<u>PetroSun, Inc. (PSUD)</u>

A Nevada Corporation

Annual Report

Prepared in accordance with
OTC Pink Basic Disclosure Guidelines

For Period ending December 30, 2016

PetroSun, Inc.
2999 North 44th St., Suite 620
Phoenix, Arizona 85018

1) The exact name of the issuer and its predecessor (if any)

The name of the Issuer is PetroSun, Inc. (“PetroSun”, the “Issuer”, “we”, or “Company”). The Company was organized in the state of Nevada on June 20, 2001 as JBO, Inc. On December 1, 2001, JBO, Inc. merged with LeBlanc Petroleum, Incorporated, a private Arizona corporation and changed its name to LeBlanc Petroleum, Incorporated and then on August 31, 2005 changed its name to PetroSun Drilling, Inc. and finally on August 8, 2006 changed its name to PetroSun, Inc..

2) The address of the issuer’s principal executive offices

The Issuer’s principal executive offices are located at 2999 North 44th Street, Suite 620, Phoenix, AZ 85018. The Issuer’s telephone number is 480-425-4290.

3) Security Information

Trading Symbol: PSUD
Exact title and class of securities outstanding: Common
CUSIP: 716766108
Par or Stated Value: $0.001
Total shares authorized: 500,000,000 as of: December 31, 2016
Total shares outstanding: 240,598,750 as of: December 31 2016

First American Stock Transfer, Inc.
4747 N. 7th St., Suite 170
Phoenix, AZ 85014
602-485-1346

First American Stock Transfer, Inc. is registered with the Securities and Exchange Commission as a transfer agent pursuant to Section 17A(c) of the Exchange Act.

There are no restrictions on the transfer of any security.

There have been no trading suspension orders issued by the SEC in the past 12 months

There are no stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months.

4) Issuance History

In October 2014 the Company issued 200,000 shares to James L. Powell, Jr. for services rendered. The shares were issued as restricted securities in an offering exempt from the registration requirements of Section 5 of the Securities Act of 1933 under Section 4(a)(2).

5) Financial Statements

The Issuer has provided the following financial statements for the year ending December 31, 2016: balance sheet; statement of income; statement of cash flows; and financial notes. The December 31, 2016 financial statements are included herein as Exhibit 1.

6) Describe the Issuer's Business, Products and Services

PetroSun is a diversified energy Company focused on non-shale, unconventional resources, while utilizing forward-looking technologies. The Company is focused on research and development of enhanced oil recovery technologies, solar thermal applications, and helium processing technologies.

A. A description of the issuer's business operations;

Research and development of enhanced oil recovery technologies; Research and development of solar thermal applications; Research and development of helium processing technologies.

On August 16, 2016, the Company (Lessee) executed a six (6) year lease agreement dated October 27, 2015 covering approximately 186,473 acres in Navajo County, Arizona with NZ Legacy LLC (Lessor). The lease was executed with a payment in the amount of $559,418 made on behalf of the Company by a related party. The Lease provided for other valuable consideration in the form of production royalties. The Company will receive an eighty-seven and one half percent (87.5%) net revenue interest for all hydrocarbons including oil, helium, natural gas, distillate and condensate with all extraction and production costs being borne by the Company. The Lessor will receive a royalty of twelve and one half percent (12.5%) of all production at the well free of cost and payable in kind or by the purchase of the lessor's share by the lessee at the going market price.

On August 16, 2016, the Company (Lessee) executed a six (6) year lease agreement dated October 27, 2015 covering approximately 21,191 acres in Coconino County, Arizona with NZ Legacy LLC (Lessor). The lease was executed with a payment in the amount of $63,574 made on behalf of the Company by a related party. The Lease provided for other valuable consideration in the form of production royalties. The Company will receive an eighty-seven and one half percent (87.5%) net revenue interest for all hydrocarbons including oil, helium, natural gas, distillate and condensate with all extraction and production costs being borne by the Company. The Lessor will receive a royalty of twelve and one half percent (12.5%) of all production at the well free of cost and payable in kind or by the purchase of the lessor's share by the lessee at the going market price.

