

# *Millennium Energy Corp.*

*Financial Statements as of September 30, 2016 and December 31,  
2015 and for the Three and Nine Months Ended September 30, 2016  
and 2015*

Millennium Energy Corp.

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**MILLENNIUM ENERGY CORP.**  
**BALANCE SHEETS**  
**September 30, 2016 and December 31, 2015**

**ASSETS**

	September 30, 2016	December 31, 2015
<b>CURRENT ASSETS:</b>		
Cash	\$ 345	\$ 7,518
Deposit on acquisition	503,600	503,600
Prepaid expenses	<u>25,000</u>	<u>700,000</u>
 Total Current Assets	 <u>528,945</u>	 <u>1,211,118</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Oil and natural gas properties (successful efforts method)	<u>-</u>	<u>-</u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 528,945</b></u>	 <u><b>\$ 1,211,118</b></u>

**LIABILITIES AND STOCKHOLDERS' (DEFICIT)**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 9,862	\$ 13,090
Accounts payable and accrued expenses-Related parties	5,157,203	2,793,227
Notes payable -Related parties	<u>149,074</u>	<u>144,574</u>
 Total Current Liabilities	 <u>5,316,139</u>	 <u>2,950,891</u>
 <b>LONG TERM LIABILITIES</b>		
Asset retirement obligation	<u>-</u>	<u>-</u>
 <b>TOTAL LIABILITIES</b>	 <u>5,316,139</u>	 <u>2,950,891</u>
 <b>STOCKHOLDERS' (DEFICIT):</b>		
Preferred stock, Class A		
5,000,000 shares authorized, \$.0001 par value, 1,000,000 shares issued and outstanding at September 30, 2016 and December 31, 2015	100	100
Common stock, \$.001 par value; 883,000,000 shares authorized; 372,654,112 shares issued and outstanding at September 30, 2016 and December 31, 2015	372,654	372,654
Additional paid-in capital	37,175,738	37,175,738
Retained (deficit)	<u>(42,335,686)</u>	<u>(39,288,265)</u>
 Total Stockholders' (Deficit)	 <u>(4,787,194)</u>	 <u>(1,739,773)</u>
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>	 <u><b>\$ 528,945</b></u>	 <u><b>\$ 1,211,118</b></u>

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

**MILLENNIUM ENERGY CORP.**  
**STATEMENTS OF OPERATIONS**  
For the Three Months and Nine Months Ended September 30, 2016 and 2015

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
EXPENSES:				
General and administrative expenses	924,389	786,800	2,982,084	3,645,361
TOTAL OPERATING EXPENSES	924,389	786,800	2,982,084	3,645,361
NET OPERATING (LOSS)	(924,389)	(786,800)	(2,982,084)	(3,645,361)
OTHER (EXPENSE)				
Interest expense	(23,175)	(17,116)	(65,337)	(50,565)
TOTAL OTHER (EXPENSE)	(23,175)	(17,116)	(65,337)	(50,565)
NET (LOSS)	\$ (947,564)	\$ (803,916)	\$ (3,047,421)	\$ (3,695,926)
EARNINGS (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING- BASIC AND DILUTED	372,654,112	359,118,112	372,654,112	345,088,808

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

**MILLENNIUM ENERGY CORP.**  
**STATEMENT OF STOCKHOLDERS' (DEFICIT)**  
**For the Nine Months Ended September 30, 2016**

	Preferred Stock		Capital Stock		Additional Paid-in Capital	Accumulated (Deficit)	Net Stockholders' (Deficit)
	Shares	Amount	Shares	Amount			
BALANCE, January 1, 2016	1,000,000	\$ 100	372,654,112	\$ 372,654	\$ 37,175,738	\$(39,288,265)	\$ (1,739,773)
Net loss for the nine months ended September 30, 2016	-	-	-	-	-	(3,047,421)	(3,047,421)
BALANCE, September 30, 2016	1,000,000	\$ 100	372,654,112	\$ 372,654	\$ 37,175,738	\$(42,335,686)	\$ (4,787,194)

