MILLENNIUM PRIME, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Financial Statements

For the Three Months Ended December 31, 2016 and 2015

MILLENNIUM PRIME, INC. AND SUBSIDIARY

Table of Contents

MILLENNIUM PRIME, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Balance Sheets

	December 31, 2016	September 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 49	$ 67
Accounts receivable, net	118,531	118,215
Total Current Assets	118,580	118,282
Initial contribution to joint venture	11,745	11,745
Intangible assets, net	2,750	2,750
TOTAL ASSETS	$ 133,075	$ 132,777
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,108	$ 1,108
Accrued interest	286,090	277,090
Settlement payable	42,056	41,615
Convertible notes, net	1,380,150	1,352,911
Loans payable	660,000	660,000
Loans payable - related parties	12,791	12,701
Total Current Liabilities	2,382,195	2,345,425
TOTAL LIABILITIES	2,382,195	2,345,425
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, $1.00 par value, 10,000,000 shares authorized; 500,000 and 500,000 shares issued and outstanding, respectively	500,000	500,000
Common stock, $0.0001 par value, 1,000,000,000 shares authorized; 630,590,042 and 630,590,042 shares issued and outstanding, respectively	63,059	63,059
Additional paid-in capital	51,686,113	51,686,113
Accumulated deficit	(54,498,292)	(54,461,820)
TOTAL STOCKHOLDERS' DEFICIT	(2,249,120)	(2,212,648)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 133,075	$ 132,777

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

MILLENNIUM PRIME, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended December 31,	
	2016	**2015**
NET REVENUES:		
Revenues, net	$ 316	$ -
TOTAL NET REVENUES	316	-
COST OF GOODS SOLD:		
Cost of goods sold	-	19,777
TOTAL COST OF GOODS SOLD	-	19,777
GROSS PROFIT (LOSS)	316	(19,777)
OPERATING EXPENSES:		
General and administrative expenses	108	182
TOTAL OPERATING EXPENSES	108	182
LOSS FROM OPERATIONS	208	(19,959)
OTHER INCOME (EXPENSE):		
Interest expense	(36,680)	(34,592)
Other income	-	19,148
TOTAL OTHER INCOME (EXPENSE)	(36,680)	(15,444)
NET LOSS	$ (36,472)	$ (35,403)
NET LOSS PER COMMON SHARE:		
Basic and diluted	$ 0.00	$ 0.00
NET LOSS PER SHARE - BASIC AND DILUTED	$ 0.00	$ 0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic and diluted	630,590,042	307,951,949

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

MILLENNIUM PRIME, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statements of Cash Flows

	Three Months Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (36,472)	$ (35,403)
Adjustment to reconcile change in net loss to net cash used in operating activities:		
Compounded interest on Quest Notes	27,239	25,151
Changes in operating assets and liabilities:		
Accounts receivable	(316)	(19,148)
Inventory	-	19,777
Accounts payable and accrued expenses	-	(238)
Accrued interest	9,000	9,000
Settlement payable	441	441
NET CASH USED IN OPERATING ACTIVITIES	(108)	(420)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable - related parties	-	369
Principal payments towards loans payable - related parties	90	220
NET CASH PROVIDED BY FINANCING ACTIVITIES	90	589
Net (decrease) increase in cash	(18)	169
Cash, beginning of year	67	-
Cash, end of period	$ 49	$ 169
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

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

NOTE 1 – ORGANIZATION

Millennium Prime, Inc. ("Millennium") is a Delaware corporation that develops "Superior Lifestyle Innovations for the Millennial Generation". Millennium's focus is on marketing products for the beverage, apparel and entertainment categories where it can achieve a clear and authentic market position.

In September 2010, Millennium completed the acquisition of Bong Spirit Imports, LLC ("BSI") a Florida Limited Liability Corporation (collectively, the "Company") pursuant to which Millennium acquired 100% of the membership interests from the equity owners of BSI, as well as settlement of certain debts, in exchange for 60,000,000 shares of Millennium's common stock. BSI is an importer and distributor of alcohol products including Bong Spirit's Super Premium Vodka® from Holland. BSI has its headquarters in Florida and the spirit distillation and bottling of its proprietary vodka formula occurs in the Netherlands.

Interim Financial Statements

These unaudited condensed consolidated financial statements as of and for the three months ended December 31, 2016 and 2015 reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's financial statements and notes thereto for the years ended September 30, 2016 and 2015. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited consolidated financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the three months ended December 31, 2016 are not necessarily indicative of results for the entire year ending September 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The unaudited condensed consolidated financial statements include the accounts of Millennium Prime, Inc. and its subsidiary, Bong Spirits Import, LLC. Intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reporting of assets and liabilities as of the dates of the financial statements and revenues and expenses during the reporting period. These estimates primarily relate to the sales recognition, allowance for doubtful accounts, inventory obsolescence and asset valuations. Actual results could differ from these estimates. Management's estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the unaudited condensed consolidated financial statements in the periods they are determined to be necessary.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles ("GAAP") requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs 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 included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities 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.