A Joint Operating Agreement (JOA) was executed on September 20, 2016, resulting from letters of agreement between various parties leading to the JOA. Within the JOA Arizona Energy Partners, LLC (AEP) is named as the project operator with the responsibility to explore, develop and operate certain oil and gas leases in the Holbrook Basin of Arizona. Arizona Energy Partners, LLC was organized in the state of Arizona on December 23, 2015. The JOA provides for AEP to be the operating entity for the Holbrook Basin properties and bear the costs of exploration, development, production processing, marketing and product delivery. AEP has provided funding for the operations thru sale of the unencumbered twelve percent (12%) interest in the project leasehold for $1,500,000 to Rae Ann, LLC., a Delaware limited liability company. The agreement also provides for an option wherein Rae Ann, LLC may obtain an additional twelve percent (12%) unencumbered interest for an additional $1,500,000 payment. During the fourth (4th) quarter of 2016 AEP began drilling its first test well. Completion of the well and evaluation of its deposits and reserves took place during the first quarter of 2017. MHA Petroleum Consultants of Denver, Colorado performed a resource evaluation on Arizona Energy Partner's NZOG 17-1 well and on March 3, 2017 reported the estimated contingent helium resources on 4,000 acres of AEP's interests on the Concho Dome in the Holbrook Basin of Arizona to be 2.29 billion cubic feet. AEP has identified six additional sites on which it intends to drill in an effort to mature the contingent helium resources into reserves by demonstration of commerciality. On November 22, 2016 Arizona Energy Partners, LLC acquired 1,281.64

privately owned acres from HNZ Holding, LLC for $6,408.20 with a net revenue interest of eighty (80%) percent.

On June 9, 2016, the Company acquired 4,859.84 acres of Arizona State Land Department leases from John Somers for $55,509.18 with a net revenue interest of eighty-two and one half percent (82.5%).

On October 19, 2016, the Company acquired a farmout of 4,261.47 acres of Arizona State Land Department leases from United Helium, Inc. with a net revenue interest of eighty (80%) percent.

On December 31, 2016, the Company dissolved its entire interest in Bobcat Pipe & Supply, Inc. an oil field pipe and supply company and wrote-off the $3,750,000 investment.

On December 31, 2016, the Company dissolved its entire interest in Bengal Drilling, Inc. and wrote-off the $3,400,000 investment.

B. Date and State (or Jurisdiction) of Incorporation: Incorporated on June 20, 2001 in Nevada.

C. The issuer's primary SIC code is 1311; there is no secondary SIC code.

D. The issuer's fiscal year end date is December 31st.

E. Principal products or services, and their markets;

Issuer is presently in the research and development stage regarding products and services and their respective markets for period ending December 31, 2016.

7) Describe the Issuer's Facilities

Not applicable.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons.

Name	Position	Share Ownership
Gordon LeBlanc, Jr.	CEO, President, and Director	146,940,314

B. Legal/Disciplinary History.

None of the following numbered statements apply to the Company's sole officer and Director.

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses)

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Beneficial Shareholders.

	Name	**Amount**	**Percent**
Common Stock	Gordon LeBlanc, Jr.	146,940,314	61.1%

9) Third Party Providers

Legal Counsel

The McGeary Law Firm, P.C.
1600 Airport Fwy., Suite 300
Bedford, Texas 76022

Accountant or Auditor

Don D. Meyers
1579 Parkway Court
Saratoga Springs, UT 84045

10) Issuer Certification

I, Gordon LeBlanc, Jr., certify that:

1. I have reviewed this Annual Report of PETROSUN, INC.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 24, 2017

/s/ Gordon LeBlanc, Jr.
Gordon LeBlanc, Jr.

PetroSun, Inc.

