the date of contribution. A new payment schedule shall be acknowledged by

Upon the Corporation and/or its affiliates successfully obtaining additional debt or equity financing in an amount of at least three million dollars (\$3,000,000.00), the Promissory Note shall be repaid ratably over two years from the date of the Separation Agreement attached as Exhibit B.

In the event of change of control of the Corporation or sale of the Corporation, the Promissory Note shall be due and payable in full at the event date.

13. Attorneys' Fees and Costs

Payor shall pay all costs incurred by Payee in collecting sums due under this Note after a default, including reasonable attorneys' fees, whether or not suit is brought. If Payor or Payee sues to enforce this Note or to obtain a declaration of its rights hereunder, the prevailing party in any such proceeding shall be entitled to recover its reasonable attorneys' fees and costs incurred in the proceeding (including those incurred in any bankruptcy proceeding or appeal) from the non-prevailing party.

14. REPRESENTATIONS AND COVENANT

(a) REPRESENTATIONS. Company represents and warrants to Holder that:

- (i) Company is duly organized and in good standing under the laws of the state of its incorporation, formation, or organization and has the power to own its property and to carry on its business in each jurisdiction in which such Company operates;
- (ii) Company has full power and authority to enter into this Promissory Note to execute and deliver the same, and to incur the obligations provided for herein, all of which have been duly authorized by all necessary action;
- (iii) this Promissory Note is the legal and binding obligation of the Company, enforceable in accordance with its respective terms;
- (iv) neither the execution and delivery of this Promissory Note, nor consummation of any of the transactions herein contemplated, nor compliance with the terms and provisions hereof, will contravene or conflict with any provision of law, statute, or regulation to which the Company is subject or any judgment, license, order, or permit applicable to the Company or any indenture, mortgage, deed of trust, or other instrument to which the Company may be subject; no consent, approval, authorization, or order of any court, governmental authority, or third party is required in connection with the execution, delivery, and performance by Company of this Promissory Note or to consummate the transactions contemplated herein;

(b) AFFIRMATIVE COVENANTS. Until payment in full of this Promissory Note, Company agrees and covenants that Company shall and shall:

- (i) conduct its business in an orderly and efficient manner consistent with good business practices and in accordance with all valid regulations, laws, and orders of any governmental authority and will act in accordance with customary industry standards in maintaining and operating its assets, properties, and investments;
- (ii) maintain complete and accurate books and records of its transactions in accordance with generally accepted accounting principles;
- (iii) furnish to Holder immediately upon becoming aware of the existence of any condition or event constituting an Event of Default or event which, with the lapse of time and/or giving of notice would constitute an Event of Default, written notice specifying the nature and period of existence thereof and any action which Company is taking or proposes to take with respect thereto.

6. NO WAIVER. No waiver by Holder of any of its rights or remedies hereunder or under any other

document evidencing or securing this Promissory Note or otherwise, shall be considered a waiver of any other subsequent right or remedy of Holder; no delay or omission in the exercise or enforcement by Holder of any rights or remedies shall ever be construed as a waiver of any right or remedy of Holder; and no exercise or enforcement of any such rights or remedies shall ever be held to exhaust any right or remedy of Holder.

7. USURY LAWS. Regardless of any provision contained in this Promissory Note, Holder shall never be deemed to have contracted for or be entitled to receive, collect, or apply as interest on this Promissory Note (whether termed interest herein or deemed to be interest by judicial determination or operation of law) any amount in excess of the Maximum Rate, and, in the event that Holder ever receives, collects, or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of this Promissory Note, and, if the principal balance of this Promissory Note is paid in full, then any remaining excess shall forthwith be paid to Company. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest Maximum Rate, Company and Holder shall, to the maximum extent permitted under applicable law, (a) characterize any non-principal payment (other than payments which are expressly designated as interest payments hereunder) as an expense or fee rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) spread the total amount of interest throughout the entire contemplated term of this Promissory Note so that the interest rate is uniform throughout such term; provided, that if this Promissory Note is paid and performed in full prior to the end of the full contemplated term hereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Rate, if any, then Holder or any holder hereof shall refund to Company the amount of such excess, or credit the amount of such excess against the aggregate unpaid principal balance of all advances made by the Holder or any holder hereof under this Promissory Note at the time in question.

