UNAUDITED

TOPAZ RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS		
Cash	$ 31,875	$ 58,938
Other receivables	454	2,804
Total Current Assets	32,329	61,742
PROPERTY		
Investment in evaluated oil and natural gas properties	103,456	94,019
Total Property	103,456	94,019
TOTAL ASSETS	$ 135,785	$ 155,761
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 7,321	$ 10,296
Accounts payable, related party	125	125
Total Current Liabilities	7,446	10,421
STOCKHOLDERS' EQUITY		
Preferred stock; $0.0001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.0001 par value; 700,000,000 shares authorized; 518,175,000 and 518,175,000 shares issued and outstanding at 2015 and 2014, respectively	51,818	51,818
Additional paid-in capital	514,689	514,689
Accumulated deficit	(438,168)	(421,167)
Total Stockholders' Equity	128,339	145,340
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 135,785	$ 155,761

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

STATEMENTS OF OPERATIONS

		For the Year Ended December 31, 2015		2014
REVENUES	$	6,237	$	60,864
OPERATING EXPENSES				
Professional fees expense		1,001		1,556
Depletion expense		7,264		5,187
General and administrative expenses		14,973		5,881
TOTAL OPERATING EXPENSES		23,238		12,624
INCOME (LOSS) FROM OPERATIONS		(17,001)		48,240
INCOME (LOSS) BEFORE TAXES		(17,001)		48,240
INCOME TAX EXPENSE		-		-
NET INCOME (LOSS)	$	(17,001)	$	48,240
NET INCOME (LOSS) PER COMMON SHARE, BASIC AND DILUTED	$	(0.00)	$	0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED		518,175,000		518,175,000

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

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (17,001)	$ 48,240
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depletion	7,264	5,187
Increase in other receivables and other current assets	2,350	1,398
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,975)	(33,735)
Net cash provided (used) by operating activities	(10,362)	21,090
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investment	(16,701)	-
Net cash provided (used) by investing activities	(16,701)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(27,063)	21,090
Cash, beginning of period	58,938	37,848
Cash, end of period	$ 31,875	$ 58,938
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND ORGANIZATION

Topaz Resources, Inc. formerly Kids Germ Defense Corp. (the "Company") is a development stage enterprise that was incorporated in the state of Florida on January 16, 2009. To date, the Company's activities have been limited to raising capital, organizational matters and structuring its business plan. The corporate headquarters are located in Denton, Texas. The Company is an independent oil and gas company focusing on production, acquisitions and developmental drilling opportunities within proven producing areas of North-Central-West Texas.

Effective April 16, 2010, the Company changed its name from Kids Germ Defense Corp. to Topaz Resources, Inc.

On April 16, 2010 the Company commenced oil and gas exploration activities. As of December 31, 2015, the Company has not achieved its planned principal operations from its oil and gas operations.

CONSOLIDATION

The accompanying condensed consolidated financial statements include all accounts of Topaz and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated in consolidation.

OIL AND GAS PROPERTIES

The Company uses the full cost method of accounting for its oil and natural gas properties. Under this method, the Company capitalizes all acquisition, exploration and development costs incurred for the purpose of finding oil and natural gas reserves, including leasehold acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties and costs of drilling of productive and non-productive wells into the full cost pool. To the extent that support equipment is used in oil and gas activities, the related depreciation is capitalized. Proceeds from the disposition of oil and natural gas properties are accounted for as a reduction of capitalized costs, with no gain or loss recognized unless such disposition would alter the depletion and depreciation rate by 20% or more. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves proved and estimated abandonment costs, net of salvage, are depleted on the units-of-production method using estimates of proved reserves. The costs of unproved properties are not amortized until it is determined whether or not proved reserves can be assigned to the properties. The Company assesses its properties at least annually to ascertain whether impairment has occurred. In assessing impairment, the Company considers factors such as historical experience and other data such as primary lease terms of the property, average holding periods of unproved property, and geographic and geologic data.

Capitalized costs of development oil and natural gas properties may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proven reserves plus the lower of cost or fair value of unproven properties. Should capitalized costs exceed this ceiling, impairment is recognized.

