

INDEX TO FINANCIAL STATEMENTS

Balance Sheets	F-2
Statements of Income	F-3
Statements of Changes in Stockholders' Equity	F-4
Statements of Changes in Cash Flows	F-5
Notes to Financial Statements	F-6

NUTRAFUELS, INC.
Balance Sheets
(Unaudited)

ASSETS	March 31, 2016	December 31, 2015
CURRENT ASSETS		
Cash	\$ 29,545	\$ 22,145
Accounts receivable, net of reserve of \$11,276 and \$10,948	162	162
Inventory, net of reserve of \$193,823 and \$193,823	114,268	121,622
Prepaid expenses and other current assets	1,833,689	1,828,689
Total current assets	<u>1,977,664</u>	<u>1,972,618</u>
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	295,547	283,491
Leasehold improvements	112,285	108,935
Total Property and Equipment	407,832	392,426
Less accumulated depreciation	<u>(168,821)</u>	<u>(154,341)</u>
Property and equipment, net	<u>239,011</u>	<u>238,085</u>
Total Assets	<u><u>\$ 2,216,675</u></u>	<u><u>\$ 2,210,703</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 26,263	\$ 33,042
Accrued expenses	795,670	740,177
Convertible debt net of discount of \$249,338 and 162,160	326,493	280,663
Convertible debt - related party	850,500	830,000
Notes payable, net of discount of \$0 and \$8,106	55,000	55,000
Notes payable - related party	452,500	452,500
Total current liabilities	<u>2,506,426</u>	<u>2,391,382</u>
Commitments and Contingencies		
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.0001 par value, authorized 10,000 shares; 1,000 and 1,000 issued and outstanding	-	-
Common stock, \$0.0001 par value, authorized 499,990,000 shares; 27,029,114 and 25,264,114 issued and outstanding shares	2,703	2,228
Additional paid-in capital	6,969,172	3,904,936
Accumulated deficit	<u>(7,261,626)</u>	<u>(4,856,493)</u>
Total stockholders' deficit	<u>(289,751)</u>	<u>(949,329)</u>
Total Liabilities and Stockholders' Deficit	<u><u>\$ 2,216,675</u></u>	<u><u>\$ 1,442,053</u></u>

The accompanying notes are an integral part of the financial statements

NUTRAFUELS, INC.
Statements of Operations
Three Months Ended March 31,
(Unaudited)

	2016	2015
Revenue	\$ 85,886	\$ 1,732
Cost of sales	<u>24,249</u>	<u>14,087</u>
Gross Profit	<u>61,637</u>	<u>(12,355)</u>
OPERATING EXPENSES:		
Advertising and promotion	9,909	33,713
Administrative salaries	42,524	26,560
General and administrative expenses	210,597	227,595
Depreciation expense	<u>14,479</u>	<u>13,154</u>
Total operating expenses	<u>277,509</u>	<u>301,022</u>
INCOME (LOSS) FROM OPERATIONS	<u>(215,872)</u>	<u>(313,377)</u>
OTHER INCOME AND (EXPENSE)		
Settlement of accounts payable	0	0
Interest income	0	0
Interest expense	<u>(88,201)</u>	<u>(188,888)</u>
Total other income (expense)	<u>(88,201)</u>	<u>(188,888)</u>
Net income (loss) before income taxes	<u>(304,073)</u>	<u>(502,265)</u>
Income tax expense	<u>0</u>	<u>0</u>
Net income (loss)	<u>\$ (304,073)</u>	<u>\$ (502,265)</u>
Income per weighted average common share - basic and diluted	<u>\$(0.01)</u>	<u>\$(0.02)</u>
Number of weighted average common shares outstanding-basic and diluted	<u>25,887,989</u>	<u>22,310,597</u>

The accompanying notes are an integral part of the financial statements

NUTRAFUELS, INC.
Statements of Changes in Stockholders' Equity
(Unaudited)