NEW ACCOUNTING PRONOUNCEMENTS

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's financial position, results of operations or cash flows.

ADVERTISING

Advertising is expensed as incurred and is included in selling costs on the accompanying statements of operations. Advertising and marketing expense for the three months ended December 31, 2016 and 2015 was $0 and $0, respectively.

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer’s historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At December 31, 2016 and September 30, 2016, the Company has established, based on a review of its outstanding balances, that no allowance is necessary.

CASH AND CASH EQUIVALENTS

The Company considers highly liquid investments with original maturities of three months or less when purchased as cash equivalents. The Company had no cash equivalents as of December 31, 2016 and September 30, 2016. At times throughout the year, the Company might maintain bank balances that may exceed Federal Deposit Insurance Corporation insured limits. Periodically, the Company evaluates the credit worthiness of the financial institutions, and has not experienced any losses in such accounts. At December 31, 2016 and September 30, 2016, the Company had $0 over the insurable limit.

CONVERTIBLE INSTRUMENTS

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging* (“ASC 815”).

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as freestanding derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of “Conventional Convertible Debt Instrument”.

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815 provides that, among other things, generally, if an event is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

FOREIGN CURRENCY

Monetary assets and liabilities of the Company's foreign operations are translated into U.S. dollars at period-end exchange rates. Non-monetary assets and liabilities are translated at historical rates. Net exchange gains or losses resulting from such translation are excluded from net loss but are included in comprehensive income and accumulated in a separate component of stockholders' equity. Income and expenses are translated at weighted average exchange rates for the period. Foreign currency transactions denominated in a currency other than the US Dollar, which is the Company’s functional currency, are included in determining net income for the period.

INVENTORY

Inventory is stated at the lower of cost or market value using the FIFO method. Inventory consists primarily of only finished goods, which represents the final product ready for sale. A periodic inventory system is maintained by 100% count. Inventory is replaced periodically to maintain the optimum stock on hand available for immediate shipment.

INCOME TAXES

Millennium, along with its consolidated subsidiary, is deemed a corporation and thus is a taxable entity. Bong is not subject to Federal and State income taxes, as it is a limited liability company. Each member was responsible for the tax liability, if any, related to its proportionate share of their taxable income. Bong is a pass-through entity. No provision for income taxes was reflected in the accompanying unaudited condensed consolidated financial statements, as the Company did not have income through December 31, 2016. There were no uncertain tax positions that would require recognition in the unaudited condensed consolidated financial statements through December 31, 2016.

Generally, federal, state and local authorities may examine the Company’s tax returns for three years from the date of filing, and the current and prior three years remain subject to examination as of September 30, 2016.

The Company’s conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

The Company accounts for income taxes under ASC 740-10-30, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using 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 statements of operations in the period that includes the enactment date.

LONG LIVED ASSETS

The Company follows ASC 360-10, *Property, Plant and Equipment*. ASC 360-10 requires those long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

RECOGNITION OF REVENUE

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms, which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete.

The Company’s revenue is primarily derived from sales of their 700 ML, 750 ML and 1000 ML bottles of Bong Premium Vodka through distributors who distribute their products to retailers.

STOCK BASED COMPENSATION

The Company accounts for the grant of stock options and restricted stock awards in accordance with ASC 718, *Compensation-Stock Compensation*. ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation. GAAP prescribes that accounting and reporting standards for all stock-based payment awards to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if:

a) the option to settle by issuing equity instruments lacks commercial substance, or

b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

With respect to stock-based compensation issued to non-employees and consultants GAAP requires that the amount of share-based payment transactions be based on the fair value of whichever is more reliably measurable:

a) the goods or services received or

b) the equity instruments issued.

The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

NOTE 3 – GOING CONCERN

The Company’s unaudited condensed consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses of $36,472 and $35,403 during the three months ended December 31, 2016 and 2015, respectively. Cash on hand will not be sufficient to cover debt repayments, operating expenses and capital expenditure requirements for at least twelve months from the consolidated balance sheet date. As of December 31, 2016 and September 30, 2016, the Company had working capital deficits of $2,263,615 and $2,227,143, respectively. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to seek equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – INCOME (LOSS) PER SHARE

The Company utilizes the guidance per ASC 260, *Earnings Per Share*. Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented separately as it is anti-dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of December 31, 2016 and 2015 have been excluded from the per share computations:

	Three Months Ended December 31,	
	2016	**2015**
Convertible notes payable	1,380,149,830	1,274,377,160
Series A preferred stock	500,000	500,000
Total diluted shares	1,380,649,830	1,274,877,160

NOTE 5 – INITIAL CONTRIBUTION IN JOINT VENTURE

In November 2012, the Company made a contribution of $11,745 towards the creation of a joint venture, Bong Spirits International, with the Company's primary distributor. To date the joint venture has not been established and negotiations with the Company's primary distributor has been ongoing.