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

**MILLENNIUM ENERGY CORP.**  
**STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2016 and 2015**

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) from operations	\$ (3,047,421)	\$ (3,695,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of prepaid services	675,000	75,000
Issuance of shares for services	-	1,200,000
Changes in assets and liabilities:		
Increase in accounts payable and accrued expenses	<u>2,360,748</u>	<u>2,416,426</u>
Net cash provided/(used) by operating activities	<u>(11,673)</u>	<u>(4,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	<u>4,500</u>	<u>4,500</u>
Net cash provided by financing activities	<u>4,500</u>	<u>4,500</u>
Net Increase in cash	(7,173)	-
CASH AT BEGINNING PERIOD	<u>7,518</u>	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 345</u>	<u>\$ -</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest expense	<u>\$ -</u>	<u>\$ -</u>
NON-CASH TRANSACTIONS		
Shares issued for consulting services	<u>\$ -</u>	<u>\$ 1,200,000</u>
Shares issued for land for development	<u>\$ -</u>	<u>\$ 2,800,000</u>

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

**MILLENNIUM ENERGY CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016 and December 31, 2015**

**NOTE 1 – Organization, History and Business Activity**

Millennium Energy Corp. (the “Company”) was incorporated under the laws of the State of Nevada on February 16, 2001. The company was administratively abandoned and reinstated in September 2010 through a court appointed guardian-custodian. The Company is, as defined by Statement of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915, *Development Stage Entities*. The Company's principal business is to seek and find business activities that it can finance and merge. It has yet to commence full-scale operations and it continues to develop its planned principal operations.

During 2016 and 2015, the Company acquired various interests in oil and natural gas properties, joint ventures, land held for development and other equity interests. The Company may enter into operations through these various businesses, but the Company has impaired its investment into these equity investments until the Company obtains the capital required to fully enter into the proposed business activities.

The Company will from time to time sell or otherwise dispose of its interest in oil and natural gas properties and other ventures as part of the normal course of business. See Subsequent Events for the current plan of operations and business activities.

**NOTE 2 - Significant Accounting Policies**

This summary of significant accounting policies of Millennium Energy Corp. (the “Company”) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Concentration of Risk***

The Company places its cash and temporary cash investments with established financial institutions.

**Concentrations of Market Risk**

The results of the Company's oil and natural gas operations are impacted by the market prices of oil and natural gas. The availability of a ready market for crude

oil, natural gas and liquid products in the future depends on numerous factors beyond the Company's control, including weather, imports, proximity and capacity of oil and gas pipelines and other transportation facilities, any oversupply or undersupply of oil, gas and liquid products, the regulatory environment, the economic environment, and other regional and political events, none of which can be predicted with certainty.

The Company did not have any credit losses on the sale of oil, natural gas, natural gas liquids or hedging contracts.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

### ***Accounts Receivable***

Trade receivables are recognized and carried at the original invoice amount less allowance for any un-collectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. There were no bad debts for the six months ended June 30, 2016.

### ***Oil and Natural Gas Properties***

The Company uses the successful efforts method of accounting for its oil and natural gas properties. Costs incurred by the Company related to the acquisition of oil and natural gas properties and the cost of drilling successful wells are capitalized. Costs incurred to maintain wells and related equipment and lease and well operating costs are charged to expense as incurred. Gains and losses arising from sales of properties are included in income. Unproved properties are assessed periodically for possible impairment. The Company had \$0 of non-producing properties as of September 30, 2016 and December 31, 2015, respectively.

Capitalized amounts attributable to oil and natural gas properties are depleted by the unit-of-production method. Depreciation and depletion expense for oil and natural gas producing property and related equipment was \$0 for the nine months ended September 30, 2016 and the year ended December 31, 2015, respectively.

Capitalized costs are evaluated for impairment based on an analysis of undiscounted future net cash flows in accordance with ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*. If impairment is indicated, the asset is written down to its estimated fair value based on expected future discounted cash flows. *See Note 4* for additional information regarding the oil and gas properties.



