

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

Unaudited Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

NX CAPITAL CO. AND PRDECESSOR COMPANY
(A Development Stage Company)

Table of Contents

	Page
Consolidated Balance Sheets (unaudited)	1
Consolidated Statements of Operations (unaudited)	2
Consolidated Statements of Changes in Stockholders' Deficit (unaudited)	3
Consolidated Statements of Cash Flows (unaudited)	4
Notes to Unaudited Consolidated Financial Statements	5

NX Capital Co. and Predecessor Company
(a Development Stage Company)

Consolidated Balance Sheets
(unaudited)

	December 31, 2013	December 31, 2012
	<u> </u>	<u> </u>
Assets		
Current asset - cash and cash equivalents	\$ —	—
Investment in mineral property	<u>32,770</u>	<u>—</u>
Total assets	<u>\$ 32,770</u>	<u>—</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 86,250	2,846,245
Accrued interest payable	—	307,127
Notes payable	<u>—</u>	<u>448,755</u>
Total current liabilities	<u>86,250</u>	<u>3,602,127</u>
Contingency (Note 9)		
Stockholders' deficit:		
Preferred Series A stock, \$0.0001 par value, 4,250,000 shares authorized, 4,250,000 shares issued and outstanding	425	425
Preferred Series B stock, \$0.0001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Preferred Series C stock, \$0.0001 par value, 2,500,000 shares authorized, none issued and outstanding	—	—
Preferred Series D stock, \$0.0001 par value, 17,250,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.0001 par value, 250,000,000 shares authorized, 131,916,646 and 77,925,663 issued and outstanding, respectively	13,192	7,793
Additional paid-in-capital	7,549,291	7,052,733
Accumulated deficit from prior operations	(7,439,633)	(10,663,078)
Accumulated deficit during the development stage	<u>(176,755)</u>	<u>—</u>
Total stockholders' deficit	<u>(53,480)</u>	<u>(3,602,127)</u>
Total liabilities and stockholders' deficit	<u>\$ 32,770</u>	<u>—</u>

See accompanying notes to unaudited consolidated financial statements.

NX Capital Co. and Predecessor Company
(a Development Stage Company)

Consolidated Statements of Operations
(unaudited)

	For the years ended December 31,		Period from inception of Development Stage (October 10, 2013) through December 31, 2013
	2013	2012	
Revenue	\$ —	—	—
Operating expenses:			
Professional fees	115,953	—	61,250
General and administrative	16,312	—	—
Settlement expenses	115,505	—	115,505
Total operating expenses	<u>247,770</u>	<u>—</u>	<u>176,755</u>
Gross profit	(247,770)	—	(176,755)
Other expense - interest expense	<u>(48,713)</u>	<u>(77,488)</u>	<u>—</u>
Net loss before extraordinary items	<u>(296,483)</u>	<u>(77,488)</u>	<u>(176,755)</u>
Extraordinary items:			
Gain on sale of subsidiary	2,938,557	—	—
Gain on extinguishment of debt	404,616	—	—
Total extraordinary items	<u>3,343,173</u>	<u>—</u>	<u>—</u>
Net income (loss)	<u>\$ 3,046,690</u>	<u>(77,488)</u>	<u>(176,755)</u>
Net income (loss) per common share:			
Basic	<u>\$ 0.030</u>	<u>(0.001)</u>	
Diluted	<u>\$ 0.022</u>	<u>(0.001)</u>	
Weighted average common shares outstanding:			
Basic	<u>101,139,686</u>	<u>77,925,663</u>	
Diluted	<u>107,720,523</u>	<u>77,925,663</u>	

See accompanying notes to unaudited consolidated financial statements.