15. Notices

All notices or other written communications hereunder will be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt of an electronic confirmation thereof, (ii) one Business Day after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: Jayhawk Energy, Inc.
Attn: Scott Mahoney
10119 W. Lariat Lane
Peoria, AZ 85383
Phone: (425) 442-0931
Fax: (208) 765-8520

If to Holder: Kelly J. Stopher
1407 N. River Vista
Spokane, WA 99224
Phone: (509) 939-9770
Email: kelly.stopher@comcast.net

16. Waiver of Presentments

Payor waives presentment for payment, notice of dishonor, protest and notice of protest.

17. Non-waiver

No failure or delay by Payee in exercising Payee's rights under this Note shall be a waiver of such rights.

18. Negotiable Instrument; No Partnership

Payor agrees that this Note is a negotiable instrument. Payor acknowledges that Payee will not be construed for any purpose to be a partner, joint venturer, agent or associate of Payor or of any lessee, operator, concessionaire or licensee of Payor in the conduct of its business. By execution of this Note, Payor agrees to indemnify, defend and hold Payee harmless from and against any and all damages, costs, expenses and liability that may be incurred by Payee as a result of a claim that Payee is such a partner, joint venturer, agent or associate.

19. Assignment of promissory note

This Promissory Note shall inure to the benefit of the Holder and its successors and assigns; provided, however, Holder may (with prior consent of Company, such consent not to be unreasonably withheld or delayed or such consent not to be required if Event of Default exists) assign or negotiate this Promissory Note to any Person. Payor agrees that this Note is a negotiable instrument. Payor acknowledges that Payee will not be construed for any purpose to be a partner, joint venturer, agent or associate of Payor or of any lessee, operator, concessionaire or licensee of Payor in the conduct of its business. By execution of this Note, Payor agrees to indemnify, defend and hold Payee harmless from and against any and all damages, costs, expenses and liability that may be

20. Severability

If for any reason any provision of this Note is determined by a tribunal of competent jurisdiction to be legally invalid or unenforceable, the validity of the remainder of the Note will not be affected and such provision will be deemed modified to the minimum extent necessary to make such provision consistent with applicable law and, in its modified form, such provision will then be enforceable and enforced.

21. Integration

There are no verbal or other agreements which modify or affect the terms of this Note. This Note may not be modified or amended except by written agreement signed by Payor and Payee.

22. Conflicting Terms

In the event of any conflict between the terms of this Note and the terms of any Deed of Trust or other instruments securing payment of this Note, the terms of this Note shall prevail.

23. Execution

The Payor executes this Note as a principal and not as a surety. If there is more than one Payor, each Payor shall be jointly and severally liable under this Note.

24. Commercial Property

Payor represents and warrants to Payee that the sum represented by this Note is being used for business, investment or commercial purposes, and not for personal, family or household purposes.

25. Counting of Days; Time of Essence

Except where otherwise specifically provided, any reference in this Note to a period of "days" means calendar days, not business days. Time is of the essence with respect to all provisions of this Note.

26. Governing Law; Jurisdiction

Any action brought to enforce or interpret this Note, at the option of the Payee, may be brought in Maricopa County, Arizona. This Note shall be construed in accordance with the laws of the state of Arizona.

The undersigned has duly executed this Note effective as of the date and year first written above.

JAYHAWK ENERGY, INC., a Nevada
corporation

By: 
Scott Mahoney, Chairman and CEO

Acknowledged

By: _____
Kelly J. Stopher

EXHIBIT A

JAYHAWK ENERGY, INC.