## **Environmental Costs**

The Company is engaged in oil and natural gas exploration and production and may become subject to certain liabilities as they relate to environmental cleanup of well sites or other environmental restoration procedures as they relate to the drilling of oil and natural gas wells and the operation thereof. In the Company's acquisition of existing or previously drilled well bores, the Company may not be aware of what environmental safeguards were taken at the time such wells were drilled or during such time the wells were operated. Should it be determined that a liability exists with respect to any environmental cleanup or restoration, the liability to cure such a violation could fall upon the Company. No claim has been made, nor is the Company aware of any liability, which the Company may have, as it relates to any environmental cleanup, restoration or the violation of any rules or regulations relating thereto.

## **Asset Retirement Obligations**

The Company accounts for asset retirement obligations in accordance with ASC 410-20, *Asset Retirement Obligations*. The asset retirement obligations represent the estimated present value of the amounts expected to be incurred to plug, abandon, and re-mediate the producing properties at the end of their productive lives, in accordance with state laws, as well as the estimated costs associated with the reclamation of the surrounding property. The Company determines the asset retirement obligations by calculating the present value of estimated cash flows related to the liability. The asset retirement obligations are recorded as a liability at the estimated present value as of the asset's inception, with an offsetting increase to producing properties. The Company recorded a liability of \$0 as of September 30, 2016 and December 31, 2015.

The estimated liability is determined using significant assumptions, including current estimates of plugging and abandonment costs, annual inflation of these costs, the productive lives of wells, and a risk-adjusted interest rate. Changes in any of these assumptions can result in significant revisions to the estimated asset retirement obligations. Revisions to the asset retirement obligations are recorded with an offsetting change to producing properties, resulting in prospective changes to depletion and depreciation expense and accretion of the discount. Because of the subjectivity of assumptions and the relatively long lives of most of the wells, the costs to ultimately retire the Company's wells may vary significantly from prior estimates.

## **Accounting for the Impairment of Long-Lived Assets**

The Company accounts for the impairment of long-lived assets in accordance ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to

the undiscounted cash flow that the asset or asset group is expected to generate. If such assets or asset groups are considered to be impaired, the loss recognized is the amount by which the carrying amount of the property, if any, exceeds its fair market value.

The Company determined that there was an impairment of all of its long-lived assets for the year ended December 31, 2014 in the total amount of \$28,000,000. The various reasons for these impairments was the Company abandoned its interest in certain oil and gas properties, certain investments were made that the Company has to seek additional financing and capital which certain commitments have yet to be obtained, the Company has not obtained certain appraisals, reserve reports and other financial information needed to accurately value these investments and the tradability of Company's securities cannot be relied upon due to limited trading of its common stock in the marketplace.

The Company decided to impair the land it holds for development for the year ended December 31, 2015 in the total amount of \$2,800,000. The Company has yet to secure clear title to the property and it hasn't obtained the additional financing and other commitments to develop the property and carry on the expected activities related to the property development.

### ***Fair Value of Financial Instruments***

Effective January 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, Pre Codification SFAS No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also expands disclosures about instruments measured at fair value and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices for identical assets and liabilities in active markets;  
Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and  
Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1. The total amount of the Company's investment classified as Level 3 is de minimis.

The fair value of the Company's debt as of September 30, 2016 and December 31, 2015 approximated fair value at those times.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, short-term investments, accounts payable, accrued expenses and notes payables approximated fair value as of September 30, 2016 and December 31, 2015, because of the relative short term nature of these instruments. At September 30, 2016 and December 31, 2015, the fair value of the Company's debt approximates carrying value.

### **Stock-based Compensation**

The Company records stock-based compensation in accordance with ASC 718, *Compensation - Stock Based Compensation* and ASC 505, *Equity Based Payments to Non-Employees*, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based awards made to employees and directors, including stock options.