Consolidated Balance Sheets
(Unaudited)

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash	$ 135,882	$ -
Work in Progress	188,678	-
Prepaid Expenses	203,580	-
Total Current Assets	528,140	-
Long-Term Assets		
Investment in Affiliates	-	7,150,000
Equipment	304,089	
Unproven Gas and Oil Leases	780,842	-
Total Fixed Assets	1,084,931	7,150,000
Total Assets	$ 1,613,071	$ 7,150,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts Payable	$ 19,070	$ 15,320
Accrued Salary	126,090	126,090
Accrued Expenses	2,336	2,336
Operational Loans	289,256	105,911
Related Party Note	689,893	209,121
Total Liabilities	1,126,645	458,778
Stockholders' Equity		
Common Stock, authorized 500,000,000 shares, par value $0.001, issued and outstanding on December 31, 2016 and 2015 is 240,598,750 and 240,598,750 respectively	240,599	240,599
Paid in Capital	14,606,359	20,743,859
Accumulated Deficit	(14,360,532)	(14,293,236)
Total Stockholders' Equity	486,426	6,691,222
Total Liabilities and Stockholders' Equity	$ 1,613,071	$ 7,150,000

The accompanying notes are an integral part of these statements

PetroSun, Inc.

Consolidated Statements of Operations

(Unaudited)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue		
Oil Revenue	$ -	$ -
Operating Expenses		
General and Administrative	18,575	-
Depreciation and Depletion	-	-
Professional Fees	7,816	3,750
Total Expenses	26,391	3,750
Net Loss from Operations	(26,391)	(3,750)
Other Income/(Expense)		
Interest Income	86	-
Interest Expense	(40,991)	-
Net Loss before Income Tax	(67,296)	(3,750)
Income Tax	-	-
Net Income/(Loss)	$ (67,296)	$ (3,750)
Basic and Diluted (Loss) per Share	$ -	$ -
Weighted Average Number of Shares	240,598,750	240,598,750

The accompanying notes are an integral part of these notes

PetroSun, Inc.

Consolidated Statement of Stockholders' Equity
(Restated and Unaudited)

Inception June 20, 2001 to December 31, 2016

	Common Stock		Paid in	Accumulated	Total
	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2014	240,598,750	$ 240,599	$ 20,743,859	$ (14,289,486)	$ 6,694,972
Net Income/(Loss)				(3,750)	(3,750)
Balance, December 31, 2015	240,598,750	240,599	20,743,859	(14,293,236)	6,691,222
Desolve interest in affiliates			(7,150,000)		(7,150,000)
Subsidiary capital contribution			1,012,500		1,012,500
Net Income/(Loss)				(67,296)	(67,296)
Balance, December 31, 2016	240,598,750	$ 240,599	$ 14,606,359	$ (14,360,532)	$ 482,676

The accompanying notes are an integral part of these statements

PetroSun, Inc.

Consolidated Statements of Cash Flows
(Unaudited)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating Activities		
Net income/(loss)	$ (67,296)	$ (3,750)
Adjustments to reconcile net (loss) to cash:		
Depreciation	-	-
Changes in Assets and Liabilities		
Increase/(decrease) in accrued expenses	18,708	-
(Increase)/decrease in work in progress	(188,678)	
(Increase)/decrease in prepaid expenses	(203,580)	
(Increase)/decrease in settlement note	(57,717)	
Increase/(decrease) in accounts payable	3,750	3,750
Net Cash (Used) by Operating Activities	(494,813)	-
Investment Activities		
Purchase of unproven oil and gas leases	(780,842)	-
Purchase of equipment	(304,089)	-
Net Cash (Used) by Investment Activities	(1,084,931)	-
Financing Activities		
Notes payable-related party	622,991	
Subsidiary capital contribution	1,012,500	
Proceeds/(repayment) from related party Loans	80,135	-
Cash Provided by Financing Activities	1,715,626	-
Net Increase in Cash	135,882	-
Cash, Beginning of Period	-	-
Cash, End of Period	$ 135,882	$ -
Supplemental Information:		
Interest Paid	$ -	$ -
Income Taxes Paid	$ -	$ -
Non-Cash Activities:		
Depreciation	$ -	$ -

The accompanying notes are an integral part of these statements

PetroSun, Inc.

