

SYLIOS CORP



September 30, 2017
Quarterly Report

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,115	\$ 119,712
Accounts receivable:		
Joint interest billing	-	-
Other	-	-
Marketable equity securities	-	31,181
Prepaid expenses	-	-
Notes receivable, current	-	360,000
Notes receivable, stockholder	209,247	158,669
	<u>240,362</u>	<u>669,562</u>
Total current assets	240,362	669,562
PROPERTY AND EQUIPMENT		
Oil and gas properties and equipment, net	196,134	263,292
OTHER ASSETS		
Notes receivable, net of current portion	68,899	300,000
Licensing Agreement	-	250,000
Miscellaneous	74,375	74,375
Investment	5,378	-
AMDAQ LTD	10,404	-
TOTAL ASSETS	<u>\$ 595,552</u>	<u>\$ 1,557,229</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,038,474	\$ 885,931
Notes payable, current	1,120,110	1,321,289
Loans payable, other	-	-
Convertible debentures payable	503,700	442,364
	<u>2,662,284</u>	<u>2,649,584</u>
Total current liabilities	2,662,284	2,649,584
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	-
STOCKHOLDERS' EQUITY		
Preferred stock:		
Series A	1,000	1,000
Series B	-	-
Series C	-	-
Common stock	11,767,821	7,831,939
Additional paid in capital	(2,917,898)	938,150
Retained Deficit	(10,916,023)	(9,861,812)
Treasury stock, at cost	(1,632)	(1,632)
	<u>(2,066,732)</u>	<u>(1,092,355)</u>
Total stockholders' equity (deficit)	(2,066,732)	(1,092,355)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 595,552</u>	<u>\$ 1,557,229</u>

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue earned		
Oil and gas production sales	\$ -	\$ -
Royalty Income	-	22,074
Other	-	5,000
Total revenue earned	-	27,074
Cost of operations	-	-
Gross profit	-	27,074
Operating Expenses		
Selling, general and administrative	369,549	188,657
Stock issued for legal services	-	-
Stock issued for consulting and other services	-	2,000
Depreciation, depletion and amortization	67,159	6,948
Total operating expenses	436,708	197,605
Loss from operations	(436,708)	(170,531)
Other Income (expenses)		
Write-off of Notes and other Investments	(685,003)	-
Net gain from sale of marketable equity securities and investments	-	-
Net income on sale of oil and gas properties and equipment		59,150
Interest income	-	-
Interest expense	(38,854)	(7,324)
Loss before provision for income taxes	(1,160,565)	(118,705)
Provision for income taxes	-	-
Net loss	\$ (1,160,565)	\$ (118,705)
Basic loss per common share	\$ (0.00)	\$ (0.00)
Diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding - basic	8,916,379,987	7,923,757,083
Weighted average common shares outstanding - diluted (see Note A)	-	-

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Net loss	\$ (1,160,565)	\$ (118,705)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	67,159	6,948
Issuance of stock for consulting and other services	-	2,000
Write-off of Notes and other Investments	685,003	-
Issuance of stock for accounts payable and accrued expenses	19,532	110,884
Issuance of stock for Interest	36,620	-
Changes in operating assets and liabilities:		
Accounts receivable, joint interest billing	-	-
Accounts receivable, other	-	-
Marketable Equity Securities	31,181	-
Prepaid expenses	-	-
Other assets	-	-
Accounts payable and accrued expenses	208,701	89,078
Accounts payable, revenue distribution	-	-
Net cash flows from operating activities	(112,369)	90,205
INVESTING ACTIVITIES:		
Purchase of Royalty Interests	-	(39,375)
Collections on notes receivable	-	-
Collections on notes receivable, stockholders	-	2,860
Lending on notes receivable, stockholder	(50,578)	-
Purchase of oil and gas properties and equipment	-	-
Proceeds from sale of oil and gas properties and equipment	-	-
Net cash flows from investing activities	(50,578)	(36,515)
FINANCING ACTIVITIES:		
Borrowings from Notes Payable	-	48,000
Payments on Notes Payable	-	(2,565)
Borrowings from loans payable - other, net	-	-
Payments on convertible debentures	-	-
Borrowings from convertible debentures	74,350	-
Net cash flows from financing activities	74,350	45,935
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(88,597)	99,125
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	119,712	20,073
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 31,115	\$ 119,198

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental Disclosures of Cash Flow Information:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 7,324
Issuance of common stock for reduction of convertible debenture	\$ 27,414	\$ 27,176
Issuance of common stock in A/R other	\$ -	\$ -
Issuance of common stock for reduction of accounts payable and accrued expenses	\$ 19,532	\$ -
Issuance of common stock for reduction of notes payable	\$ 38,516	\$ -
Issuance of common stock for interest on convertible debentures	36,620	-
Issuance of common stock for investment	5,378	-

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sylios Corp (f/k/a US Natural Gas Corp) (“Sylios”, the “Company”, “we”, “us”, or “our”) was organized as a Florida Corporation on March 28, 2008 under the name of Adventure Energy, Inc.

Sylios Corp is a holding corporation, which through its subsidiaries, has operations engaged in the exploration and development oil and natural gas properties, investments in equities and corporate debt and the development of products utilized for the medical and recreational marijuana industry.

Our operations are currently divided amongst four wholly owned subsidiaries, US Natural Gas Corp KY (“KY”), US Natural Gas Corp WV (“WV”) (formerly Wilon Resources, Inc.), E 2 Investments, LLC (“E2”) and Bud Bank, LLC (“BB”). On, March 10, 2017, the Company's former wholly owned subsidiary, The Greater Cannabis Company, Inc. (formerly The Greater Cannabis Company, LLC), was spun-out to shareholders of the Company. As such, The Greater Cannabis Company, Inc. will no longer be treated as a wholly owned subsidiary of the Company. Please see **NOTE T- SPIN-OFF** for further information.

On July 20, 2009, the Company formed E 2 Investments, LLC (“E 2”) to actively make equity investments in private and publically owned companies and to acquire energy related holdings.