NX Capital Co. and Predecessor Company
(a Development Stage Company)
Consolidated Statements of Changes in Stockholders' Deficit
(unaudited)

	Common stock		Preferred stock Series A		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Shares	Amount	paid in	deficit	deficit	stockholders'
					capital	from prior	during the	deficit
						operations	development	
							stage	
Balance at December 31, 2011	77,925,663	\$ 7,793	4,250,000	\$ 425	7,052,733	(10,585,590)	—	(3,524,639)
Net loss	—	—	—	—	—	(77,488)	—	(77,488)
Balance at December 31, 2012	<u>77,925,663</u>	<u>7,793</u>	<u>4,250,000</u>	<u>425</u>	<u>7,052,733</u>	<u>(10,663,078)</u>	<u>—</u>	<u>(3,602,127)</u>
Shares issued in exchange for cash and marketable securities	15,092,722	1,509	—	—	80,006	—	—	81,515
Shares issued for settlement of accounts payable	21,411,764	2,141	—	—	249,554	—	—	251,695
Shares issued in connection with sale of subsidiary	3,986,497	399	—	—	55,073	—	—	55,472
Shares issued in exchange for interest in mineral property	2,000,000	200	—	—	22,570	—	—	22,770
Shares issued for settlement with prior director and officer	11,500,000	1,150	—	—	89,355	—	—	90,505
Net income	—	—	—	—	—	3,223,445	(176,755)	3,046,690
Balance at December 31, 2013	<u>131,916,646</u>	<u>\$ 13,192</u>	<u>4,250,000</u>	<u>\$ 425</u>	<u>7,549,291</u>	<u>(7,439,633)</u>	<u>(176,755)</u>	<u>(53,480)</u>

See accompanying notes to unaudited financial statements.

NX Capital Co. and Predecessor Company
(a Development Stage Company)

Consolidated Statements of Cash Flows
(unaudited)

	For the years ended December 31,		Period from inception of Development Stage (October 10, 2013) through December 31, 2013
	2013	2012	
Cash flows from operating activities:			
Net income (loss)	\$ 3,046,690	(77,488)	(176,755)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Non-cash settlement expenses	115,505		115,505
Gain on sale of subsidiary	(2,938,557)	—	—
Gain on extinguishment of debt	(404,616)	—	—
Change in operational assets and liabilities:			
Increase in accounts payable	61,250		61,250
Increase in accrued interest payable	48,713	77,488	—
Net cash used in operating activities	(71,015)	—	—
Cash flows from investing activities:			
Cash paid for acquisition of mineral property	(10,000)	—	—
payment made in connection with sale of subsidiary	(500)	—	—
Net cash used in investing activities	(10,500)	—	—
Cash flows from financing activities -			
common stock issuances for cash and marketable securities	81,515	—	—
Net change in cash and cash equivalents	—	—	—
Cash and cash equivalents, beginning of period	—	—	—
Cash and cash equivalents, end of period	\$ —	—	—
Supplemental schedule of non-cash operating and investing activities:			
Liabilities included in sale of subsidiary	\$ 2,994,529	—	—
Accounts payable settled through issuance of common stock	\$ 656,311	—	—
Common stock issued for settlement of accounts payable	\$ 251,695	—	—
Common stock issued in connection with sale of subsidiary	\$ 55,472	—	—
Common stock issued for acquisition of mineral property	\$ 22,770	—	—
Common stock issued for settlement with prior director and officer	\$ 90,505	—	90,505
Settlement expenses included in accounts payable	\$ 25,000	—	25,000

See accompanying notes to unaudited consolidated financial statements.

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

(1) Organization, Operations, and Basis of Presentation

Organization and Operations

NexHorizon Communications, Inc. (“NexHorizon”) was originally incorporated as Y-Tel International, LLC on January 16, 2001 under the laws of the State of Delaware. Through 2011, NexHorizon owned and operated cable television systems and networks which provided cable and telecommunications services to customers located in rural areas within the Western United States.

In June 2013, NexHorizon formed two wholly-owned subsidiaries, NX Capital Co. and Neh2013, Inc. (“Neh2013”) under the laws of the State of Delaware. Effective July 30, 2013, an agreement and plan of merger and reorganization into a holding company structure (“Reorganization Agreement”), pursuant to Section 251(g) of the Delaware General Corporate Laws, was executed between NexHorizon, NX Capital Co., and Neh2013 whereby NexHorizon was merged into Neh2013, which then became a wholly-owned subsidiary of NX Capital Co. Neh2013 was sold to an unrelated party on August 23, 2013. For purposes of the accompanying unaudited consolidated financial statements, NX Capital Co., its predecessor and subsidiaries, as applicable, are referred to as the “Company”.

