

Phyhealth Corporation

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Phyhealth Corporation
CONSOLIDATED BALANCE SHEET
June 30, 2016

Assets

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Current assets:		
Cash	\$ 60,343	\$ 198
Accounts receivable:		
Inventory	-	-
Prepaid expenses	51,000	60,000
Federal income tax refund	-	-
Total current assets	<u>111,343</u>	<u>60,198</u>
Property and equipment, at cost:		
Land	210	210
Property and equipment	2,930	2,873
Less: accumulated depreciation	-	-
Net property and equipment	<u>3,140</u>	<u>3,083</u>
Other assets:		
Cash held in escrow	-	-
Total other assets	<u>-</u>	<u>-</u>
Total assets	<u>\$ 114,483</u>	<u>\$ 63,281</u>

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

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Phyhealth Corporation
CONSOLIDATED BALANCE SHEET
June 30, 2016

Liabilities and Stockholder's Equity

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Current liabilities:		
Federal and state income taxes payable	\$ -	\$ -
Lines of credit	-	-
Accounts payable:	464,112	464,112
Accrued Payroll liabilities	229,605	229,605
Due to Former Related Parties	655,956	655,956
Current Portion of Capital Leases	147,768	147,768
Deposit	-	-
Total current liabilities	<u>1,497,441</u>	<u>1,497,441</u>

Long-term liabilities:

Long Term Note Payable	280,255	72,674
Deferred federal income tax liabilities		-
Total long-term liabilities	<u>280,255</u>	<u>72,674</u>

Stockholder's equity:

Common stock, par value \$0.0001 per share; 300,000,000 shares authorized, 259,108,916 issued and outstanding	26,248	25,904
Preferred Stock, \$0.0001 par value, Series A convertible authorized 1,000,000 shares, 247,053 issued and outstanding	25	25
Series B convertible authorized 1,000,000 shares, 39,565 issued and outstanding	4	4
Additional Paid-In Capital	2,867,143	2,867,143
Retained earnings	<u>(4,556,634)</u>	<u>(4,399,910)</u>
Total stockholder's equity	<u>(1,663,213)</u>	<u>(1,506,834)</u>

Total liabilities and stockholder's equity	<u>\$ 114,482</u>	<u>\$ 63,281</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Phyhealth Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE PERIOD ENDING JUNE 30, 2016

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Revenues:		
Operating Revenues	\$ -	\$ -
Other Revenues	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>
Operating expenses:		
Lease operating expenses	-	-
Payroll Expense	68,626	21,645
Equipment Rental	2,272	500
Maintenance Expense	9,332	1,099
General and administrative expenses	<u>113,657</u>	<u>13,920</u>
Total operating expenses	<u>193,888</u>	<u>37,164</u>
Income (loss) from operations	<u>(193,888)</u>	<u>(37,164)</u>
Other income and (expense):		
Interest expense, net		-
Loss from disposition of assets	<u>-</u>	<u>-</u>
Total other income and (expense)	<u>-</u>	<u>-</u>
Income (loss) before provision for income taxes	<u>(193,888)</u>	<u>(37,164)</u>
Provision (benefit) for income taxes:		
Current	-	-
Deferred	<u>-</u>	<u>-</u>
Total provision (benefit) for income taxes	<u>-</u>	<u>-</u>
Net income (loss)	(193,888)	(37,164)
Retained earnings at beginning of year	(4,362,746)	(4,362,746)
Retained earnings at end of period	<u>\$ (4,556,634)</u>	<u>\$ (4,399,910)</u>

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

Phyhealth Corporation
STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDING JUNE 30, 2016

	Common Stock		Preferred Series A		Preferred Series B		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value			
Balance at December 31, 2014	8,055,330	806	247,053	25	39,565	4	2,867,143	(4,399,910)	(1,245,315)
Share issued for property	205,000,000	20,500							
Shares issued for services	25,125,000	2,513					-	-	2,513
Shares issued for extinguish debts	20,862,586	2,086							
Net income (loss)	-	-	-	-	-	-	-	(193,888)	(193,888)
Balance at December 31, 2015	259,042,916	\$ 25,904	247,053	\$ 25	39,565	\$ 4	\$ 2,867,143	\$ (4,593,798)	\$ (1,436,690)
Share issued for property		-							
Shares issued for services		-					-	-	-
Shares issued for extinguish debts	3,440,076	344							
Net income (loss)	-	-	-	-	-	-	-	(193,888)	(193,888)
Balance at June 30, 2016	<u>262,482,992</u>	<u>\$ 26,248</u>	<u>247,053</u>	<u>\$ 25</u>	<u>39,565</u>	<u>\$ 4</u>	<u>\$ 2,867,143</u>	<u>\$ (4,787,685)</u>	<u>\$ (1,630,577)</u>

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

Phyhealth Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING JUNE 30, 2016

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Cash flows from operating activities:		
Net income (loss)	\$ (193,888)	\$ (8,400)
Adjustment to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Loss from disposition of assets	-	-
Increase in allowance for doubtful accounts		-
Settlements of asset retirement obligations		-
Changes in operating assets and liabilities:		
Accounts receivable		
Inventory		
Prepaid expenses		
Estimated federal income tax refund		
Federal and state income taxes payable		
Financed insurance policies payable		
Accounts payable, trade	11,784	8,400
Deferred federal income tax liabilities	-	
Net cash (used in) provided by operating activities	<u>(182,104)</u>	<u>-</u>
Cash flows from investing activities:		
Collection of joint development receivable		
Additions to oil and gas properties		
Additions to property and equipment		
Proceeds from disposition of property and equipment		
Cash deposited to escrow account		
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Repayment of equipment notes payable		
Repayment of related party borrowings		
Advances for prepaid drilling and completion programs, related party		
Proceeds from lines of credit		
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(182,104)	-
Cash at beginning of year	<u>198</u>	<u>198</u>
Cash at end of year	<u><u>\$ (181,906)</u></u>	<u><u>\$ 198</u></u>