On August 25, 2009, the Company formed Wilon Resources, Inc. in the state of Tennessee. On February 9, 2010, Wilon Resources, Inc. (“Wilon”) merged with and into Wilon Resources of Tennessee, Inc. (“WRT”), a publically owned Tennessee Corporation. All of the stock of Wilon owned by the Company was acquired by WRT for consideration equal to 1,000 shares of WRT for every one share of Wilon held by the Company. Subsequent to the merger, Wilon approved the use of the name Wilon Resources, Inc. by WRT.

On September 4, 2009, the Company entered into a lender acquisition agreement with SLMI Holdings, LLC, a Nevada Limited Liability Company. Through this agreement, the Company acquired SLMI Options, LLC. The sole purpose of this acquisition of SLMI Options, LLC is to hold three commercial notes issued by Wilon Resources, Inc., (formerly “Wilon Resources of Tennessee, Inc.”) in the years 2005 through 2007.

On February 1, 2010, the Company formed US Natural Gas Corp in the state of Florida. Subsequently, on March 22, 2010 the Company changed the name to US Natural Gas Corp KY. With this name change, all assets held in the state of Kentucky were transferred from US Natural Gas Corp to US Natural Gas Corp KY.

On February 2, 2010, the Company formed E 3 Petroleum Corp (“E 3”) in the state of Florida. E 3 acts as the operator and bonding entity for the Company’s wells in the states of Kentucky and West Virginia.

On March 19, 2010, the shareholders of Adventure Energy, Inc. (now Sylios Corp) approved an amendment to its Articles of Incorporation changing the name of the Company to US Natural Gas Corp, and an amendment deleting Article 8 thereof to eliminate reference to a non-existent Shareholders' Restrictive Agreement. Wilon simultaneously completed a name change to US Natural Gas Corp WV. On April 13, 2010, the Company received approval from FINRA recognizing the name change and approving a corresponding change of the Company's trading symbol from “ADVE” to “UNGS”.

On March 19, 2010, the Company's shareholders approved with 16,611,138 votes “for” and zero votes “against” to an exchange of shares between the Company and Wilon Resources, Inc. (“Wilon”), whereby the Company acquired all of the outstanding shares of Wilon. For each share of common stock of Wilon exchanged, the Company issued one share of the Company's common stock plus one warrant to purchase one additional share of common stock of the Company at an exercise price of \$.25 (25 cents) per share to be exercisable for a period of 5 years from the date of issue. Wilon's shareholders approved the share exchange with 27,843,109 votes “for” and zero votes “against”.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

On June 3, 2010, the Financial Industry Regulatory Authority (FINRA) made the final approval of the share exchange. The Company accounted for the acquisition of Wilon using the purchase method on June 3, 2010.

On January 11, 2011, the Board of Directors of B.T.U. Pipeline, Inc. ("BTU"), a wholly owned subsidiary of the Company, elected to dissolve the corporation. BTU was organized under the state of Tennessee and was acquired in the Wilon Resources, Inc. acquisition in 2010. BTU's sole purpose of existence was to serve as the bonding company and operator of the Company's West Virginia natural gas wells. Any remaining assets of BTU were assigned to US Natural Gas Corp WV on January 11, 2011 and appropriate documentation filed with the County Clerk of Wayne County, West Virginia. The Articles of Dissolution and Articles of Termination were filed with the State of Tennessee Department of State on March 4, 2011 after the Company's Certificate of Tax Clearance was received from the Tennessee Department of Revenue. The corporation was effectively terminated and dissolved on March 15, 2011 with the Tennessee Secretary of State.

On April 16, 2012, the Company filed a Form 15 with the Securities and Exchange Commission to immediately end the Company's requirements as a fully reporting entity. The Company's common stock will continue to be quoted on the OTC Markets ("Pinksheets"). Upon filing the Company's financial information, the Company's status on the OTC Markets will be deemed as "Current Information Tier". In the event the Company fails to file its financial reports with the OTC Markets, it may be deemed as "Limited Information" or a "STOP" will be placed against our Company quotation informing investors of our failure to file the required financial reports.

On July 19, 2013, the Company filed an Amendment to its articles of Incorporation reducing the Authorized number of common shares from 9,000,000,000 to 2,000,000,000 and to effectively reduce the number of common shares outstanding through a 1:300 reverse stock split.

On August 12, 2013, the Company effectively completed a 1:300 reverse stock split of its common stock.

On March 13, 2014, the Company formed The Greater Cannabis Company, LLC ("GCC") in the state of Florida. GCC will act as the Company's operating subsidiary for its new operation in the medical and recreational marijuana market. On July 19, 2013, the Company filed an Amendment to its Articles of Incorporation reducing the Authorized number of common shares from 9,000,000,000 to 2,000,000,000 and to effectively reduce the number of common shares outstanding through a 1:300 reverse stock split.

On April 14, 2014, the Company filed an Amendment to its Articles of Incorporation with the State of Florida Division of Corporations for a name change from US Natural Gas Corp to Sylios Corp. On April 25, 2014, the Company filed the appropriate documentation with the Financial Industry Regulatory Authority ("FINRA") to effectively change the name of the publicly traded entity from US Natural Gas Corp to Sylios Corp. The name change was effective on June 20, 2014. The Company's new Cusip number associated with the name change is 871324 109.

On July 2, 2014, the Company formed Bud Bank, LLC ("BB") in the state of Florida. BB will act as the Company's operating subsidiary dedicated solely to the Company's cannabis dispensing product.

On July 9, 2014, the Company entered into two separate Consulting Agreements with Greenscape Laboratories, Inc., whereby the companies would provide one another with services related to strategic board level advisory, financial advisory, business development and acquisition and joint ventures advisory. The term of each agreement is 12 months.