The Company intends to engage in the acquisition, exploration, and development of mineral properties in the Western United States. In June 2013, the Company formed a wholly-owned subsidiary, Montrose Energy Group, Inc. (“Montrose Energy”), under the laws of the State of Colorado. On October 10, 2013, Montrose Energy acquired a 65% interest in a mineral property in San Juan County, Utah (the “R&R Property”). The Company plans to fund any future exploration and development activities through the issuance of additional shares of its common and/or preferred stock, borrowings under new credit facilities, by seeking merger or joint venture opportunities, or any combination thereof.

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated consolidations.

The accompanying unaudited consolidated financial statements and related notes present our financial position as of December 31, 2013 and 2012, and the results of our operations, cash flows, and changes in stockholders’ deficit for the years ended December 31, 2013 and 2012. We have prepared our financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

In preparing the accompanying unaudited consolidated financial statements, we have considered disclosure of events that have occurred after December 31, 2013 up until their issuance on February 14, 2014. See Note 12.

(2) Accounting Policies and Related Matters

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Adjustments made with respect to the use of these estimates and judgments often relate to information not previously

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

available. Uncertainties with respect to such estimates and judgments are inherent in the preparation of consolidated financial statements.

(b) *Development Stage Company*

As a result of the Company's acquisition of its interest in the R&R Property, on October 10, 2013 the Company became a "development stage company" and is subject to compliance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, *Development Stage Entities*. The Company's activities prior to this date have been separately presented in the accompanying unaudited consolidated balance sheets and unaudited consolidated statement of changes in stockholders' deficit. To date, the Company's planned principal operations have not fully commenced.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) *Mineral Property Costs*

Mineral property costs are capitalized when incurred and will be amortized using the units of production method following the commencement of production. If a mineral property is subsequently abandoned or impaired, any capitalized costs will be expensed in the period of abandonment or impairment.

The Company capitalized \$30,000 of mineral property acquisition costs in connection with its investment in the R&R Property, which consisted of cash consideration and the estimated fair value of common stock issued in connection with the acquisition.

(e) *Exploration Costs*

Exploration costs are expensed as incurred up to the date of establishing that costs incurred are economically recoverable. Exploration expenditures incurred subsequent to the establishment of economic recoverability are capitalized and included in the carrying amount of the related property. The Company has not yet commenced exploration on the R&R Property.

(f) *Income Taxes*

We account for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. When necessary, a valuation allowance is established to reduce deferred tax assets to the amount expected to be realized.

(g) *Per Share Data*

Net income (loss) per share is presented in accordance with ASC Topic 260, *Earnings Per Share*, which requires the presentation of both basic and diluted earnings per share ("EPS") on the income statements. Basic EPS would exclude any dilutive effects of options, warrants and convertible securities but does include the restricted shares of common stock issued. Diluted EPS would reflect

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

the potential dilution that would occur if securities of other contracts to issue common stock were exercised or converted to common stock. Basic EPS calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted EPS calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

For the year ended December 31, 2013, the calculation of diluted EPS includes common shares of 6,580,836 attributable to the potentially dilutive net effect of the Company's preferred stock and convertible notes outstanding at the beginning of the period. As the Company incurred losses during the year ended December 31, 2012, the conversion of all potentially dilutive securities into shares of the Company's common stock would have been anti-dilutive and have been excluded accordingly.

(h) *Recent Accounting Pronouncements*

The Company evaluates the pronouncements of various authoritative accounting organizations to determine the impact of new pronouncements on GAAP and the impact on the Company. There were various updates recently issued by the FASB, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

(3) *Going Concern and Liquidity*

As of December 31, 2013, our only asset was our mineral interest in the R&R Property and we had no working capital with which to fund future operating expenses or any exploration activities. The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. It is our current intention to fund future operating expenses and any additional asset acquisitions through the issuance of our common and/or preferred stock, borrowings from new credit facilities, by seeking joint venture opportunities, or any combination thereof. There is no assurance that we will be able to consummate any such transaction(s).