PROMISSORY NOTE-Kelly Stopher

Maturity November 30, 2018

Interest rate 5%

Default interest rate 18%

Pymt Date	Pymt	Applied to Principal	Interest	Balance	Interest only payment due
9/30/2015	0.00	0.00	0.00	110,781.00	0.00
10/31/2015	0.00	0.00	0.00	110,781.00	470.44
11/30/2015	0.00	0.00	0.00	110,781.00	455.26
12/31/2015	0.00	0.00	0.00	110,781.00	470.44
1/31/2016	0.00	0.00	0.00	110,781.00	470.44
2/28/2016	0.00	0.00	0.00	110,781.00	424.91
3/31/2016	0.00	0.00	0.00	110,781.00	485.62
4/30/2016	0.00	0.00	0.00	110,781.00	455.26
5/31/2016	0.00	0.00	0.00	110,781.00	470.44
6/30/2016	0.00	0.00	0.00	110,781.00	455.26
7/31/2016	0.00	0.00	0.00	110,781.00	470.44
8/31/2016	0.00	0.00	0.00	110,781.00	470.44
9/30/2016	0.00	0.00	0.00	110,781.00	455.26
10/31/2016	(4,623.78)	(4,153.34)	470.44	106,627.66	
11/30/2016	(4,623.78)	(4,185.59)	438.20	102,442.07	
12/31/2016	(4,623.78)	(4,188.76)	435.03	98,253.31	
1/31/2017	(4,623.78)	(4,206.54)	417.24	94,046.77	
2/28/2017	(4,623.78)	(4,263.06)	360.73	89,783.72	
3/31/2017	(4,623.78)	(4,242.51)	381.27	85,541.21	
4/30/2017	(4,623.78)	(4,272.24)	351.54	81,268.96	
5/31/2017	(4,623.78)	(4,278.67)	345.11	76,990.29	
6/30/2017	(4,623.78)	(4,307.38)	316.40	72,682.91	
7/31/2017	(4,623.78)	(4,315.13)	308.65	68,367.78	
8/31/2017	(4,623.78)	(4,333.45)	290.33	64,034.33	
9/30/2017	(4,623.78)	(4,360.63)	263.15	59,673.70	
10/31/2017	(4,623.78)	(4,370.37)	253.41	55,303.32	
11/30/2017	(4,623.78)	(4,396.51)	227.27	50,906.81	
12/31/2017	(4,623.78)	(4,407.60)	216.18	46,499.21	
1/31/2018	(4,623.78)	(4,426.32)	197.46	42,072.89	
2/28/2018	(4,623.78)	(4,462.41)	161.38	37,610.48	
3/31/2018	(4,623.78)	(4,464.07)	159.72	33,146.42	
4/30/2018	(4,623.78)	(4,487.56)	136.22	28,658.85	
5/31/2018	(4,623.78)	(4,502.08)	121.70	24,156.77	
6/30/2018	(4,623.78)	(4,524.51)	99.27	19,632.26	
7/31/2018	(4,623.78)	(4,540.41)	83.37	15,091.85	
8/31/2018	(4,623.78)	(4,559.69)	64.09	10,532.15	
9/30/2018	(4,623.78)	(4,580.50)	43.28	5,951.65	
10/31/2018	(4,623.78)	(4,598.51)	25.27	1,353.14	
11/30/2018	(1,358.70)	(1,353.14)	5.56	0.00	

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

COMMON STOCK PURCHASE WARRANT

JAYHAWK ENERGY, INC.

Warrant Shares: 94,333,678

Effective Date: October 8, 2015

Warrant Number: 2015-01

THIS COMMON STOCK PURCHASE WARRANT (the “Warrant”) certifies that, for value received, Vast Exploration, LLC (the “Holder”) is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the “Effective Date”) and on or prior to the close of business on **October 8, 2020** (the “Termination Date”) but not thereafter, to subscribe for and purchase from JayHawk Energy, Inc., a Colorado corporation (the “Company”), up to 94,333,678 shares (the “Warrant Shares”) of Common Stock at the Exercise Price **of \$0.005 per share as described below in Section 1(b)(i) (“Assumed Debts”)**.