On July 9, 2014, the Company entered into definitive agreements with Bayport International Holdings, Inc. for the disposition of certain assets currently operated by the Company's operating subsidiaries within the states of West Virginia. Included within the assets are certain leases covering mineral rights, oil and natural gas wells and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. On July 31, 2014, the transaction closed.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

On July 11, 2014, the Company filed a trademark for the name "Bud Bank" with the United States Office Patent and Trademark Office. The application was denied due to "the applied-for-mark in not in lawful use in commerce. The Company plans on resubmitting a new application at a later date.

On July 31, 2014, the Company and Bayport International Holdings, Inc. ("Bayport") closed on the Asset Purchase Agreement entered into between the companies on July 9, 2014. Included within the assets sold by the Company were certain leases covering mineral rights, oil and natural gas wells, certain right of ways and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. The Company will file the required Bill of Sales, Assignments and Deeds with the designated County Clerks for the transaction. At Closing, Bayport remitted the required funds as per the Asset Purchase Agreement and issued to the Company three Notes with varying maturity dates.

On July 31, 2014, the Company, through its subsidiary The Greater Cannabis Company, LLC, entered into a Licensing Agreement with Artemis Dispensing Technologies ("Artemis") for the development and resell of its automated dispensing product. Under the collaboration and license agreement, Artemis will be responsible for the development of a high end automated dispensing product. Upon launch and sales of the product, Artemis will be responsible for the installation, training and customer support for the hardware and software. The Company will be responsible for direct sales, addition of key distributors and sub-licensing of specific territories within the U.S. Under the terms of the agreement, the Company will pay to Artemis a one-time licensing fee in the amount of \$500,000.00 broken into tranches and based on development parameters. Artemis will also receive a percentage of transaction fees generated on a monthly basis per unit. The Company will receive revenue generated directly from sales either through its website or sales staff, a royalty from sales generated through third party vendors/distributors or a percentage of any sub-licenses sold. In addition, the Company shall have the first right of refusal to purchase a license for the use of the same technology in other countries.

On August 21, 2014, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 2,000,000,000 to 5,000,000,000. No changes were made to the Company's Preferred share structure.

On November 24, 2014, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 5,000,000,000 to 9,000,000,000. No changes were made to the Company's Preferred share structure.

On August 1, 2015, the Company and Artemis Dispensing Technologies ("Artemis") agreed to amend the terms of the licensing agreement entered into by both parties on July 31, 2014. Under the amended terms, the Company's compensation to Artemis has been reduced, the term of the agreement extended through 2018 and the per unit cost to the Company decreased. Further details of the amended terms will be provided upon execution of the definitive documents.

On September 30, 2015, the Company's Board of Directors voted to implement a reverse stock split of the Company's common stock and to reduce the number of Authorized shares of common stock.

On October 29, 2015, the Company's Board of Directors voted to rescind the proposed reverse stock split of the Company's common stock and reduction in the number of Authorized shares of common stock.

On October 30, 2015, the Company filed an Amendment to its Articles of Incorporation, to become effective on October 30, 2015, to effectively rescind the previously filed Amendment dated October 1, 2015 whereby the Company's common stock was reversed on a 1:500 ratio and the number of shares of Authorized common stock was reduced from 9 Billion to 4 Billion. Upon the effectiveness of the October 30, 2015 Amendment, shareholders will hold the same number of shares as prior to the filing of the October 1, 2015 Amendment, effectively no reverse split. The number of shares of Authorized common stock shall remain at 9 Billion.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

On October 30, 2015, the Company notified the Financial Industry Regulatory Authority ("FINRA") of its decision to rescind the proposed reverse stock split of the Company's common stock and reduction in the number of Authorized shares of common stock.

On February 22, 2016, the Company engaged Pacific Stock Transfer to act in the capacity as its Transfer Agent.

In March 2016, the Company opened a new division focusing on the purchase of new and used oilfield equipment. The Company's new division will look to purchase new and used oilfield equipment from those Operators and Supply shops either going out of business or looking to move supply at distressed prices. The Company will focus on the states of Kentucky, Tennessee and West Virginia for the near term. Through an agreement with a financing entity, the Company will be allotted capital to purchase and store or purchase and flip the acquired equipment.

During December 2016, the Company began the process of effecting a corporate action to spin-off a majority of its wholly owned subsidiary, The Greater Cannabis Company, LLC ("GCC"). The Board elected to spin-off 80.01% of GCC to Sylios shareholders while retaining 19.99%. Shareholders of Sylios Corp as of the Record Date, February 3, 2017, would receive 1 share of GCC common stock for each 500 shares of Sylios common stock owned.

On December 16, 2016, the Company's Board of Directors voted to file a Notice of Conversion for its wholly owned subsidiary, The Greater Cannabis Company, LLC. The Notice was filed with the State of Florida Division of Corporations on January 13, 2017 to convert The Greater Cannabis Company, LLC from a limited liability company to a Florida for-profit corporation. The company name, The Greater Cannabis Company, LLC, was changed to The Greater Cannabis Company, Inc. Included within the filing, The Greater Cannabis Company, Inc. filed its Articles of Incorporation and authorized 500 million shares of Common stock and 10 million shares of Preferred stock. Please see **NOTE T- GCC SPIN-OFF** for further information. On January 5, 2017, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 9,000,000,000 to 11,000,000,000. No changes were made to the Company's Preferred share structure.

On January 3, 2017, the Company filed a Reinstatement with the State of Florida and a change of Registered Agent.

On January 12, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, The Greater Cannabis Company, LLC, to bring the Company current with the State of Florida.

On January 18, 2017, the Company filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, The Greater Cannabis Company, Inc., through a stock dividend.

On February 22, 2017, the Company entered into an Anti-Dilution Agreement with The Greater Cannabis Company, Inc., whereby the Company has the right to participate in future financing transactions with The Greater Cannabis Company, Inc. to avoid dilution of its ownership. The Company is not required to participate and if it elects not to, its ownership stake will be reduced.

On March 7, 2017, the Company received notification from FINRA that they had received the necessary documentation to process the corporate action requested by the Company and its transfer agent, Pacific Stock Transfer. The Payment Date was revised to March 10, 2017. Therefore effective as of March 10, 2017, The Greater Cannabis Company, Inc. was no longer a wholly owned subsidiary of the Company. The Company was issued 5,378,476 shares of common stock of The Greater Cannabis Company, Inc., which equates to a 19.99% ownership stake.