ASC 718 requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option-pricing model as its method of determining fair value. This model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the statement of operations over the requisite service period.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

### **Revenue Recognition**

The Company recognizes revenue in accordance with the ASC 605-10, which states that revenues are generally recognized when it is realized and earned. Specifically, the Company recognizes revenue when services are performed and projects are completed and accepted by the customer.

Revenues from sales of crude oil and natural gas products are recorded when deliveries have occurred and legal ownership of the commodity transfers to the purchaser. Revenues from the production of oil and natural gas properties in which the Company shares an undivided interest with other producers are recognized based on the actual volumes sold by the Company during the period.

The Company recognizes gains or losses from the sales of its interests in oil and natural gas properties as title passes to the buyer. These amounts are recognized as income from asset sales, net.

### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ materially from those estimates.

### ***Income Taxes***

The Company accounts for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Company's balance sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. Changes in the Company's valuation allowance in a period are recorded through the income tax provision on the consolidated statements of operations.

On January 1, 2007, the Company adopted ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, the Company recognized no material adjustment in the liability for unrecognized income tax benefits.

### ***Segments***

The Company operated in three business segments, namely the drilling and development of oil and gas properties, acquisition of land for future development and the acquisition of businesses in the energy business.

### ***Loss Per Share***

The Company is required to provide basic and dilutive earnings (loss) per common share information.

The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the nine months ended September 30, 2016 and the year ended December 31, 2015, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

### ***Recent Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

### ***Reclassifications***

Certain amounts have been reclassified and represented to conform to the current financial statement presentation.

### ***NOTE 3 – Financial Condition and Going Concern***

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of \$42,335,686 through September 30, 2016. These factors raise substantial doubt as to its ability to obtain debt and/or equity financing and achieve profitable operations.

Management intends to raise additional operating funds through equity and/or debt offerings. However, there can be no assurance management will be

successful in its endeavors. Ultimately, the Company will need to achieve profitable operations in order to continue as a going concern.

There are no assurances that Millennium Energy Corp. will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support its working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to Millennium Energy Corp. If adequate working capital is not available Millennium Energy Corp. may be required to curtail its operations.

***NOTE 4 – Investment in Avis Energy Global Holdings Inc.***

The Company exchanged 100,000,000 shares of its common stock for a five percent interest in the shares of common stock of Avis Energy Global Holdings Inc. and a Joint Venture agreement to construct and operate Waste to Energy Plants utilizing the patented technology of Avis Energy Holdings Inc. The value assigned to these shares was \$10,000,000. However, the Company has impaired this investment due to the lack of the valuation of this investment and the lack of any financial commitments to fund the joint venture.

***NOTE 5 - Oil and Natural Gas Properties***

The Company has the following oil and natural gas properties:

	January 1,			September
	2016	Additions	Dispositions	30, 2016
Oil and gas property:				
Tucumcari Exploration	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0

**New Mexico Properties**

**Tucumcari Exploration Properties**

On March 10, 2014, the Company acquired a 85% Working Interest (“WT”), which is a 85% Net Revenue Interest (“NRI”) in the Tucumacari Exploration Properties (“TEP”) and related properties for 80,000,000 common shares valued at \$8,000,000 based on an independent appraisal. The Company due to the depressed gas prices has decided to abandon these properties and impaired its investment in these properties at December 31, 2014.

## **Westoil LLC Properties**

The Company signed an agreement for the formation of a joint venture with Westoil LLC, a Russian Corporation, on two Oil Exploration Blocks covering 465 sq Kilometers and 85 sq kilometers located in the Sakhalin Region, Russian Federation:

The Vazinski License block's surface area is equal to 465 square kilometers and is licensed by Ministry of Natural Resources Russian Federation, Sakhalin Region, Nogliksk District license number YUSKH - OII78 -NR granted on December 29, 2010 valid until January 1, 2036.