Section 1. Exercise.

a) Exercise of Warrant. Exercise of the rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Effective Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile or electronic copy of the Notice of Exercise Form annexed hereto. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has acquired all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in acquisition of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares acquirable hereunder in an amount equal to the applicable number of Warrant Shares acquired. The Holder and the Company shall maintain records showing the number of Warrant Shares acquired and the date of such acquisitions. The Company shall deliver any objection to any Notice of Exercise Form within two (2) Business Days of receipt of such notice. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the acquisition of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for acquisition hereunder at any given time may be less than the amount stated on the face hereof.

b) Exercise Price. The Exercise Price for the Warrant Shares has been paid in advance and has been credited to the Holder and, therefore, the Holder is entitled to receive, upon any exercise hereof and subject to such exercise limitations are set forth in Section 1(d) below, the number of shares of Common Stock set forth in the Notice of Exercise delivered to the Company, by the Holder, pursuant to this Section 1. The determination of the credited Exercise Price has been made in one of two ways:

i. “Assumed Debts” Exercise Price. The Assumed Debts Exercise Price for the Warrant Shares is \$0.005 per share of Common Stock.

ii. “North Dakota Liability” Exercise Price. The North Dakota Liability Exercise Price for the Warrant Shares is \$0.0025 per share of Common Stock.

iii. “Assumed Debts” and “North Dakota Liability” shall have the meanings given in that certain Warrant Purchase Agreement.

c) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder’s prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission (“DWAC”) system if the Company is then a participant in such system and either (A) there is an effective Registration Statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is ten (10) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise Form, or (B) surrender of this Warrant (if required) (such date, the “Warrant Share Delivery Date”).

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall round up to the next whole share.

iv. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly

executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

v. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 1 or otherwise, to the extent that at the time the Notice of Exercise is delivered to the Company, by the Holder, the Company does not have a sufficient number of authorized shares of Common Stock held in treasury to deliver the shares of Common Stock issuable upon the exercise of this Warrant.

Section 2. Certain Adjustments.

a) Stock Dividends and Splits. In case the Company shall (i) pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution of shares of Common Stock on its outstanding shares of Common Stock, (ii) make a distribution on its outstanding shares of Common Stock in shares of its capital stock other than Common Stock, (iii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iv) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (v) issue, by reclassification of its shares of Common Stock, other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving entity), then the number of Warrant Shares acquirable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Warrant Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which such Warrant Holder would have owned or have been entitled to receive upon the happening of any of the events described above had such Warrant been exercised in full immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the record date for such event or, if none, immediately after the effective date of such event. Such adjustment shall be made successively whenever such an event occurs.

b) Notice to Holder.

i. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 15 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which

the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 3. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 3(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Effective Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “Warrant Register”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be (i) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provide the Company with an opinion, to the sole satisfaction of Company, that the Warrant may be transferred pursuant to an exemption from registration.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 4. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 1(c)(i).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the laws of the State of Idaho.

e) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant will have restrictions upon resale imposed by state and federal securities laws.

f) Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

g) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered to the Company's registered address in the State of Idaho or the Holder's address on file with the Company's Transfer Agent, as applicable.

h) Limitation of Liability. No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

i) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any

loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

JAYHAWK ENERGY, INC.

/s/ Scott Mahoney

By: _____

Name: Scott Mahoney

Title: Interim President/CEO

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

COMMON STOCK PURCHASE WARRANT

JAYHAWK ENERGY, INC.

Warrant Shares: 39,645,872

Effective Date: November 3, 2015

Warrant Number: 2015-02

THIS COMMON STOCK PURCHASE WARRANT (the “Warrant”) certifies that, for value received, **Vast Exploration, LLC** (the “Holder”) is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the “Effective Date”) and on or prior to the close of business on **November 3, 2020** (the “Termination Date”) but not thereafter, to subscribe for and purchase from JayHawk Energy, Inc., a Colorado corporation (the “Company”), up to **39,645,872** shares (the “Warrant Shares”) of Common Stock at the Exercise Price of **\$0.005 per share as described below in Section 1(b)(i) (“Assumed Debts”)**.