	Number Shares Pfd	Number Shares Common	Par Amount Pfd	Par Amount Common	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
BALANCE, January 1, 2014	1,000	21,238,408	\$0	\$2,124	\$2,707,549	\$(2,780,773)	\$ (71,100)
Shares issued for cash	0	680,000	0	68	679,932	0	680,000
Shares issued for services	0	83,706	0	8	77,303	0	77,311
Beneficial conversion feature of debt	0	0	0	0	21,600	0	21,600
Shares issued for issuance of debt	0	280,000	0	28	128,552	0	128,580
Warrants issued for issuance of debt	0	0	0	0	290,000	0	290,000
Net loss	0	0	0	0	0	(2,075,720)	(2,075,720)
BALANCE, December 31, 2014	1,000	22,282,114	0	2,228	3,904,936	(4,856,493)	(949,329)
Shares issued for cash	0	2,202,000	0	220	219,980	0	220,200
Shares issued for services	0	305,000	0	31	205,269	0	205,300
Shares issued for issuance of debt	0	475,000	0	48	204,952	0	205,000
Warrants issued for issuance of debt	0	0	0	0	2,239,211	0	2,239,211
Net loss	0	0	0	0	0	(2,101,061)	(2,101,061)
Balance December 31, 2015	1,000	25,264,114	0	2,527	6,774,348	(6,957,554)	(180,679)
Shares issued for cash	0	1,690,000	0	169	168,831	0	169,000
Shares issued for services	0	75,000	0	7	25,993	0	26,000
Net loss	0	0	0	0	0	(304,073)	(304,073)
Balance March 31, 2016	1,000	27,029,114	\$ 0	\$ 2,703	\$ 6,969,172	\$ (7,261,627)	\$ (289,752)

The accompanying notes are an integral part of the financial statements

NUTRAFUELS, INC.
Statements of Changes in Cash Flows
Three Months Ended March 31,
(Unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (304,073)	\$ (502,265)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock compensation	26,000	116,400
Depreciation	14,479	13,154
Bad debt expense	0	0
Amortization of debt discount	46,068	161,640
Gain on settlement of payable	0	0
Inventory valuation allowance	18,590	0
Changes in operating assets and liabilities:		
Decrease in accounts receivable	0	1,038
(Increase) in subscription receivable	(5,000)	0
(Increase) decrease in inventory	(11,236)	292
(Increase) in prepaid expenses	0	0
(Decrease) in accounts payable	(7,014)	(8,090)
Increase in accrued expenses	55,493	37,807
Net cash provided by (used in) operating activities	<u>(166,693)</u>	<u>(180,024)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(15,406)</u>	<u>(1,271)</u>
Net cash used in investing activities	<u>(15,406)</u>	<u>(1,271)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Common stock issued for cash	169,000	0
Cash proceeds from debt issuance	0	25,000
Cash proceeds from debt issuance - related parties	20,500	140,000
Repayment of debt	0	0
Repayment of debt - related party	<u>0</u>	<u>0</u>
Net cash provided by financing activities	<u>189,500</u>	<u>165,000</u>
Net increase in cash	<u>7,401</u>	<u>(16,295)</u>
CASH, beginning of year	<u>22,144</u>	<u>25,053</u>
CASH, end of year	<u><u>\$ 29,545</u></u>	<u><u>\$ 8,758</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid in cash	<u>\$ 0</u>	<u>\$ 0</u>
Non-Cash Financing Activities:		
Debt discount from beneficial conversion feature	<u>\$ 0</u>	<u>\$ 25,000</u>
Shares issued for the issuance of debt	<u>\$ 0</u>	<u>\$ 0</u>
Warrants issued for the issuance of debt	<u>\$ 0</u>	<u>\$ 0</u>
Warrants issued for services	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(1) NATURE OF OPERATIONS

NutraFuels, Inc. ("We", or the "Company") is the producer and distributor of nutritional supplements that uses micro molecular formulae and a utilization of an oral spray to provide faster and more efficient absorption.