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

(December 31, 2016 and 2015)

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

PetroSun, Inc. (PetroSun or the Company), was organized in the state of Nevada on June 20, 2001 as JBO, Inc. On December 1, 2001, JBO, Inc. merged with LeBlanc Petroleum, Incorporated, a private Arizona corporation and changed its name to LeBlanc Petroleum, Incorporated and then on August 31, 2005 changed its name to PetroSun Drilling, Inc and finally on August 8, 2006 changed its name to PetroSun, Inc.. The merger was a recapitalization and accounted for as a stock exchange reverse acquisition. PetroSun, Inc. is the surviving legal entity with LeBlanc Petroleum Incorporated, the Arizona corporation, the historical accounting company.

As a result of events beginning September 11, 2001 the company decided during 2002 to discontinue operations and remained dormant until July of 2005 when it began efforts to reestablish itself.

On December 23, 2015 the Company participated in the organization of a subsidiary Arizona Energy Partners, LLC (AEP) in the state of Arizona with the Company as the managing member and holding sixty-seven and one-half percent (67.5%) of the LLC. The Company's interest has been consolidated in these statements.

NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The balance sheet presentation herein includes all assets and liabilities at historical cost. The Company has issued stock for the acquisition of rights related to proven and unproven properties and has capitalized those costs at the fair market value of the stock issued at the date of acquisition. Costs of exploration are expensed when incurred. The Company has on occasion issued shares of its common stock in exchange for certain services from the Company's Officers & Directors, business consultants and vendors. The stock has been issued at the fair-valued-based method. The cost of these services has been expensed in the period when the services were performed. No costs of services that were paid with stock have been capitalized.

Accounting Basis

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Fiscal Year

The Company operates on a December 31 fiscal year end.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include all highly liquid investments with maturity of three months or less.

Revenue Recognition

Revenues from services are recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, services have been rendered, payment has been contractually earned and it is reasonably assured that the related receivable or unbilled revenue is collectable.

Advertising

Advertising and marketing costs are expensed as incurred. Marketing expense total zero for the years ended December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, requires disclosing fair value to the extent practicable for financial instruments that are recognized or unrecognized in the balance sheet. Fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties. The Company considers the carrying amounts of cash, certificates of deposit, accounts receivable, accounts payable, notes payable, related party and other payables, customer deposits, and short term loans approximate their fair values because of the short period of time between the origination of such instruments and their expected realization. The Company considers the carrying amount of notes payable to approximate their fair values based on the interest rates of the instruments and the current market rate of interest.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid during the periods reported.

Equipment

Drilling Equipment is depreciated using the straight-line method over its estimated useful lives of 7 years according to industry standards applicable in the oil and gas industry, other equipment is depreciated on a straight-line method over 3 years.

Earnings (Loss) per Share

The basic earnings (loss) per share is calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share is calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

PetroSun has no potentially dilutive securities outstanding at the end of the statement periods. Therefore, the basic and diluted earnings (loss) per share are presented on the face of the statement of operations as the same number.

The Company has not issued any options, warrants or similar securities since inception.

Stock Based Compensation

The Company has on occasion issued equity and equity linked instruments to non-employees in lieu of cash to various vendors for the receipt of goods and services and, in certain circumstances the settlement of short-term loan arrangements. The applicable GAAP establishes that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

Risk

The Company is subject to several categories of risk associated with its activities. Mineral exploration and production is a speculative business, and involves a high degree of risk. Among the factors that have a direct bearing on the Company's prospects are uncertainties inherent in estimating mineral deposits, future mining production, and cash flows, particularly with respect to properties that have not been fully proven with economic mineral reserves; access to additional capital; changes in the price of the underlying commodity; availability and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

Oil Property Costs

Oil property exploration costs are expensed as incurred. Oil property acquisition costs are initially capitalized when incurred. The Company assesses the carrying costs for impairment at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

Asset Retirement Obligation

The Company records asset retirement obligations as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets result from the acquisition, construction, development and/or normal use of the assets. At December 31, 2016, the Company has undertaken drilling activity on its properties through its subsidiary AEP however, at this time has not incurred significant reclamation obligations. Consequently no asset retirement obligation was accrued in the December 31, 2016 and the December 31, 2015 financial statements.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. During the years ended December 31, 2016 and 2015 impairment was zero and zero respectively.