NOTE 6 – INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following at December 31, 2016 and September 30, 2016:

	December 31, 2016	September 30, 2016
Patents	$ 32,652	$ 32,652
Trademarks	5,250	5,250
Less: accumulated amortization	(35,152)	(35,152)
Totals	$ 2,750	$ 2,750

There was no amortization expense for the three months ended December 31, 2016 and 2015.

NOTE 7 – CONVERTIBLE NOTES

On December 23, 2009, the Company's former sole officer and director assigned certain convertible debentures and other liabilities of the Company owed to him to Quest Capital Markets, Inc. ("Quest"). On March 24, 2010, the Company and Quest entered into an agreement whereby these liabilities were restructured into a convertible promissory note (the "Quest Note"). The Quest Note compounds interest monthly at a rate of 8% per annum and is convertible into shares of Company common stock at the rate of $0.001 per share. On April 9, 2010, the Company issued 22,000,000 shares of common stock as conversion of $22,000 of principal on the Quest Note.

The principal balance on the Quest Note was $559,235 and $559,235 as of December 31, 2016 and September 30, 2016, respectively. Accrued interest on the Quest Note was $820,915 and $793,676 as of December 31, 2016 and September 30, 2016, respectively.

NOTE 8 – LOANS PAYABLE

In connection with the acquisition of BSI, debt holders were offered common stock as payment of outstanding debt. Three separate debt holders did not accept the Company's common stock as payment for their loans to BSI, which were valued at $400,000, $50,000 and $200,000, for a total of $650,000. Interest has continued to accrue at a rate of 6% per annum, and the Company continues to attempt to settle these outstanding loans with the debt holders. One of the debt holders with a loan balance of $50,000 entered into a settlement agreement with the Company in May 2011, and as a result this loan balance was reclassified as settlement payable on the consolidated balance sheet (see Note 13 – Litigation).

In October 2013, an unrelated third party loaned the Company a total of $60,000 for working capital. These loans are due on demand and bear no interest.

As of December 31, 2016 and September 30, 2016, the total principal balance of all loans payable was $660,000, and accrued interest on these loans totaled $286,090 and $277,090, respectively.

NOTE 9 – RELATED PARTIES LOAN AND DUE TO OTHERS

Certain related parties have been loaned by the Company a net amount of $0 and $0 as of December 31, 2016 and September 30, 2016, respectively, of which a net of $0 and $369 was repaid to the Company for the periods ended December 31, 2016 and September 30, 2016, respectively. These loans are due on demand and do not bear interest.

Certain related parties have advanced the Company a net amount of $12,791 and $12,701 as of December 31, 2016 and September 30, 2016, respectively, of which a net of $90 and $220 was advanced to the Company for the periods ended December 31, 2016 and September 30, 2016, respectively. These advances are due on demand and do not bear interest.

NOTE 10 – EQUITY

Preferred Stock

As of December 31, 2016 and September 30, 2016, the Company has 10,000,000 authorized shares of Series A preferred stock, par value $1.00, of which 500,000 shares are issued and outstanding. The Series A preferred stock has a conversion price of $1.00 per share.

Common Stock

As of December 31, 2016 and September 30, 2016, the Company has 1,000,000,000 authorized shares of common stock, par value $0.0001, of which 630,590,042 and 630,590,042 shares are issued and outstanding, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

On May 23, 2011, the Company entered into a settlement agreement with a legacy note holder on a Senior Secured Promissory Note by which the principal balance of $50,000, accrued interest to date, were in default. Per the terms of the settlement agreement, the Company would pay a total settlement amount of $70,000, consisting of $5,000 bi-monthly payments commencing in May 2011, and concluding in July 2013, as long as the Company did not default on the bi-monthly payments. If the Company did default on any of its payments, the settlement amount would increase to $80,000, not including the note holders' legal fees. As of September 30, 2013, the Company was in default of these payments, having made $65,000 of the total required $70,000 due.

On January 3, 2014, a judgment was reached against the Company as a result of their default in payments. The terms of the judgment state that the Company has a principal balance of $36,819 due to the note holder, and simple interest of 4.75% will start accruing on the principal balance on the date of judgment. The Company has recorded the principal balance of $36,819 on the unaudited condensed consolidated balance sheet. The balance is in dispute and the Company has been seeking to negotiate the terms of this judgment with the note holder and expects a favorable outcome. As of December 31, 2016, the Company accrued $5,237 of interest per the terms of this settlement, and as such, the total balance for this settlement is $42,056.

NOTE 12 – SUBSEQUENT EVENTS

On September 30, 2017, the Company issued 300,000,000 shares of its common stock at a share price of $0.0001 per share to its Chief Executive Officer for services rendered totaling $30,000.

On July 1, 2019, the Company issued 60,000,000 shares of its common stock at a share price of $0.0001 per share to Quest totaling $6,000 as forbearance on accruing interest for the period of July 1, 2019 through December 31, 2019.

Management has evaluated all transactions and events after the balance sheet date through the date on which these financials were available to be issued, and except as already included in the notes to these unaudited condensed consolidated financial statements, has determined that no additional disclosures are required.