(2) BASIS OF PRESENTATION AND USE OF ESTIMATES

a) Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America ("U.S.") as promulgated by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and with the rules and regulations of the U.S Securities and Exchange Commission ("SEC"). In our opinion, the accompanying unaudited financial statements contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

b) 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 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 period. Actual results could differ from these estimates.

c) Cash and Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less. The Company had no cash equivalents at December 31, 2015 or 2014.

d) Inventories

Inventories are stated at cost utilizing the weighted average method of valuation and consist of raw materials and finished goods.

e) Allowance for Doubtful Accounts

We establish the existence of bad debts through a review of several factors including historical collection experience, current aging status of the customer accounts, and financial condition of our customers.

f) Property and Equipment

All property and equipment are recorded at cost and depreciated over their estimated useful lives, generally three and twelve years, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(2) BASIS OF PRESENTATION AND USE OF ESTIMATES, continued

g) Revenue Recognition

The Company's financial statements are prepared under the accrual method of accounting. Revenues are recognized when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. This occurs only when the product is ordered and subsequently shipped.

h) Income Taxes

The Company follows the provisions of ASC 740-10, Accounting for Uncertain Income Tax Positions. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

i) Net Income (Loss) Per Share

Basic loss per share excludes dilution and is computed by dividing the loss attributable to stockholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings of the Company. Diluted loss per share is computed by dividing the loss available to stockholders by the weighted average number of shares outstanding for the period and dilutive potential shares outstanding unless consideration of such dilutive potential shares would result in anti-dilution.

j) Financial Instruments and Fair Value Measurements

ASC 825 also requires disclosures of the fair value of financial instruments. The carrying value of the Company's current financial instruments, which include cash and cash equivalents, accounts payable and accrued liabilities approximates their fair values because of the short-term maturities of these instruments.

FASB ASC 820 "Fair Value Measurement" clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(2) BASIS OF PRESENTATION AND USE OF ESTIMATES, continued

j) Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying value amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived assets exceeds its fair value.

k) Related Party Transactions

All transactions with related parties are in the normal course of operations and are measured at the exchange amount.

l) Recent Accounting Pronouncements

The Company has considered recent accounting pronouncements during the preparation of these financial statements.

(3) CONVERTIBLE DEBT

On March 26, 2014, we issued a \$290,000 convertible note. The note bears interest at 10%, with an initial maturity of March 26, 2015 (subsequently amended to July 17, 2017), and is convertible into shares of our common stock at \$1.00 per share. The investor also received warrants to purchase 500,000 shares of our common stock at \$0.50 per share with a two-year exercise term.

We evaluated the warrants for derivative accounting consideration under ASC Topic 815-40, Derivatives and Hedging – Contracts in Entity's own stock, and concluded that the warrants meet the criteria for classification in shareholders' equity. We allocated the proceeds received to the debt, stock, and warrants based on their relative fair values. We determined the fair value of the warrants using a Black-Scholes option pricing model.

On June 23, 2014, we issued a \$30,000 convertible note. The note bears interest at 10%, matures on June 23, 2015 (subsequently extended to May 1, 2016), and is convertible into shares of our Company at \$1.00 per share. Because the market price for our common stock on the date of the note exceeded the note's conversion price of \$1.00 per share, we recognized a beneficial conversion feature of \$21,600 as a discount on the note. The discount is being amortized as additional interest over the life of the note.

We evaluated the conversion features embedded in the two notes payable described above for derivative accounting in accordance with ASC 815-40, Derivatives and Hedging embedded in the modified notes payable for derivative accounting in accordance with the criteria for classification in shareholders' equity.

On August 27, 2014, we issued a \$50,000 convertible note. The note bears interest at 10%, had an initial maturity of January 2, 2015 (subsequently extended to July 15, 2017), and is convertible into shares of our common stock at \$1.00 per share. The investor also received 50,000 shares of our common stock.

During October 2014, we issued a \$60,000 convertible note. The note bears interest at 10%, had an initial maturity of November 2, 2014 (subsequently extended to July 17, 2017) and is convertible into shares of our common stock at \$1.00 per share. The investor also received 150,000 shares of our common stock.