Recent Accounting Guidance

The Company has evaluated the recent accounting pronouncements through ASU 2016-17 and believes that none of the pronouncements will have a material effect on the company's financial statements.

NOTE 3. GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. PetroSun is just beginning the establishment of its sources of revenue. Since its reestablishment in July 2005 the Company has produced limited income and insufficient capital resulting in the impairment of most of its assets and the expiration of many of its mineral leases. This raises substantial doubt about the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Management plans to continue to seek funding from its shareholders and other qualified investors to pursue its business plan. As of the date of these statements the Company has acquired a 25% interest in an oilfield-well service company and has acquired supplies and equipment to establish its own oilfield pipe and supply company with equipment in two locations.

As of the date of these statements the Company has acquired oil and gas operating leases on approximately 218,066.58 acres in the Holbrook Basin of Arizona. The Company has included the property in a Joint Operating Agreement with Arizona Energy Partners, LLC (AEP) who has raised $1,500,000 to begin the exploration and development of the leases.

During the fourth (4th) quarter of 2016 AEP began drilling its first test well. Completion of the well and evaluation of its deposits and reserves took place during the first quarter of 2017.

MHA Petroleum Consultants of Denver, Colorado preformed a resource evaluation on Arizona Energy Partners, LLC first test well and on March 3, 2017 reported the estimated contingent helium resources on 4,000 acres of AEP's interests on the Concho Dome in the Holbrook Basin of Arizona to be 2.29 billion cubic feet. AEP has identified six additional sites on which it intends to drill in an effort to mature the contingent helium resources into reserves by demonstration of commerciality.

The Company continues to seek opportunities to expand its interest in oil and gas properties, and exploration and production tools and technologies.

NOTE 4. RELATED PARTY TRANSACTIONS

The directors and officers of the Company have other interests in the oil and gas business, which may present conflicts of interest with respect to the activities of the Company. The Chairman/CEO of the Company is involved on a part time basis for his own account as an independent oil and gas producer.

As of August 15, 2014 the Company shares office space with the Chairman/CEO located at 2999 North 44th Street, Suite 620, Phoenix, AZ 85018. At such time that revenues permit, the Company intends to obtain separate office space in the Phoenix, Arizona metropolitan area.

The company has short term, zero interest demand notes payable with a related party who is the CEO of the Company. These borrowings have been principally used to finance the operations of the company. The outstanding balance at December 31, 2016 of related party borrowings is $289,121.

The Company's CEO agreed to forgive accrued salary and to forgo his salary during 2015 and 2016 will negotiate a new employment contract during 2017. No accruals have been made during the years ended December 31, 2016 and 2015.

On August 16' 2016, the Company executed two (2) three (3) year notes to Gordon M. LeBlanc Jr., the Company's CEO, in the amounts of $559,417.50 and $63,573.39 respectively with maturity dates of August 16, 2019. Funds were used for the acquisition of oil and gas leases in the Holbrook Basin of Arizona as described in footnote 6. Each note provides for the accrual of 8% simple interest. The Outstanding amount at the report dates follows:

	December 31, 2016	December 31, 2015
Notes Payable-Related Party		
Note 1: Three year, 8% interest	$ 559,418	
Note 2: Three year, 8% interest	63,573	
Accrued Interest	18,708	
Total Notes Payable	$ 641,699	$ -

NOTE 5. DSSOLUTION OF CERTAIN LONG-TERM ASSETS

The Company acquired several intangible assets for cash, stock or a combination of both. The Company has valued these assets at the fair value of the common stock issued at the time of the acquisition. Because of inactivity and the organization of Arizona Energy Partners, LLC the Company has dissolved its interest in the following entities:

1. On December 31, 2016, the Company dissolved its entire interest in Bobcat Pipe & Supply, Inc. an oil field pipe and supply company and wrote-off the $3,750,000 investment.

2. On December 31, 2016, the Company dissolved its entire interest in Bengal Drilling, Inc. and wrote-off the $3,400,000 investment.