The territory of Vazinski licensed area is located at the Nogliki District of Sakhalin Island, Federal Republic of Russia; it is located 40 km to the south - south-west of the regional center of the district of Nogliki settlement. The site is located between two rivers called the Vazi River and the Nabil River. The topography relief of the area is mainly hilly and steeply sloping. The absolute levels range between 20 meters and 120 meters. It has been reported that the local government geological survey estimates of oil and gas for the license region are between 7.5 and 8.370 million tons of oil and gas equivalent. However the company will not adopt these estimates, the entire area will have to be 3 d seismic mapped and several wells will need to be drilled in order to accurately confirm the size of the oil and gas reserves in the license area and this process is anticipated to take two to three years to complete. There can be no assurance of the results of the test wells until the wells have been drilled and the data recording the actual geological reserves recorded.

The Verhoturovski License block's surface area is equal to 85 square kilometers and is licensed by Ministry of Natural Resources Russian Federation, Sakhalin Region, Nogliksk District, license number YUSKH - OII79 -NR granted on December 2, 2010 valid until January 1, 2036.

The territory of Verhoturovski licensed area is located in the Okha Administrative Region of Sakhalin Island, Federal Republic of Russia. The site is located on the coastal land of Piltun Bay in the Northern part. The relief is hilly with an altitude in the northern part up to 50 meters and in its western part between 25 and 60 meters, forest cover of the territory is estimated at 80%. It has been reported that the local government geological surveys have estimates of oil and gas for the Southern region of the license area are estimated at up to 13 million tons of oil and gas equivalent and up to 428 million tons of oil and gas equivalent in the Northern region of the license area. However the company will not adopt these estimates, the entire area will have to be 3 d seismic mapped and several wells will need to be drilled in order to accurately confirm the size of the oil and gas reserves in the license area and this process is anticipated to take two to three years to complete. There can be no assurance of the results of the test wells until the wells have been drilled and the data recording the actual geological reserves recorded.

There exists a well developed oil and gas infrastructure in close vicinity to the license areas and a well developed network of pipelines and gathering systems that are available to transport oil and gas in the region that has seen large foreign investment by consortiums of international oil companies led by Exxon & Neftegaz in Sakhalin 1 project and by a Shell led consortium in Sakhalin 2, together the energy companies have according to numerous media reports invested over \$20 billion dollars in the Sakhalin Island Natural gas projects turning it into one of the largest Natural gas production regions in the world.

Russian oil production, currently at 10.55 million barrels per day is one of the world's largest, but Sanctions on export of USA oil technology could derail future foreign investment in Russia's oil industry. Russia is home to the largest combined oil and gas reserves in the world.

#### Commercial Terms:

In consideration of the contribution of the two exploration licenses to the Millennium Energy Corp/ Westoil LLC joint venture, the company issued to Westoil LLC, 50 million common shares valued at \$.10 per share and issued an additional 50 million shares valued at \$.10 per share in connection with the financing of the joint venture.

Millennium has proposed to arrange a debt financing to finance the works relating to the pre development including the completion of the 3 d seismic mapping of the prospective areas and the exploration and drilling of 5 oil wells in the two license areas in Sakhalin Region of the Russian Federation. The exploration budget will be mutually agreed and prepared by the management of Westoil LLC and the Company.

The Company and Westoil LLC are working on formal agreements to give effect to the transactions and anticipate completing these operating and financing agreements.

The Company has impaired the investment in this agreement due to the lack of an enterprise valuation of this transaction, the lack of any audited reserve reports-developed or undeveloped and the lack of any commitments as to the funding for the development of the project in the amount of \$10,000,000.

#### ***NOTE 6 – Land Held for Development***

Land held for development includes the initial cost of acquisition of the land and all subsequent capitalized construction and development costs.

Construction and development costs include all expenditures incurred in readying certain construction and development related assets of the Company for their intended use. These expenditures consist of direct costs such as land, financing costs and interest, legal fees, consulting fees, surveying, engineering and architects, contractors, real estate taxes, permits, licenses and fees, insurance,



photos, copies, printing, general and administrative and sales and marketing costs.