In February 2015, we sold 25,000 units to an investor in exchange for \$25,000. The 25,000 units consist of: (i) 25,000 shares of our common stock; (ii) 2-year options to purchase 25,000 shares of our common stock at \$0.20, and (iii) a 2-year convertible promissory note in the amount of \$25,000. The note is non-interest bearing and is convertible into shares of our common stock at the higher of (a) twenty five cents (\$.25) or (b) fifty percent (50%) of the average closing price of our shares as reported by the OTC Markets for the 10 trading days prior to the day of conversion.

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(3) CONVERTIBLE DEBT, continued

The conversion rights embedded in the note are accounted for as a derivative financial instrument because of the beneficial conversion feature embedded therein. The beneficial conversion feature was valued and recorded at the date of issuance at fair value, and recorded as a debt discount.

In April 2015, we sold 250,000 units to an investor in exchange for \$250,000. The 250,000 units consist of: (i) 250,000 shares of our common stock; (ii) 2-year options to purchase 250,000 shares of our common stock at \$0.20, and (iii) a 2-year convertible promissory note in the amount of \$250,000. The note bears 10% interest and is convertible into shares of our common stock at the higher of (a) twenty five cents (\$.25) or (b) fifty percent (50%) of the average closing price of our shares as reported by the OTC Markets for the 10 trading days prior to the day of conversion.

The conversion rights embedded in the note are accounted for as a derivative financial instrument because of the beneficial conversion feature embedded therein. The beneficial conversion feature was valued and recorded at the date of issuance at fair value, and recorded as a debt discount.

In August 2015, we entered into convertible promissory notes with four individual investors for a total amount of \$95,000. The notes are interest bearing at a fixed rate of ten percent (10%) and are convertible into shares at \$0.10 per share. The notes were recorded net of a full discount in the amount of \$95,000, which is being amortized over the initial term of the note. Each note has a term of one (1) year.

In August 2015, we extended the maturity of our \$100,000 promissory note to August 26, 2016.

(4) NOTES PAYABLE - RELATED PARTY

At December 31 2015, we are indebted to Neil Catania, our vice president, for \$662,500, inclusive of \$210,000 of convertible notes payable, as described below:

On November 15, 2012, we issued a \$160,000 convertible note. The note bears interest at 10% with an initial maturity of November 15, 2014 (subsequently extended to July 17, 2017), and is convertible into shares of our common stock at \$1.00 per share.

On February 15, 2013 we issued a \$50,000 convertible note. The note bears interest at 10%, with original maturity of May 15, 2014 (subsequently modified to July 17, 2017), and is convertible into shares of our common stock at \$1.00 per share.

During 2015 we received \$312,500 in cash under a note payable and repaid \$10,000 in cash.

In the first quarter we received \$20,500 in cash from a related party on a short-term non interest bearing basis.

(5) STOCKHOLDERS' EQUITY

During April 2014, we issued 500,000 of our common stock for \$500,000. In connection with the stock sale, we issued warrants to purchase 500,000 shares at an exercise price of \$0.50 per share. The warrants have a one-year term.

During September 2014, we issued 150,000 shares of our common stock for \$150,000. In connection with the stock sale, we issued warrants to purchase 150,000 shares of our common stock at an exercise price of \$0.20 per share. The warrants have a one-year term.

During November 2014, we issued 30,000 shares of common stock for \$30,000.

During 2014, we issued 83,706 shares of our common stock for services, which had a fair value of \$77,311.

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(5) STOCKHOLDERS' EQUITY, continued

During February 2015, we issued 25,000 shares of our common stock and warrants to purchase 25,000 shares of our common stock in connection with the sale of 25,000 units. (see Note 3).

During March 2015, we issued 60,000 shares of our common stock for consulting services rendered to us. We valued these shares at \$1.94 per share, the closing stock price on the date of issuance.

During April 2015, we issued 100,000 shares of our common stock for consulting services rendered to us. We value these shares at \$0.51 per share, the closing stock price on the date of issuance.

During April 2015, we issued 250,000 shares of our common stock and warrants to purchase 250,000 shares of our common stock in connection with the sale of 250,000 units (see Note 3).