NOTE 6. ACQUSITION OF OIL AND GAS LEASES

<u>Navajo County, Arizona:</u>

On August 16, 2016, the Company (Lessee) executed a six (6) year lease agreement dated October 27, 2015 covering approximately 186,473 acres in Navajo County, Arizona with NZ Legacy LLC (Lessor). The lease was executed with a payment in the amount of $559,418 made on behalf of the Company by Gordon M. LeBlanc, Jr. President and CEO. The Lease provided for other valuable consideration in the form of production royalties. The Company will receive an eighty-seven and one half percent (87.5%) net revenue interest for all hydrocarbons including oil, helium, natural gas, distillate and condensate with all extraction and production costs being borne by the Company. The Lessor will receive a royalty of twelve and one half percent (12.5%) of all production at the well free of cost and payable in kind or by the purchase of the lessor's share by the lessee at the going market price.

The lease will continue after its primary six (6) year term on lands included in a Production Unit upon which is located a producing well or upon which the lessee is actively engaged in a continuous drilling program. The lessee is responsible to provide all appropriate insurance coverage required by law and good management practices.

Coconino County, Arizona:

On August 16, 2016, the Company (Lessee) executed a six (6) year lease agreement dated October 27, 2015 covering approximately 21,191.13 acres in Coconino County, Arizona with NZ Legacy LLC (Lessor). The lease was executed with a payment in the amount of $63,574 made on behalf of the Company by Gordon M. LeBlanc, Jr. President and CEO. The Lease provided for other valuable consideration in the form of production royalties. The Company will receive an eighty-seven and one half percent (87.5%) net revenue interest for all hydrocarbons including oil, helium, natural gas, distillate and condensate with all extraction and production costs being borne by the Company. The Lessor will receive a royalty of twelve and one half percent (12.5%) of all production at the well free of cost and payable in kind or by the purchase of the lessor's share by the lessee at the going market price.

The lease will continue after its primary six (6) year term on lands included in a Production Unit upon which is located a producing well or upon which the lessee is actively engaged in a continuous drilling program. The lessee is also responsible to provide all appropriate Insurance coverage required by law and good management practices.

Apache County, Arizona:

On June 9, 2016, the Company acquired 4,859.84 acres of Arizona State Land Department leases from John Somers for $55,509.18 with a net revenue interest of eighty-two and one half percent (82.5%).

On October 19, 2016, the Company acquired a farmout of 4,261.47 acres of Arizona State Land Department leases from United Helium, Inc. with a net revenue interest of eighty (80%) percent.

On November 22, 2016 the Company's subsidiary Arizona Energy Partners, LLC acquired 1,281.64 privately owned acres from HNZ Holding, LLC for $6,408.20 with a net revenue interest of eighty (80%) percent.

NOTE 7. JOINT OPERATING AGREEMENT

A Joint Operating Agreement (JOA) was executed on September 20, 2016, resulting from letters of agreement between various parties leading to the JOA. Within the JOA Arizona Energy Partners, LLC (AEP) is named as the project operator with the responsibility to explore, develop and operate certain oil and gas leases held in the Holbrook Basin of Arizona.

Arizona Energy Partners, LLC was organized in the state of Arizona on December 23, 2015 with the Company as the managing member and holding sixty-seven and one-half percent (67.5%) of the LLC. The Company's interest in AEP has been consolidated within these statements.

The JOA provides for AEP to be the operating entity for the Holbrook Basin properties and bear the costs of exploration, development, production, marketing and product delivery.

AEP has provided funding for the operations thru sale of the unencumbered twelve percent (12%) interest in the project leasehold for $1,500,000 to Rae Ann, LLC. The agreement also provides for an option wherein Rae Ann, LLC may obtain an additional twelve percent (12%) unencumbered interest for an additional $1,500,000 payment.

During the fourth (4th) quarter of 2016 AEP began testing several upper zones for helium concentrations in the 17-1 well including the flow testing required by MHA. Completion of the evaluation of the helium resources took place during the first quarter of 2017.