Interest costs are capitalized during the capitalization period, which commences when i) expenditures for the asset have been made, ii) activities that are necessary to get the asset ready for its intended use are in progress, and iii) interest cost is being incurred, and continues as long as these three conditions are present. The amount capitalized in an accounting period shall be determined by applying an interest rate(s) ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates is based on the rates applicable to borrowings, both directly and indirectly associated with the subject asset, outstanding during the period.

Millennium Energy Corp. acquired 100 % of Reseva Quepos LLC on March 23, 2015, LC, a Delaware LLC, that owns a 50 Acre Development Parcel of Oceanfront land, which is zoned and approved for 1,100 Residential Vacation Units on the beachfront in Costa Rica. The company plans to develop and market these units in a Joint Venture with one of the world's leading Vacation Ownership Resort Developer and Marketers. The Company gave 40,000,000 shares of its common stock for the acquisition and valued it at \$2,800,000, which was the value of the acquisition to the LLC.

The Company originally acquired 100% of the LLC to then transfer clear title to it to obtain the financing to then develop the property as described above.

The Company has yet to obtain the clear title and it has impaired the \$2,800,000 valued as consideration for acquiring the LLC.

#### ***NOTE 7 – Deposit on acquisition***

The Company issued 5,036,000 shares of its common stock pursuant to a fee agreement for a letter of intent to acquire Asprey Consolidated Limited. The Company is still negotiating the final terms for the acquisition of the Company.

#### ***NOTE 8 – Income Taxes***

Effective January 1, 2007, we adopted the provisions of ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740-10 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. The application of income tax law is inherently complex. Laws and regulation in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding the income tax exposures. Interpretations

and guidance surrounding income tax laws and regulations change over time. As such, changes in the subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and statements of income.

At the adoption date of January 1, 2007, we had no unrecognized tax benefit, which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit during the nine months ended September 30, 2016.

We classify interest and penalties arising from the underpayment of income taxes in the statement of income under general and administrative expenses. As of September 30, 2016, we had no accrued interest or penalties related to uncertain tax positions. The tax years 2015, 2014 and 2013 federal return remains open to examination.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The components of deferred income tax assets (liabilities) at September 30, 2016, were as follows:

	Balance	Rate	Tax
Federal loss carryforward (expires through 2036)	\$ 38,129,905	34%	\$ 12,964,168
Valuation allowance			(12,964,168)
Deferred tax asset			<u>\$ -</u>

At September 30, 2016, Millennium Energy Corp. had an a net operating loss carry forward for Federal income tax purposes totaling approximately \$38,129,905 which, if not utilized, will expire in the year 2036.

The following table summarizes the Company's net operating loss carry forwards:

<u>Amount</u>	<u>Expires</u>
\$ 15,409	2030
82,663	2031
108,374	2032
41,377	2033
30,851,317	2034
3,983,344	2035

***NOTE 9 – Note Payable***

The Company has a convertible promissory note at September 30, 2016 in the amount of \$149,074. The note is unsecured and has an interest rate of 24% on the face amount of the note. The note was due December 31, 2012 and demand for payment has not been made.

The note can be converted into common stock of the Company at \$0.0001 per share.

The Company has accrued \$254,220 of interest on the above note at September 30, 2016.

This note is currently being renegotiated.

Additionally, the Company signed a demand note in the amount of \$114,560 for advances made to pay certain vendors. The note carries an interest rate of 5% and has \$6,130 of accrued interest at September 30, 2016

***NOTE 10 – Capital Changes***

**Common Stock**

The Company issued 24,410 shares of its common stock in 2011 at \$.91 per share for services.

The Company issued 65,791 shares of its common stock in 2012 at \$1.00 per share for services.

The Company issued 80,000,000 shares of its common stock in 2014 at \$.10 per share for oil and gas interests.

The Company issued 2,000,000 shares of its common stock in 2014 at \$.10 per share for services.

The Company issued 100,000,000 shares of its common stock in 2014 at \$.10 per share for the Westoil LLC venture.