On March 22, 2017, the Company entered into a Collateral Agreement with SLMI Energy Holdings, LLC ("SLMI"), the Company's senior secured debt holder, which released The Greater Cannabis Company, Inc. from any guarantee of the liabilities due to SLMI.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

On April 21, 2017, the Company entered into a definitive Asset Acquisition Agreement (the "Agreement") with The Greater Cannabis Company, Inc. ("GCC"), whereby GCC will acquire the Company's wholly owned subsidiary Bud Bank, LLC ("Bud Bank"). Under the Agreement, GCC is obligated to pay the Company a royalty of 10% of net sales proceeds generated by Bud Bank through its operations up to a total of \$50,000 and thereafter for perpetuity pay a royalty of 3% of net sales proceeds generated by Bud Bank through its operations. The transaction closed on June 21, 2017 concurrent with the Company's filings with the State of Florida. The transaction closed on June 20, 2017.

On June 19, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, Bud Bank, LLC to bring the Company current with the State of Florida. In addition, the Company filed a Notice of Conversion and Articles of Incorporation for Bud Bank to effectively convert Bud Bank from a Florida limited liability company to a Florida for-profit corporation. The name of the new entity is Bud Bank, Inc.

On June 25, 2017, the Company's Board of Directors approved the spin-off of the Company's wholly owned subsidiary, E 2 Investments, LLC. The Company will look for a suitable acquisition candidate for E 2 Investments, LLC.

On July 22, 2017, the Company entered into a Stock Purchase Agreement (the "Agreement") with an Officer of Amelot Holdings, Inc. ("Amelot") for the purchase of all issued and outstanding shares of Preferred stock of Amelot. Amelot is a publicly traded entity under the symbol AMHD on the OTC Pink Sheets. The transaction was set to close on or before August 25, 2017. The transaction is not an acquisition of Amelot through a Stock Exchange Agreement, but an acquisition of the Preferred shares (control shares) held by a current officer of the Company. The transaction closed on November 10, 2017. All delinquent quarterly and annual reports have been prepared and will be filed with OTC Markets prior to November 24, 2017 in an effort to bring the Company "Current" with OTC Markets.

On August 21, 2017, the Company's wholly owned subsidiary E 2 Investments, LLC ("E2")(hereinafter the "Company") entered into a Letter of Intent with AMDAQ LTD ("AMDAQ"), a corporation formed under the Registrar of Companies for England and Wales. Under the terms of the LOI, the Company was to file documents with the State of Florida to convert the Company from a limited liability company to a Florida for-profit corporation, file Articles of Incorporation and a name change to AMDAQ Corp. Each of the required filings was completed on August 25, 2017 and is now effective with the State of Florida. The Company issued 15,000,000 shares of common stock in exchange for AMDAQ'S 100 ordinary issued and outstanding shares at Closing. In addition, the Company received 1,000,000 AMDAQ tokens which represents all of the AMDAQ mined Ethereum tokens. The Company and AMDAQ entered into definitive documents on August 28, 2017 and the Closing occurred on September 1, 2017. Please *see* **NOTE W- AMDAQ, LTD ACQUISITION** for further information.

On August 24, 2017, the Board approved the filings for the spin-off of its wholly owned subsidiary, E 2 Investments, LLC ("E2"). On August 25, 2017, the Company filed a Reinstatement, Notice of Conversion and Articles of Incorporation for E2 with the State of Florida. Under the Articles of Incorporation, E 2 shall be authorized to issue two classes of stock. The first being Common stock of which it shall be authorized to issue 250 million shares. The second being Preferred stock of which it shall be authorized to issue 5 million shares. The Record date for the spin-off of AMDAQ is set at September 15, 2017. Shareholders of record of Sylios Corp on the close of September 15, 2017 will receive 1 share of common stock of AMDAQ Corp for every 750 shares of common stock of Sylios Corp owned. The Payment date is set at October 2, 2017. Please *see* **NOTE V- AMDAQ SPIN-OFF** for further information.

On September 1, 2017, the Company filed an Issuer Company-Related Action Form with the Financial Industry Regulatory Authority (hereinafter "FINRA") for the spin-off of AMDAQ to the Company's shareholders. Upon an approval from FINRA, the Company will file a Registration Statement with the Securities and Exchange Commission on Form S-1 to register the shares issued to the Company's shareholders as well as a percentage issued to the previous LTD shareholders. On September 29, 2017, Sylios received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent,

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Pacific Stock Transfer. The Record Date for the spin-off was September 15, 2017 with a Payment Date of October 2, 2017.

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY ("KY")(hereinafter the "Company") entered into a Letter of Intent with TerraTech, Inc. ("TTECH"), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. During the 4th Quarter of 2017, Sylios Corp will file to spin-off TTECH through a stock dividend. Please see **NOTE X- TERRATECH ACQUISITION** for further information.

Principles of Consolidation

The consolidated financial statements include the accounts of Sylios Corp, and all of its wholly owned subsidiaries, US Natural Gas Corp WV, US Natural Gas Corp KY, SLMi Options, LLC, AMDAQ Corp (f/k/a E2 Investments, LLC), AMDAQ. Ltd. and E 3 Petroleum Corp. On March 10, 2017, the Company's former wholly owned subsidiary, The Greater Cannabis Company, Inc. (f/k/a The Greater Cannabis Company, LLC), was spun-off to the Company's shareholders. The Greater Cannabis Company, Inc. will no longer be treated as a wholly owned subsidiary of the Company (Please see **NOTE T- SPIN-OFF** for further information). All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying interim unaudited financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial statements and in the opinion of management contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, the Company's consolidated financial position as of December 31, 2016, and the results of its operations for the nine months ended September 30, 2017 and 2016 and cash flows for the nine months ended September 30, 2017 and 2016. These results have been determined on the basis of accounting principles generally accepted in the United States of America and have been applied consistently as those used in the preparation of the Company's 2016 Unaudited Annual Report filed with OTC Markets.