(4) *Fair Value Measurements*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The authoritative guidance requires disclosure of the framework for measuring fair value of financial and non-financial assets and liabilities. Financial assets and liabilities are measured at fair value on a recurring basis. Non-financial assets and liabilities are recognized at fair value on a non-recurring basis.

We categorize the inputs to the fair value of our financial assets and liabilities using a three-tier fair value hierarchy that prioritizes the significant inputs used in measuring fair value:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed securities, and U.S. government treasury securities.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date; Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in the category include non-exchange-traded derivatives such as over-the-counter forwards, swaps and options.

- Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value and we do not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2.

As of December 31, 2013, the Company did not have any financial assets or liabilities.

(5) Interest in Mineral Property

On October 10, 2013 Montrose Energy acquired a 65% in the R&R Property, which consists of mineral claims on four parcels of land, totaling 80 acres, located in San Juan County, Utah. The R&R Property includes a previously operating mine (which last produced in the 1970’s) and was acquired from an individual who subsequently became the Company’s sole officer and director. Montrose Energy had the option to purchase the remaining 35% interest in the R&R Property that it did not already by November 30, 2013, however this option was not exercised. The Company considers the R&R Property to be an exploration property.

(6) Sale of Neh2013

On August 23, 2013, the Company sold Neh2013, a wholly-owned subsidiary, to an unrelated party. The Company agreed to give the buyer 3,986,497 shares of its common stock (valued at \$55,472 based on a 50% discount to the quoted closing price of the Company’s common stock on the transaction date due to the restricted nature of the securities issued), and cash of \$500, for the purchase of Neh2013. The 3,986,497 shares of the Company’s common stock provided in this transaction represent shares issuable upon the conversion of certain notes payable included in Neh2013’s liabilities. To the extent that these shares are not issued to the holders of these convertible notes payable, the Company has the option to purchase the 3,986,497 shares of common stock issued to the buyer back at \$0.015 per share, at the Company’s sole discretion, through August 22, 2016.

On the date of the sale, Neh2013 had no assets and the following liabilities:

Accounts payable and other liabilities	\$ 2,189,934
Accrued interest payable	355,840
Notes payable	<u>448,755</u>
	<u>\$ 2,994,529</u>

The Company realized a gain on sale of subsidiary of \$2,938,557 as a result of this transaction.

(7) Related Party Transactions

Southwest Consulting Associates, Inc. (“Southwest”), an affiliate of the Company’s former sole officer and director, provided professional services to the Company through November 13, 2013. These services related to the planning and execution of the Reorganization Agreement, and to the commencement of the Company’s new business activities which include the acquisition, exploration, and development of mineral properties. During the year ended December 31, 2013, the Company paid Southwest \$54,703 for these services.

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

Southwest also administered all activities associated with the issuance of shares of common stock on behalf of the Company during the year ended December 31, 2013. Southwest collected proceeds from the sale of the Company's common stock of \$81,515, which included cash and other marketable securities (valued at the quoted closing price of the marketable securities on the transaction dates). Southwest used these proceeds to pay its professional fees of \$54,703, general and administrative expenses totaling \$16,312, for the payment of \$10,000 related to the Company's acquisition of its interest in the R&R Property, and for the costs associated with the sale of the Company's subsidiary, Neh2013.

Effective November 13, 2013, following the appointment of a new officer and director, the Company's previously sole officer and director resigned pursuant to a settlement agreement and mutual release ("Settlement Agreement"), which provides for, among other things, the satisfaction of certain obligations by the outgoing officer and director. In return for these obligations being met, the Company has agreed to pay a total of \$25,000 in cash and issue a total of 11,500,000 shares of its common stock to the outgoing officer and director, and his affiliates. At December 31, 2013, the cash portion of the Settlement Agreement is reflected in accounts payable in the accompanying consolidated balance sheets and the shares issued are reflected in the accompanying consolidated statements of changes in stockholders' deficit.