The Company issued 100,000,000 shares of its common stock in 2014 at \$.10 per share for the investment in the Avis Energy Global Holdings Inc. joint venture and equity interest.

The Company issued 25,000,000 shares of its common stock in 2014 at \$.10 per share to various consultants for services.

The Company issued 12,000,000 shares of its common stock in the quarter ended March 31, 2015 at \$.10 per share to various consultants for services.

The Company issued 40,000,000 shares of its common stock in the quarter ended March 31, 2015 for land held for development based on a value capitalized of \$2,800,000, which was the transferor's basis.

The Company issued 8,500,000 shares of its common stock in 2015 at \$.10 per share to various consultants for services.

The Company issued 5,036,000 shares of its common stock in 2015 at \$.10 per share for a deposit on the acquisition of Asprey Consolidated.

***NOTE 11 – Restructure and Amendment of the Articles of Incorporation***

**Restructure**

The Company on May 23, 2011 amended its' articles of incorporation as follows

- 1 Authorized an increase in common shares to 888,000,000 shares whereby 883,000,000 will be common shares at \$.001 par value and 5,000,000 will be preferred shares at \$.0001 par value.

On February 21, 2014, the Company amended its Articles of Incorporation as follows:

1. The Company changed its name to Millennium Energy Corp.
2. The Company reverse split its common stock on a ratio of one share for every five hundred shares held.

***NOTE 12 – Preferred Stock***

The Company has one designation of its Preferred Stock on September 30, 2010-

Class A-\$.0001 par value, 1,000,000 shares designated. It was further resolved that one share of the Convertible Preferred Series A Stock shall be convertible into one thousand shares of common stock. Additionally, the Convertible Preferred Series A Stock shall be entitled to one thousand votes per share on any and all matters voted upon by the Corporation's Common Stock.

One million shares have been issued as of September 30, 2016.

***NOTE 13 – Subsequent and Other Material Events***

The Company has approved the issuance of 50,000,000 common shares of the company through a private placement at \$5.00 per share.

On October 31, 2016, the Company announced an agreement for the acquisition of a Strategic stake of Steelite Wind Private Limited Mumbai India. The Company agreed to subscribe for a 10% interest in Steelite Wind Private Limited's Convertible Debenture by issuing 12,500,000 newly issued common shares of Millennium Energy Corporation.

**NOTE 14 - Supplemental Information on Oil and Gas Data**

The following tables set forth supplementary disclosures for the Company's oil and gas producing activities in accordance with ASC 932, *Disclosures about Oil and Gas Producing Activities*.

**Capitalized Costs Relating to Oil and Gas Producing Activities:**

	September 30, <u>2016</u>	December 31, <u>2015</u>
Capitalized Costs:		
Oil & gas properties	<u>0</u>	<u>0</u>
Total Capitalized Costs	0	0
Less:		
Accumulated depreciation, depletion, amortization, and valuation allowance	<u>0</u>	<u>0</u>
Net Capitalized Costs	<u>\$ 0</u>	<u>\$ 0</u>

**Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities:**

	September 30, <u>2016</u>	December 31, <u>2015</u>
Costs Incurred:		
Acquisition of properties	\$ 0	\$ 0
Drilling and Completion Development	<u>0</u>	<u>50,000</u>
Total Costs Incurred	<u>\$ 0</u>	<u>\$ 50,000</u>

# Results of Operations from Oil and Gas Producing Activities:

	September 30, <u>2016</u>	December 31, <u>2015</u>
Revenues from Oil and Gas Producing Activity:	\$ 0	\$ 0
Revenue		
Distributions	<u>0</u>	<u>0</u>
Net Revenues from Producing Activities	0	0
Production Costs	0	0
Exploration Expenses	0	0
Depreciation, depletion, amortization, & valuation allowance	<u>0</u>	<u>0</u>
Pretax Income from Producing Activities	0	0
Income tax expenses/estimated loss carry forward benefit	<u>0</u>	<u>0</u>
Results of oil and gas producing activities	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>