The present value of estimated future net cash flows is computed by applying the average first-day-of-the-month prices during the previous twelve month period of oil and natural gas to estimated future production of proved oil and natural gas reserves as of year-end less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. All of the Company's non-interest bearing cash balances were fully insured at December 31, 2015 and 2014. Insurance coverage was $250,000 per depositor at each financial institution. At December 31, 2015 and 2014, there were no amounts held in excess of federally insured limits.

REVENUE RECOGNITION

We recognize revenue when all of the following criteria have been met: (i) evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed and determinable and (iv) collectability is reasonably assured.

•Evidence of an arrangement exists when a final understanding between us and our customer has occurred, and can be evidenced by a completed customer purchase order, field ticket, supplier contract, or master service agreement.

•Delivery has occurred or services have been rendered when we have completed requirements pursuant to the terms of the arrangement as evidenced by a field ticket or service log.

•The price to the customer is fixed and determinable when the amount that is required to be paid is agreed upon. Evidence of the price being fixed and determinable is evidenced by contractual terms, our price book, a completed customer purchase order, or a completed customer field ticket.

•Collectability is reasonably assured when we screen our customers and provide goods and services to customers according to determined credit terms that have been granted in accordance with our credit policy.

We present our revenues net of any sales taxes collected by us from our customers that are required to be remitted to local or state governmental taxing authorities.

We review our contracts for multiple element revenue arrangements. Deliverables will be separated into units of accounting and assigned fair value if they have standalone value to our customer, have objective and reliable evidence of fair value, and delivery of undelivered items is substantially controlled by us. We believe that the negotiated prices for deliverables in our services contracts are representative of fair value since the acceptance or non-acceptance of each element in the contract does not affect the other elements.

INCOME TAXES

Deferred income tax assets and liabilities arise from temporary differences associated with differences between the financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates, which are expected to be in effect when these differences reverse. Deferred tax assets and liabilities are classified as current or non-current, depending on the classification of the assets or liabilities to which they relate. Deferred tax assets and liabilities not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse. The principal types of temporary differences between assets and liabilities for financial statements and tax return purposes are set forth in Note 8.

The Company follows the provisions of FASB ASC 740-10 "*Uncertainty in Income Taxes*" (ASC 740-10), January 1, 2007. The Company has not recognized a liability as a result of the implementation of ASC 740-10. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there are no unrecognized benefits at December 31, 2015 or 2014. The Company has not recognized interest expense or penalties as a result of the implementation of ASC 740-10. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

EARNINGS PER SHARE

The Company follows ASC Topic 260 to account for the earnings per share. Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

ADVERTISING

The Company expenses advertising costs as incurred. There were no advertising costs incurred during the fiscal years ended December 31, 2015 and 2014.

FINANCIAL INSTRUMENTS

The Company accounts for financial instruments in accordance with FASB Accounting Standards Codification (ASC) 820 "*Fair Value Measurements and Disclosures*" (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The carrying amounts reported in the balance sheet for cash, receivables, accounts payable, accrued interest and notes payable approximate their fair market value based on the short-term maturity of these instruments.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Company has evaluated all accounting pronouncements through the issuance of these financial statements and there were no new accounting pronouncements that had a significant impact on the Company's operating results, financial position or financial statements.

NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. For the year ended December 31, 2015, the Company had a net loss of $17,001 and an accumulated deficit of $438,168. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes and proceeds from sub-licensing agreements until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 - INVESTMENT IN OIL AND NATURAL GAS PROPERTIES

The amounts capitalized as oil and natural gas properties were incurred for the purchase, exploration and ongoing development of properties.

	Acquisition Costs		Evaluation Costs		Total
Balance at December 31, 2013		99,206		-	99,206
Costs incurred on purchase, exploratory and development activities during the year ended December 31, 2014		-		-	-
Depletion		(5,187)		-	(5,187)
Balance at December 31, 2014	$	94,019	$	-	$ 94,019
Costs incurred on purchase, exploratory and development activities during the year ended December 31, 2015		16,701		-	16,701
Depletion		(7,264)		-	(7,264)
Balance at December 31, 2015	$	103,456	$	-	$ 103,456

The Company has a single producing natural gas well in Denton County, TX that has demonstrated sufficient production history to be considered a proved developed producing ("PDP") property. We do not have an independent engineering reserve study report but based on internal Company estimates utilizing methods consistent with Securities and Exchange Regulation S-X Rule 4-10 we have assigned PDP reserves to this well. Reserve estimates and production rate projections are based on the established performance of the well and on an extrapolation of established performance trends in the area. During the years ended December 31, 2015 and 2014 this well produced an estimated 13,425 and 15,582, respectively, net thousand cubic feet of natural gas to the Company's ownership interest.