Cash and Cash Equivalents

The Company considers all liquid debt securities with an original maturity of 90 days or less that are readily convertible into cash to be cash equivalents.

Marketable Equity Securities

Marketable equity securities are stated at lower of cost or market value with unrealized gains and losses included in operations. The Company has classified its marketable equity securities as trading securities.

Recently Enacted Accounting Standards

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

In September 2017, the FASB issued Accounting Standard Updates ("ASU") No. 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments. This ASU codifies the text of the SEC announcement, as it relates to revenue recognition and leases. The ASU also rescinds certain codified SEC announcements and comments that are no longer applicable upon adoption of ASU No. 2014-09 and ASU No. 2016-02. These recent accounting pronouncements related to revenue and leases are discussed later in this footnote.

In May 2017, the FASB issued ASU No. 2017-09 Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share based payment award as a modification. Under the new ASU, an entity should apply modification accounting unless the fair value, the vesting conditions, and the classification of the award as equity or liability of the modified award all remain the same as the original award. The ASU should be adopted prospectively for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles- Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test where the implied fair value of goodwill needs to be determined and compared to the carrying amount of that goodwill to measure the impairment loss. The Company is required to adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company has early adopted the standard in the first quarter of 2017. During the second quarter of 2017, the Company applied this new ASU to perform the goodwill impairment analysis. See Note 6, Goodwill and intangible assets for more details.

In January 2017, the FASB issued ASU No. 2017-01 Business Combination (Topic 805) - Clarifying the Definition of a Business, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance will be effective for annual periods beginning after December 15, 2017, including interim periods within those periods, and is not expected to have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230) - Restricted Cash a consensus of the FASB Emerging Issues Task Force. This new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, and is not expected to have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16 Income Tax (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This new guidance eliminates this exception and requires the income tax consequences of an intra-entity transfer of an asset other than inventory be recognized when the transfer occurs. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, and should be applied on a modified retrospective basis through a direct cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The ASU is not expected to have a material impact on the Company's consolidated financial statements.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-15 Cash Flow Statement (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice, including: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The only issue currently relevant to the Company is distributions received from equity method investees, where the new guidance allows an accounting policy election between the cumulative earnings approach and the nature of the distribution approach. The Company will continue to use the cumulative earnings approach, therefore the guidance is not expected to have a material impact on the Company's consolidated financial statements. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. This new guidance includes provisions intended to simplify how share-based payments are accounted for and presented in the financial statements. The Company applied the update prospectively beginning January 1, 2017. This guidance did not have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. Under this new guidance, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of greater than twelve months. The standard will take effect for public companies with fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this guidance.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. Entities must apply a five-step process to (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also mandates disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The disclosure requirements include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance permits the entity to use either a full retrospective or modified retrospective transition method. The FASB issued several subsequent updates in 2015 through 2017 containing implementation guidance related to the new standard. These standards provide additional guidance related to principal versus agent considerations, licensing, and identifying performance obligations. Additionally, these standards provide narrow-scope improvements and practical expedients as well as technical corrections and improvements. Overall, the new guidance is to be effective for the fiscal year beginning after December 15, 2017. Companies are able to early adopt the pronouncement, but not before fiscal years beginning after December 15, 2016.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The Company is currently evaluating the impact of the pending adoption of the revised guidance. The status of implementation is as follows:

- The Company has put in place an implementation team to provide training and to review contracts subject to the new revenue standard.
- The implementation team continues to review contracts for the areas identified during the initial impact assessment and monitor the potential impact on the Company's financial statements and related disclosures.
- The implementation team is putting new processes and controls in place in anticipation of the new guidance.
- The implementation team is providing internal training and awareness related to the revised guidance to key stakeholders throughout our organization.

The Company will adopt this standard using the modified retrospective method and elect to apply the revenue standard only to contracts that are not completed as of the date of initial application. The Company does not expect a material adjustment to the consolidated financial statements upon transition.

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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. (Please see **NOTE B - ACQUISITION OF WILON RESOURCES, INC.** for further information)

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consists primarily of trade accounts receivable from a variety of local, national, and international oil and natural gas companies. Such credit risk is considered by management to be limited due to the financial resources of those oil and natural gas companies.

Risk Factors

The Company operates in an environment with many financial risks including, but not limited to, the ability to acquire additional economically recoverable gas reserves, the continued ability to market drilling programs, the inherent risks of the search for, development of and production of gas, the ability to sell natural gas at prices which will provide attractive rates of return, the volatility and seasonality of gas production and prices, and the highly competitive nature of the industry as well as worldwide economic conditions.

Fair Value of Financial Instruments

The Company defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the Company's financial statements include cash and cash equivalents, short-term investments, accounts receivable, other receivables, other assets, accounts payable, notes payable and due to affiliates. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the short maturity and characteristics of those instruments. The carrying value of debt approximates fair value as terms approximate those currently available for similar debt instruments.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The Company has adopted the successful efforts method of accounting for gas producing activities. Under the successful efforts method, costs to acquire mineral interests in gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip developmental wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, costs of developmental wells on properties the Company has no further interest in, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. Unproved gas properties that are significant are periodically assessed for impairment of value, if any, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproven properties are expensed when surrendered or expired.

When a property is determined to contain proved reserves, the capitalized costs of such properties are transferred from unproved properties to proved properties and are amortized by the unit-of-production method based upon estimated proved developed reserves. To the extent that capitalized costs of groups of proved properties having similar characteristics exceed the estimated future net cash flows, the excess, if any, of capitalized costs are written down to the present value of such amounts. Estimated future net cash flows are determined based primarily upon the estimated future proved reserves related to the Company's current proved properties and, to a lesser extent, certain future net cash flows related to operating and related fees due the Company related to its management of various partnerships. The Company follows U.S. GAAP in Accounting for Impairments.