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

Phyhealth Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING JUNE 30, 2016

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
<u>Supplemental Cash Flow Disclosures</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
State and federal income taxes paid	<u>\$ -</u>	<u>\$ -</u>
<u>Supplemental Non-Cash Investing and Financing Activities</u>		
Equipment notes payable issued for acquisition of property and equipment	<u>\$ -</u>	<u>\$ -</u>
Unevaluated properties acquired with related party borrowings	<u>\$ -</u>	<u>\$ -</u>
Transfer of unevaluated properties to third party owners	<u>\$ -</u>	<u>\$ -</u>
Additions to asset retirement obligations, capitalized	<u>\$ -</u>	<u>\$ -</u>
Consideration received from disposition of assets	<u>\$ -</u>	<u>\$ -</u>
Increase in allowance for doubtful accounts charged	<u>\$ -</u>	<u>\$ -</u>
Increase in producing properties from accounts payable	<u>\$ -</u>	<u>\$ -</u>

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

**Notes to Consolidated
Financial Statements**
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND REVERSE ACQUISITION TRANSACTION

(a) The Company Phyhealth Corporation is a Delaware chartered corporation which was formed on January 18, 2008. The Company had been inactive since it ceased operations at the close of business June 30, 2012. The Company has acquired certain mining rights located in Nevada and intends to reopen those inactive mines.

The accompanying consolidated financial statements include the activities of Phyhealth Corporation and its subsidiary.

NOTE 2 - BASIS OF PRESENTATION

a) Statement of Compliance

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") as issued by the Financial Accounting Standards Board ("FASB").

b) Basis of Measurement

The Company's financial statements have been prepared on the historical cost basis.

c) 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarize the more significant accounting and reporting policies and practices of the Company:

(a) Stock compensation for services rendered The Company may issue shares of common stock in exchange for services rendered. The costs of the services are valued according to generally accepted accounting principles and have been charged to operations.

(b) Net income (loss) per share Basic loss per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period.

(c) Property and equipment All property and equipment are recorded at cost and depreciated over their estimated useful lives, 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.

(d) Income Taxes Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income, and between the tax bases of assets and liabilities and their reported amounts in the financial

statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

(d) Income Taxes (continued) Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

(e) Cash and equivalents For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

(f) Financial Instruments Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 825, Disclosures about Fair Value of Financial Instruments, 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 receivable, accounts payable and accrued liabilities and shareholder loan, approximates their fair values because of the short-term maturities of these instruments.

(g) Measurement The Company initially measures its financial instrument at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in earnings for the period in which they occur.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and shareholder loan.

(h) Impairment Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in earnings for the period. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in earnings for the period.

(i) Transaction costs The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measure at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(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) Intangible Assets The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the estimated useful lives.

(l) Intangible Assets (continued) Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. If impairment indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

(m) Recent Accounting Pronouncements The Company has considered recent accounting pronouncements during the preparation of these financial statements and does not expect any recent accounting pronouncements to have a material effect on its financial statements.

NOTE 4 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's financial position and operating results raise substantial doubt about the Company's ability to continue as a going concern, as reflected by the net loss of One Hundred Ninety Three Thousand Eight Hundred Eighty Eight Dollars (\$193,888.00) accumulated through June 30, 2016. The ability of the Company to continue as a going concern is dependent upon commencing operations, developing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is currently seeking additional capital to allow it to begin its planned operations

NOTE 5 - RELATED PARTY TRANSACTIONS

From time to time the Company may enter into non-arms length transactions with related parties. These transactions will be valued at historical cost with no value increase given.

NOTE 6 – STOCKHOLDERS EQUITY

At June 30, 2016, the Company has 262,548,992 shares of par value \$0.0001 common stock authorized and 255,227,557 issued and outstanding. At June 30, 2016, the Company also has 247,053 shares of Series A and 39,565 shares of Series B preferred stock issued and outstanding. In August the Company increased its authorized common stock to 298,000,00.

NOTE 7 - FINANCIAL INSTRUMENTS

(a) Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company relies on cash flows generated from operations, as well as injections of capital through the issuance of the Company's capital stock to settle its liabilities when they become due.

(b) Interest Rate Risk The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

NOTE 8 - SURETY BOND

The Company acquired an existing \$155,590 Surety Bond for the benefit of the Bureau of Land Management of the U.S. Department of Interior. During July the Company deposited \$359,410 in cash with the BLM to increase the Surety Bond amount in order for the BLM to issue the permit necessary to reopen the existing mine.

NOTE 9 - SECURED PROMISSORY NOTE

In August 2015 the Company entered into a secured Promissory Note with Zion Capital Ventures in the amount of \$3,125,000. The Company expects to receive the proceeds, less a 2% loan origination fee, of this Note in November 2015. A stockholder of the Company has pledged 25,000,000 shares as collateral to this Note. This Note bears simple interest at the rate of 16% and payments are due Quarterly. This note bears no stated maturity date.

NOTE 8 - SUBSEQUENT EVENTS

None