Section 1. Exercise.

a) Exercise of Warrant. Exercise of the rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Effective Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile or electronic copy of the Notice of Exercise Form annexed hereto. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has acquired all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in acquisition of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares acquirable hereunder in an amount equal to the applicable number of Warrant Shares acquired. The Holder and the Company shall maintain records showing the number of Warrant Shares acquired and the date of such acquisitions. The Company shall deliver any objection to any Notice of Exercise Form within two (2) Business Days of receipt of such notice. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the acquisition of a portion of the Warrant Shares hereunder, the number

of Warrant Shares available for acquisition hereunder at any given time may be less than the amount stated on the face hereof.

b) Exercise Price. The Exercise Price for the Warrant Shares has been paid in advance and has been credited to the Holder and, therefore, the Holder is entitled to receive, upon any exercise hereof and subject to such exercise limitations are set forth in Section 1(d) below, the number of shares of Common Stock set forth in the Notice of Exercise delivered to the Company, by the Holder, pursuant to this Section 1. The determination of the credited Exercise Price has been made in one of two ways:

i. “Assumed Debts” Exercise Price. The Assumed Debts Exercise Price for the Warrant Shares is \$0.005 per share of Common Stock.

ii. “North Dakota Liability” Exercise Price. The North Dakota Liability Exercise Price for the Warrant Shares is \$0.0025 per share of Common Stock.

iii. “Assumed Debts” and “North Dakota Liability” shall have the meanings given in that certain Warrant Purchase Agreement.

c) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder’s prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission (“DWAC”) system if the Company is then a participant in such system and either (A) there is an effective Registration Statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is ten (10) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise Form, or (B) surrender of this Warrant (if required) (such date, the “Warrant Share Delivery Date”).

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall round up to the next whole share.

iv. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be

issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

v. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 1 or otherwise, to the extent that at the time the Notice of Exercise is delivered to the Company, by the Holder, the Company does not have a sufficient number of authorized shares of Common Stock held in treasury to deliver the shares of Common Stock issuable upon the exercise of this Warrant.

Section 2. Certain Adjustments.

a) Stock Dividends and Splits. In case the Company shall (i) pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution of shares of Common Stock on its outstanding shares of Common Stock, (ii) make a distribution on its outstanding shares of Common Stock in shares of its capital stock other than Common Stock, (iii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iv) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (v) issue, by reclassification of its shares of Common Stock, other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving entity), then the number of Warrant Shares acquirable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Warrant Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which such Warrant Holder would have owned or have been entitled to receive upon the happening of any of the events described above had such Warrant been exercised in full immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the record date for such event or, if none, immediately after the effective date of such event. Such adjustment shall be made successively whenever such an event occurs.

b) Notice to Holder.

i. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 15 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on

which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 3. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 3(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Effective Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “Warrant Register”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be (i) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provide the Company with an opinion, to the sole

satisfaction of Company, that the Warrant may be transferred pursuant to an exemption from registration.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 4. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 1(c)(i).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the laws of the State of Idaho.

e) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant will have restrictions upon resale imposed by state and federal securities laws.

f) Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

g) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered to the Company's registered address in the State of Idaho or the Holder's address on file with the Company's Transfer Agent, as applicable.

h) Limitation of Liability. No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

i) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

JAYHAWK ENERGY, INC.

/s/ Scott Mahoney

By: _____

Name: Scott Mahoney

Title: Interim CEO

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Scott Mahoney, Chief Executive Officer of JayHawk Energy, Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of JayHawk Energy, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d- 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 28, 2016

/s/ Scott Mahoney

Scott Mahoney
Chief Executive Officer

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Scott Mahoney, Chief Financial Officer of JayHawk Energy, Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of JayHawk Energy, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d- 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 28, 2016

/s/ Scott Mahoney

Scott Mahoney
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of JayHawk Energy, Inc. (the “Company”) for the year ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I Scott Mahoney, as Chief Executive Officer of the Company, certify, pursuant to and solely for the purpose of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) The Report fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 28, 2016

/s/ Scott Mahoney

Scott Mahoney
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of JayHawk Energy, Inc. (the “Company”) for the year ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I Scott Mahoney, as Chief Financial Officer of the Company, certify, pursuant to and solely for the purpose of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) The Report fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 28, 2016

/s/ Scott Mahoney

Scott Mahoney
Chief Financial Officer