MHA Petroleum Consultants of Denver, Colorado performed a resource evaluation on AEP's first test well and on March 3, 2017 reported the estimated contingent helium resources on 4,000 acres of AEP's leases on the Concho Dome in the Holbrook Basin of Arizona to be 2.29 billion cubic feet. AEP has identified six additional sites on which it intends to drill in an effort to mature the contingent helium resources into reserves by the demonstration of commerciality.

AEP holds Oil, Gas and Helium leases in Apache, Navajo and Coconino counties of Arizona containing 218,066.58 acres.

NOTE 8. OPERATIONAL LOANS AND SETTLEMENT NOTE

The Company has received operational loans from a related party with a zero interest rate totaling $244,121. On August 16, 2016 the Company executed a settlement agreement in the amount of $117,583 for a defaulted note that matured October 23, 2010. The agreement required a $20,000 payment upon execution and a payment of $15,000 every thirty days untiled paid off. As of December 31, 2016 a related party has made $80,000 in payments on behalf of the Company on the outstanding settlement balance. The Company has recorded the payments as Operational Loans.

A summary of operational loans and settlement note for the reported periods follows:

	December 31, 2016	December 31, 2015
Operational loans from Related Parties, zero interest	$ 209,121	$ 209,121
Related party loan increases	80,000	-
Total related party loans	$ 289,121	$ 209,121
Settlement note	117,583	105,911
Less Payments	(80,000)	-
Total settlement note	$ 37,583	$ 105,911

NOTE 9. ORGANIZATION AND CONSOLIDATION OF SUBSIDIARY

Arizona Energy Partners, LLC was organized in the state of Arizona on December 23, 2015 with the Company as the managing member and holding sixty-seven and one-half percent (67.5%) of the LLC. AEP raised $1,500,000 for its operations of which $1,012,500 (67.5%) was recorded as contributed capital in the consolidated financial statements. The Company's interest in AEP has been consolidated within these statements as follows:

Balance Sheet	Year Ended December 31, 2016			
	PetroSun	AEP	Less Non-Ownership Adjustment	Total
ASSETS				
Current Assets				
Cash	$ -	$ 201,307	$ (65,425)	$ 135,882
Work in Progress	-	279,523	(90,845)	188,678
Prepaid Expenses	-	301,600	(98,020)	203,580
Total Current Assets	-	782,430	(254,290)	528,140
Long-Term Assets				
Equipment	-	450,502	(146,413)	304,089
Unproven Gas and Oil Leases	622,991	233,853	(76,002)	780,842
Total Long-Term Assets	622,991	684,355	(222,415)	1,084,931
Total Assets	$ 622,991	$ 1,466,785	$ (476,705)	$ 1,613,071
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$ 19,070	$ -	$ -	$ 19,070
Accrued Salary	126,090	-	-	126,090
Accrued Expenses	2,336	-	-	2,336
Operational Loans	289,121	200	(65)	289,256
Related Party Note	689,893	-	-	689,893
Total Liabilities	1,126,510	200	(65)	1,126,645
Stockholders' Equity				
Common Stock	240,599	-	-	240,599
Paid in Capital	13,593,859	1,500,000	(487,500)	14,606,359
Accumulated Deficit	(14,337,977)	(33,415)	10,860	(14,360,532)
Total Stockholders' Equity	(503,519)	1,466,585	(476,640)	486,426
Total Liabilities and Stockholders' Equity	$ 622,991	$ 1,466,785	$ (476,705)	$ 1,613,071

Statement of Operations	Year Ended December 31, 2016			
	PetroSun	AEP	Less Non-Ownership Adjustment	Total
Revenue				
Oil Revenue	$ -	$ -	$ -	$ -
Operating Expenses				
General and Administrative	-	27,519	(8,944)	18,575
Depreciation and Depletion	-	-	-	-
Professional Fees	3,750	6,023	(1,957)	7,816
Total Expenses	3,750	33,542	(10,901)	26,391
Net Loss from Operations	(3,750)	(33,542)	10,901	(26,391)
Other Income/Expenses				
Interest Income	-	127	(41)	86
Interest Expense	(40,991)	-	-	(40,991)
Net Loss before Income Tax	(44,741)	(33,415)	10,860	(67,296)
Income Tax	-	-	-	-
Net Income/(Loss)	$ (44,741)	$ (33,415)	$ 10,860	$ (67,296)