(8) Notes Payable

On August 23, 2013, all previously outstanding notes payable of NexHorizon (with a principal balance of \$448,755) were included in the sale of the Company's wholly owned subsidiary, Neh2013. As of September 30, 2013 the Company had no outstanding notes payable.

(9) Contingency

Contingency

The secured lender to the Company's predecessor, NexHorizon, has initiated communications with the Company's external corporate counsel regarding certain claims that the secured lender believes it has with respect to the Company's corporate structure following their foreclosure on all of NexHorizon's assets in 2011. In February 2008, in accordance with the loan agreement between NexHorizon and its secured lender, the secured lender filed a notice in the State of Delaware under the Uniform Commercial Code ("UCC") regarding its security interest in NexHorizon's assets. Under UCC laws in the State of Delaware, UCC filings lapse (expire) five years after they are filed, unless a continuation is filed in accordance with the Delaware Uniform Commercial Code Revised Article 9, Section 309. NexHorizon's secured lender did not file for such continuation of their original UCC filing before it expired on February 6, 2013. As such, the Company believes that any claims asserted by NexHorizon's secured lender regarding any rights it has to NexHorizon interests do not have merit as to NX Capital Co. because their UCC filing was not continued and expired on February 6, 2013, and is inapplicable to NX Capital Co.

Furthermore, as result of the Company's reorganization in July 2013 and the subsequent sale of the Company's subsidiary, Neh2013 (into which NexHorizon merged), the Company does not have any obligations with respect to any of NexHorizon's liabilities.

Should NexHorizon's secured lender pursue legal efforts to enforce their claims, the Company intends to vigorously defend any such case as meritless.

(10) Stockholders' Deficit

The Company did not issue any shares of its preferred or common stock during the year ended December 31, 2012.

NX CAPITAL CO. AND PREDECESSOR COMPANY
(A Development Stage Company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

During the year ended December 31, 2013, the Company issued 15,092,722 shares of its common stock, at prices ranging from \$0.002 to \$0.0175 per share, for cash consideration of \$81,515.

In August, 2013, the Company agreed to settle certain outstanding payables through the issuance of common stock. Pursuant to settlement agreements, the Company agreed to issue 10,711,764 and 10,700,000 shares of common stock to satisfy payables of \$351,050 and \$305,261, respectively. These amounts were both due to former officers and directors of the Company. The shares of common stock issued were valued at \$251,695, which was based on a discount of 50% to the quoted closing price of the Company's common stock on the transaction dates due to the restricted nature of the securities issued. The Company recorded a gain on extinguishment of debt for \$404,616 in connection with the settlement of these payables based on the value of the common stock issued.

As described in Note 6 above, in August 2013 the Company agreed to issue 3,986,497 shares of its common stock in connection with the sale of its wholly-owned subsidiary, Neh2013. The Company has the option to purchase these shares back at \$0.015 per share, at the Company's sole discretion, through August 22, 2016.

The Company issued 2,000,000 shares of its common stock in October 2013 in connection with the acquisition of its mineral interest in the R&R Property. The value of the stock issued in connection with this acquisition was determined to be \$20,000 based on a 50% discount to the quoted closing price of the Company's common stock on the transaction date, due to the restricted nature of the securities issued.

(11) Warrants

As of December 31, 2013, no warrants to purchase shares of our common stock were outstanding. Warrants to purchase 3,499,777 shares of the Company's common stock for a total of \$100 expired in January 2013 and were not exercised.

(12) Subsequent Events

Effective January 31, 2014, a Company shareholder was appointed to be an officer and director of the Company. Immediately thereafter, the Company's previously sole officer and director resigned.

Effective February 12, 2014, the Company agreed to settle an outstanding payable for professional fees of \$50,000 through the issuance of 9,259,260 shares of common stock. This payable is reflected in accounts payable in the accompanying consolidated balance sheets at December 31, 2013.

The Company has evaluated all subsequent events through the date of issuance of these unaudited consolidated financial statements and except as described above, did not have any material recognizable subsequent events.