Oil and Gas Properties

On sale or abandonment of an entire interest in an unproved property, gain or loss is recognized, taking into consideration the amount of any recorded impairment. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained. (Please *see* **NOTE S- DISPOSITION OF OIL AND GAS PROPERTIES**).

Revenue Recognition

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with U.S. GAAP.

Income Taxes

Income taxes are accounted for under the assets and liability method. Current income taxes are provided in accordance with the laws of the respective taxing authorities. Deferred income taxes are provided for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed based on the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share is computed based on the weighted average number of common shares and dilutive securities (such as stock options, warrants, and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share and are excluded from the calculation.

At September 30, 2017, diluted weighted average common shares outstanding exclude 100,000,000 shares issuable on exercise of the 100,000,000 warrants outstanding at September 30, 2017.

NOTE B - ACQUISITION OF WILON RESOURCES, INC.

On May 28, 2010, the Company received notification from the appropriate state agencies that the acquisition of Wilon Resources by the Company was effective. On June 3, 2010, final approval was given by FINRA for the share exchange between the Company and Wilon Resources. The Company issued one share of common stock for each share of Wilon stock outstanding (49,207,973 shares) plus one warrant to purchase an additional share exercisable for a period of 5 years from the issue date. In July 2010, the Company canceled 1,000,000 shares of common stock relating to the Wilon acquisition. These shares were owned by the Company. The Company's common stock at June 3, 2010 had a value of \$.035 per share making the acquisition price \$1,687,279.

The Company accounted for the business combination using the purchase method. The estimated fair market value of Wilon's net assets (assets less liabilities) was recorded at the value of the acquisition price of \$1,687,279. Management reduced its original estimate of the fair market value. This reduction in the estimate had no effect on the recorded amount of the transaction as the excess fair market value over the acquisition price reduced the recorded value of oil and gas properties and equipment. The oil and gas properties consist of 115 natural gas wells, 12,000 acres of mineral rights leases and the gathering system interconnecting the wells. The Company intends to retain a third party to complete a Reserve Report covering the 12,000 acres located in Wayne County, West Virginia substantiating proven and unproven wells. The estimates used by the Company in recording the acquisition could change significantly pending the valuation results of the third party.

NOTE C- GOING CONCERN

The Company is a development stage enterprise and although it has commenced planned principal business operations, there are insignificant revenues there from. The Company has incurred losses of \$10,916,023 for the period March 28, 2008 (inception) through September 30, 2017 and has negative working capital balance aggregating \$2,421,922. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year, or thereafter, will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and therefore would have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The Company intends to overcome the circumstances that affect its ability to remain a going concern through a combination of the commencement of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company anticipates raising additional funds through public or private financing, strategic relationships or other arrangements in the near future to support its business operations; however the Company may not have commitments from third parties for a sufficient amount of additional capital. The

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE C- GOING CONCERN (continued)

Company cannot be certain that any such financing will be available on acceptable terms, or at all, and its failure to raise capital when needed could limit its ability to continue its operations. The Company's ability to obtain additional funding will determine its ability to continue as a going concern. Failure to secure additional financing in a timely manner and on favorable terms would have a material adverse effect on the Company's financial performance, results of operations and stock price and require it to curtail or cease operations, sell off its assets, seek protection from its creditors through bankruptcy proceedings, or otherwise. Furthermore, additional equity financing may be dilutive to the holders of the Company's common stock, and debt financing, if available, may involve restrictive covenants, and strategic relationships, if necessary to raise additional funds, and may require that the Company relinquish valuable rights.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE D - MARKETABLE EQUITY SECURITIES

At September 30, 2017 and December 31, 2016, marketable equity securities consisted of equity securities held with a cost and fair market value of \$- and \$31,181, respectively.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Land and mineral rights	\$ -	\$ -
Computer Software	20,000	20,000
Field Equipment	10,828	10,880
Transportation Equipment	8,200	8,200
Oil and Gas Properties	440,416	312,360
Accumulated depreciation and depletion	(283,310)	(77,090)
Net property and equipment	<u>\$ 196,134</u>	<u>\$ 274,350</u>

The Company uses the straight-line method of depreciation for computer software and field and transportation equipment with an estimated useful life ranging from three to twenty years. The Company uses the straight-line method of depletion for oil and gas properties with an estimated useful life ranging from seven to twenty-five years. Included in the September 30, 2017 balances are the estimated fair market values of property and equipment acquired from Wilon Resources during 2010. These estimates could change significantly pending a valuation by third parties. (Please see **NOTE B - ACQUISITION OF WILON RESOURCES, INC.** for further information) (Please see **NOTE S- DISPOSITION OF OIL AND GAS PROPERTIES** for further information).

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE F - NOTES RECEIVABLE

Notes receivable consist of the following at:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Note receivable, interest at 4%, total due by 7/31/15, monthly installments	-	60,000
Note receivable, interest at 4%, due 7/31/15, convertible note	-	50,000
Note receivable, interest at 4%, due 7/31/15, convertible note	-	250,000
Note receivable due to E 2 Investments, LLC	-	300,000
Note receivable from Consulting Services	-	-
Note Receivable, The Greater Cannabis Company, 3% interest	68,899	-
Less current portion	(68,899)	(360,000)
Notes receivable long-term	\$ -	\$ 300,000

The Notes dated 7/31/2015, issued to the Company under the terms of the Asset Purchase Agreement entered into between the Company and Bayport International Holdings, Inc. dated July 9, 2014, were written off due to the Company's inability to collect the principal remaining. The Note due to E 2 Investments was issued as per the terms of the issuance of the Company's Series B Preferred stock. The shares of Series B Preferred stock are no longer outstanding and thus the Note was written off.

NOTE G - MISCELLANEOUS

Miscellaneous assets consist of the following at:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Operating bonds	25,000	25,000
Royalty Interest	49,375	49,375
Total Other Assets	\$ 74,375	74,375

Loan commitment fee is amortized over the life of the agreement using a straight line method.