During June 2015, we issued 200,000 shares of our common stock and warrants to purchase 200,000 shares of our common stock in connection with the sale of 200,000 units.

During August 2015, we received \$40,000 in exchange for 400,000 shares of our common stock and warrants to purchase 400,000 shares of our common stock in connection with the sale of 400,000 units.

During September 2015, we received \$30,000 in exchange for 300,000 shares of our common stock and warrants to purchase 300,000 shares of our common stock in connection with the sale of 300,000 units.

On July 18, 2015, we entered into a consulting agreement with WT Consulting Group, LLC. For consulting services rendered, we will pay a \$2,000 per month retainer for services as well as 25,000 restricted shares per month. The above compensation for consulting services under this agreement will begin July 18, 2015.

In July 2015, we entered into an amendment to our agreement with Sullivan Media Group, Inc., a Nevada Corporation ("SMG"). In connection with the amendment, we agree to issue warrants to acquire approximately 4,500,000 shares of our common stock, which were issued in August 2015.

In connection to the above agreement we recorded a prepaid expense of \$2,239,211. Based on the services rendered from November 1, 2014 to December 31, 2015 we recognized stock compensation expense of \$410,522. The prepaid expense balance as of December 31, 2015 is \$1,828,689.

On August 1, 2015, we entered into a consulting agreement with Peter Cianci. In consideration for future consulting services, we agreed to issue shares of its common stock in exchange for services rendered on a deal by deal basis. Thirty thousand common shares were issued to Peter Cianci on October 1, 2015. In connection to the services rendered and shares issued we recognized stock compensation expense and a Liability for Stock to be issued.

On August 1, 2015, we entered into a consulting agreement with Five Star Labs, LLC. In consideration for future consulting services, we agreed to issue restricted shares on a deal by deal basis. This compensation is deemed fully earned at such time as Five Star Labs, LLC provides its services. The shares were issued on October 1, 2015. In connection to the services rendered and shares issued we recognized stock compensation expense and a Liability for Stock to be issued.

During the fourth quarter 2015 we issued 2,202,000 shares of common stock and 2,200,000 warrants for the future purchase of common stock in exchange for \$220,200 in cash.

During the first quarter 2016 we issued 1,690,000 shares of common stock and 1,690,000 warrants for the future purchase of common stock in exchange for \$169,000 in cash.

During the first quarter 2016 we issued 75,000 shares of common stock in exchange for services valued at \$26,000.

NUTRAFUELS, INC.
Notes to Financial Statements
(Unaudited)

(6) COMMITMENTS AND CONTINGENCIES

a) Real Property Lease

We lease our office and warehouse facilities under an operating lease in Coconut Creek, Florida. The lease expires in February 2017. The minimum lease payments required for the remaining term of the lease are \$5,360.

b) Contractual Obligations

During January 2014, we were granted a license to market nutritional supplements under the TapouT XT name to retail locations worldwide. Under the license agreement, we were required to pay a royalty fee to Nutra Evolution of 12.5% of net sales. The agreement provided us with an initial test period of four years, until January 31, 2018, to distribute the product. We paid \$85,000 in conjunction with the license. At the expiration of this four year period, we had the option to extend the license for three (3) consecutive three (3) year terms.

The agreement originally required the company to pay minimum royalties of \$400,000 during the first contract year; \$750,000 during the second contract year and \$1,000,000 each year thereafter. In the second quarter 2015 we terminated the license agreement and no longer are obligated to pay the minimum royalties.

In late April 2014, we entered into an agreement with Sullivan Media Group, a Nevada corporation, to conduct market research in promotion of our NutraFuels brand, at a cost of \$104,500.

c) Other

The Company is subject to asserted claims and liabilities that arise in the ordinary course of business. The Company maintains insurance policies to mitigate potential losses from these actions. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Company's financial position or results of operations.

(6) CONCENTRATIONS OF CREDIT RISK

a) Cash

The Company maintains its cash in bank deposit accounts, which may, at times, may exceed federally insured limits. The Company had no cash balance in excess of FDIC insured limits at December 31, 2015 and 2014.