Statement of Cash Flows	Year Ended December 31, 2016			
	PetroSun	AEP	Less Non-Ownership Adjustment	Total
Operating Activities				
Net income/(loss)	$ (44,741)	$ (33,415)	$ 10,860	$ (67,296)
Adjustments to reconcile net (loss) to cash:				
Increase/(decrease) in accrued expenses	18,708	-	-	18,708
(Increase)/decrease in work in progress	-	(279,523)	90,845	(188,678)
(Increase)/decrease in prepaid expenses	-	(301,600)	98,020	(203,580)
(Increase)/decrease in settlement note	(57,717)	-	-	(57,717)
(Increase)/decrease in accounts payable	3,750	-	-	3,750
Net Cash (Used) by Operating Activities	(80,000)	(614,538)	199,725	(494,813)
Investment Activities				
Purchase of unproven oil and gas leases	(622,991)	(233,853)	76,002	(780,842)
Purchase of equipment	-	(450,502)	146,413	(304,089)
Net Cash (Used) by Investment Activities	(622,991)	(684,355)	222,415	(1,084,931)
Financing Activities				
Notes payable-related party	622,991	-	-	622,991
Subsidiary capital contribution	-	1,500,000	(487,500)	1,012,500
Proceeds from related party Loans	80,000	200	(65)	80,135
Cash Provided by Financing Activities	702,991	1,500,200	(487,565)	1,715,626
Net Increase in Cash	-	201,307	(65,425)	135,882
Cash, Beginning of Period	-	-	-	-
Cash, End of Period	$ -	$ 201,307	$ (65,425)	$ 135,882

NOTE 10. STOCKHOLDERS' EQUITY

Common Stock

The Company is authorization to issue 500,000,000 shares of common stock at a par value of $0.001 and at December 31, 2016 has 240,598,750 common shares issued and outstanding.

NOTE 11. PROVISION FOR INCOME TAXES

The Company provides for income taxes under ASC 740 "Income Taxes" which requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

The standard requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company's opinion, it is uncertain whether they will generate sufficient taxable income in the future to fully utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is $2,140,233 which is calculated by multiplying a 22% estimated tax rate by the cumulative NOL of $9,728,332. The total valuation allowance is a comparable $2,140,233.

Details for the years ended December 31, 2016 and 2015 follow:

	December 31, 2016	December 31, 2015
Deferred Tax Asset	$ 14,805	$ 825
Valuation Allowance	(14,805)	(825)
Current Taxes Payable	-	-
Income Tax Expense	$ -	$ -

Below is a chart showing the estimated federal net operating losses and the years in which they expire.

Year	Amount	Expiration
2001	136,240	2021
2002	43,042	2022
2003	184,571	2023
2004	301,347	2024
2005	158,505	2025
2006	1,341,823	2026
2007	1,380,291	2027
2008	3,954,573	2028
2009	585,697	2029
2010	303,281	2030
2011	332,325	2031
2012	285,524	2032
2013	640,995	2033
2014	9,072	2034
2015	3,750	2035
2016	67,296	2036
Total	$ 9,728,332	

NOTE 12. SUBSEQUENT EVENTS

On January 4, 2017, the Company executed an exclusive license agreement with Sonoran Dish Energy, LLC and Sonoran CryDesal, LLC for proprietary technology developed for use in the oil and gas industry.

MHA Petroleum Consultants of Denver, Colorado preformed a resource evaluation on AEP's first test well and on March 3, 2017 reported the estimated contingent helium resources on 4,000 acres of AEP's leases on the Concho Dome in the Holbrook Basin of Arizona to be 2.29 billion cubic feet. AEP has identified six additional sites on which it intends to drill in an effort to mature the contingent helium resources into reserves by the demonstration of commerciality.