NOTE H – LOANS PAYABLE-OTHER

Loans payable with no interest to potential investors aggregated \$- and \$- at September 30, 2017 and December 31, 2016, respectively.

NOTE I - CONVERTIBLE DEBENTURE PAYABLE

Convertible debentures payable total \$503,700 and \$442,364 at September 30, 2017 and December 31, 2016, respectively.

Convertible debentures payable consist of the following:

On March 7, 2017, the Company entered into a Promissory Note ("Promissory Note") with Darling Investments, LLC in the amount of Ten Thousand Dollars (\$10,000). The Promissory Note was fully funded on March 7, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at September 30, 2017 is \$10,000.

On February 13, 2017, the Company entered into a Promissory Note ("Promissory Note") with Darling Capital, LLC in the amount of Ten Thousand Dollars (\$10,000). The Promissory Note was fully funded on February 13, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of nine (9) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at September 30, 2017 is \$10,000.

On January 27, 2017, the Company entered into a Promissory Note ("Promissory Note") with Darling Capital, LLC in the amount of Seven Thousand Five Hundred Dollars (\$7,500). The Promissory Note was fully funded on January 28, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of nine (9) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at September 30, 2017 is \$7,500.

On January 27, 2017, the Company entered into a Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of Fifty Five Thousand Dollars (\$55,000). The Promissory Note was partially funded in the amount of Seventeen Thousand Two Hundred Fifty Dollars (\$17,250) on January 27, 2017, partially funded in the amount of Seventeen Thousand Two Hundred Fifty Dollars (\$17,250) on February 23, 2017, and partially funded in the amount of Six Thousand Nine Hundred Dollars (\$6,900) on March 8, 2017. The Promissory Note was partially funded in the amount of Thirteen Thousand Six Hundred Dollars (\$13,600) on April 6, 2017. Effective upon this last funding tranche, the Promissory Note was funded in full. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at September 30, 2017 is \$55,000.

On October 19, 2016, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Twenty-Seven Thousand Five Hundred Dollars (\$27,500). The Promissory Note was fully funded on October 19, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year. The balance owed at September 30, 2017 is \$27,500.

On July 11, 2016, the Company entered into a Promissory Note ("Promissory Note") with Mountain Properties, Inc., ("Beaufort") in the amount of Four Thousand Dollars (\$4,000). The Promissory Note was fully funded on July 11, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the 5-day moving bid average. The Convertible Note has a term of six (6) months and accrues interest at a rate equal to fifteen percent (15%) per year. The balance owed at September 30, 2017 is \$4,000.

On May 27, 2016, the Company entered into a Promissory Note ("Promissory Note") with Mountain Properties, Inc., ("Beaufort") in the amount of Four Thousand Dollars (\$4,000). The Promissory Note was fully funded on May

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

31, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the 5-day moving bid average. The Convertible Note has a term of six (6) months and accrues interest at a rate equal to fifteen percent (15%) per year. The balance owed at September 30, 2017 is \$4,000.

On September 28, 2015, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on September 28, 2015. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year. The balance owed at September 30, 2017 is \$15,000.

On August 21, 2014, the Company entered into a Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of One Hundred Twelve Thousand Five Hundred Dollars (\$112,500). The Promissory Note was fully funded on July 7, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at September 30, 2017 is \$112,500.

On July 25, 2014, the Company entered into a Promissory Note ("Promissory Note") with WHC Capital, LLC, ("WHC") in the amount of Thirty Three Thousand Dollars (\$33,000). The Promissory Note was fully funded on July 28, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 15 (fifteen) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (12%) per year. The balance owed at September 30, 2017 is \$33,000.

On July 3, 2014, the Company entered into a Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of Fifty Thousand Dollars (\$50,000). The Promissory Note was fully funded on July 7, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at September 30, 2017 is \$50,000.

On July 3, 2014, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Twenty Five Thousand Dollars (\$25,000). The Promissory Note was fully funded on July 4, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year. The Note was fully converted during the first quarter of 2017. The balance owed at September 30, 2017 is \$0.

On June 3, 2014, the Company entered into a Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of Twenty Eight Thousand Five Hundred Dollars (\$28,500). The Promissory Note was fully funded on June 3, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at September 30, 2017 is \$26,086.24.

On May 8, 2014, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Twenty Thousand Dollars (\$20,000). The Promissory Note was fully funded on May 8, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at September 30, 2017 is \$20,000.

On April 25, 2014, the Company entered into a Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of Twenty Eight Thousand Five Hundred Dollars (\$28,500). The Promissory Note was fully funded on April 25, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at September 30, 2017 is \$1,325.

On April 11, 2014, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on April 11, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at September 30, 2017 is \$15,000.

On April 2, 2014, the Company entered into a Promissory Note ("Promissory Note") with Beaufort Capital, LLC, ("Beaufort") in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on April 2, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at September 30, 2017 is \$4,350.

On September 16, 2013, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investment Group, LLC, ("Tangiers") in the amount of Twenty Thousand Dollars (\$20,000). The Convertible Note was fully funded on September 18, 2013. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 10 (ten) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. During the third quarter of 2014, the principal on the convertible debenture was reduced through the issuance of common stock of the Company. The balance owed at September 30, 2017 is \$2,134.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE J - NOTES PAYABLE

Notes payable consist of the following at:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Note payable, interest at 1% per annum, due in 2011	\$ 100,000	\$ 100,000
Note payable, interest at 3% per annum, due in annual installments of \$250,000 through March 2013	780,000	780,000
Notes payable, non-interest bearing, due in January 2011	-	-
Notes payable, interest at 100% through maturity date, interest at maximum rate allowable by law thereafter, due July 2010	100,000	122,525
Note payable, interest at 3%, due on demand	53,110	91,764
Notes payable for consulting services, varying interest rates, due on demand	77,000	77,000
Note payable Mt. Atlas, interest at 20%, due January 20, 2018	10,000	-
Less current portion	(1,120,110)	(1,321,289)
Notes payable long term	\$ <u>-</u>	\$ <u>-</u>

NOTE K - INCOME TAXES

The Company accounts for income taxes using the asset and liability method described in SFAS No. 109, "Accounting For Income Taxes", the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax basis of the Company's assets and liabilities at the enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation allowance at September 30, 2017 and December 31, 2016.