Pursuant to Securities and Exchange Regulation S-X Rule 4-10, the Company's accounting policy is to follow the "full cost" accounting method, including depletion under the unit of production method. The Company has calculated a depletion expense for the years ended December 31, 2015 and 2014 of $7,264 and $5,187, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

Dark Horse Operating Co., L.L.C. ("DHOC") operates the Company's single producing under contract to the Company. Prior to October 31, 2015, DHOC was an affiliate of the Company because until that date two of the officers, one of whom was also a director of the Company, owned DHOC. During the time that DHOC was an affiliate, the Company adopted a policy that required that the two officers not participate in discussions or votes regarding matters involving DHOC. As of October 31, 2015 the two officers in question have resigned from their positions with the Company and DHOC is no longer an affiliate of the Company.

NOTE 5 - STOCKHOLDER'S EQUITY

Effective April 22, 2010, the Company and an investor signed a subscription agreement to purchase a total of 4,800,000 shares of the Company's common stock at $0.04167 per share (the underlying fair market value of the common stock) plus 180,000,000 warrants to purchase shares of the Company's common stock at an exercise price of $0.0833 per share for a total amount of $200,000.

The warrant entitles the holder to purchase 180,000,000 shares of the Company's common stock, at any time, at an exercise price of $0.0833 per share, provided, however, that in no event shall the holder be entitled to exercise this warrant for a number of shares in excess of the number of shares which, upon giving effect to such exercise, would cause the aggregate number of shares of common stock beneficially owned by the holder and its affiliates to exceed 4.99% of the outstanding shares of common stock. The holder may exercise the warrant on either a cash or cashless exercise as determined by the holder of the warrant. The warrants expire in 2015.

	Shares	Range of Exercise Prices		Weighted Average Exercise Price	
Outstanding at December 31, 2014	180,000,000	$	0.0833	$	0.0833
Warrants granted	—	$	—	$	—
Warrants cancelled or expired	**180,000,000**	$	—	$	—

Outstanding at December 31, 2015	—	$	—	$	—

NOTE 6 - INCOME TAXES

The Company operates in the United States ("U.S."); accordingly, federal and state income taxes have been provided based upon the tax laws and rates of the U.S. as they apply to the Company's current ownership structure.

The Company accounts for income taxes pursuant to Accounting Standards Codification No. 740, ACCOUNTING FOR INCOME TAXES, which requires recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The Company provides for deferred taxes on temporary differences between the financial statements and tax basis of assets using the enacted tax rates that are expected to apply to taxable income when the temporary differences are expected to reverse.

The Company recognizes interest and penalties related to unrecognized tax benefits within the provision for income taxes on continuing tax benefits. There are no unrecognized tax benefits that if recognized would affect the tax rate. There were no interest or penalties recognized as of the years ended December 31, 2015 and 2014. The Company files tax returns in the U.S. and states in which it has operations and is subject to taxation.

The Company's effective tax rate for continuing operations for the years ended December 31, 2015 and 2014 was approximately 0% and 0%, respectively because the Company had minimal taxable income in 2014 and no taxable income in 2015.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company, as an owner or lessee and operator of oil and gas properties, is subject to various federal, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area.

NOTE 8—MINORITY INTEREST IN THE WHOLLY OWNED SUBSIDIARY, MASCH BRANCH

In 2011, $127,697 of principal and the related accrued interest was converted into equity units of Masch Branch (designated as “Subsequent Member” units) which had been wholly owned by us. This resulted in a total of 2,118,790 units outstanding, of which the Company holds 2,000,000 units.

As Masch Branch is a limited liability company, the managers are not required to allocate income or distribute cash to these minority Subsequent Members. The minority Subsequent Members have no claims on the assets of Topaz, the parent company and “Original Member” of Masch Branch, and therefore no value has been assigned to this equity. The managers of Masch Branch may distribute subsequent earnings/losses to the minority Subsequent Members but are under no such obligation.

NOTE 9 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the date the Financial Statements were issued through the date of this filing and has determined that there are no items to disclose.