The provision (benefit) for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities.

The provision (benefit) for income taxes consists of the following at:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Federal income taxes:		
Current	\$ (75,212)	\$ (20,796)
Deferred	75,212	20,796
State income taxes:		
Current	\$ (22,785)	\$ (3,565)
Deferred	22,785	3,565
	-	-
Total	\$ <u>-</u>	\$ <u>-</u>

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE K - INCOME TAXES (Continued)

Significant components of the Company's deferred tax assets and liabilities calculated at an estimated effective tax rate of 21% are as follows:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Noncurrent deferred tax assets (liabilities):		
Accrued wages deducted for financial purposes not deducted for tax purposes	\$ 199,700	\$ 277,069
Other non-cash wages not deducted for tax purposes	-	-
Capital losses deducted for financial purposes carried over to future years for tax purposes (expiring in years through 2014)	-	-
Excess loss on sale of investments taken for tax purposes over financial purposes over financial purposes	-	-
NOL from the acquisition of Wilon Resources (subject to potential I.R.C. Section 382 limitations)	601,000	601,000
NOL remaining not attributable to timing differences (expiring in years through 2020)	1,808,676	1,840,392
Deferred noncurrent tax asset, net	2,609,376	2,718,461
Valuation allowance	(2,609,376)	(2,718,461)
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE L - COMMON STOCK ISSUANCES/WARRANTS

For the nine months ended September 30, 2017, the Company had the following unregistered sale/issuance of its securities:

In January 2017, the Company issued 87,500,000 shares of common stock to its Officer for accrued wages.

In January 2017, the Company issued 300,000,000 shares of common stock at \$.0001 per share to a Consultant as compensation for prior consulting services.

In January 2017, the Company issued 166,666,667 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 695,749,184 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 452,880,500 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 208,750,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 458,333,333 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 561,750,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In February 2017, the Company issued 283,250,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

For all common stock issuances and warrants issued from inception through September 30, 2017, please review the Company's 2016 Unaudited Annual Report filed with OTC Markets (www.otcm Markets.com).

Warrants outstanding at September 30, 2017 and December 31, 2016 are 100,000,000 and 131,382,045, respectively. Each warrant enables the holder to acquire one share of the Company's common stock at a specified exercise price for a term of three to five years. Warrants outstanding at September 30, 2017 have vesting dates of April 2015 with expiration dates through April 2020.

There were no warrants issued during the nine months ending September 30, 2017. There were no warrants exercised or canceled for the nine months ending September 30, 2017.

On May 21, 2015, the Board of Directors of the Company voted, at the request of Management, and approved an increase and extension to the January 1, 2011 Stock Repurchase Plan. The Company was previously authorized to repurchase up to Two Hundred Fifty Thousand No/100 Dollars (\$250,000) of its common stock in the open market or in privately negotiated transactions. The Company is now authorized to repurchase up to Five Hundred Thousand and NO/100 Dollars (\$500,000) for a period of two years from the date of the May 21, 2015 resolution. The repurchase program will be funded by the Company's available cash and may be commenced or suspended at any time or from time to time. The plan will continue as long as periodic management reviews determine it to be fiscally feasible and may be discontinued at any time.

During the quarter ended September 30, 2017, the Company reacquired 0 shares of its issued and outstanding common stock. (Please see **NOTE O -COMMITMENTS AND CONTENGENCIES** for further information.)

NOTE M – STOCKHOLDERS' EQUITY

On April 14, 2011, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series C Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series C Preferred Stock shall be as hereinafter described. The holders of Series C Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series C Preferred shares are outstanding. The holders of Series C Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series C Preferred Stock held on a forty votes per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series C Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock at the rate of forty shares of common stock for each share of series C Preferred Stock. The Board of directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series C Preferred Stock (the "Series C Preferred Stock") with a stated value of \$0.001 per share. The number of authorized shares constituting the Series C Preferred Stock was One Million (1,000,000) shares. At September 30, 2017 and December 31, 2016, there are 0 and 0 shares issued and outstanding, respectively.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series A Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series A Preferred Stock shall be as hereinafter described. The holders of Series A Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series A Preferred shares are outstanding.

The holders of Series A Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series A

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE M – STOCKHOLDERS' EQUITY (continued)

Preferred Stock held on a one per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of any Series A Preferred Stock shall be entitled to convert such shares in to fully paid and non-assessable shares of common stock at the rate of 7.8 shares of common stock for each share of Series A Preferred Stock only if the Company has failed to satisfy all financial obligations by the designated time inclusive of the cure period. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series A Preferred Stock (the “Series A Preferred Stock”) with a stated value of \$0.001 per share. The number of authorized shares constituting the Series A Preferred Stock was Three Million (3,000,000) shares. At September 30, 2017 and December 31, 2016, there are 1,000,000 shares issued and outstanding.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as “Series B Preferred Stock”. The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series B Preferred Stock shall be as hereinafter described. The holders of Series B Preferred Stock shall not be entitled to receive dividends. The holders of Series B Preferred Stock shall not be entitled to vote on any matters submitted to a vote of the Shareholders of the Company. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series B Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock at the rate of ten shares of common stock for each share of series B Preferred Stock. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series B Preferred Stock (the “Series B Preferred Stock”) with a stated value of \$0.001 per share. The number of authorized shares constituting the Series B Preferred Stock was Two Million (2,000,000) shares. At September 30, 2017 and December 31, 2016, there are 0 and 0 shares issued and outstanding.

The number of common shares authorized with a stated par value of \$0.001 per share at September 30, 2017 and December 31, 2016 is 11,000,000,000 and 9,000,000,000, respectively. At September 30, 2017 and December 31, 2016, there are 10,946,819,212 and 7,831,939,528 shares of common stock issued and outstanding, respectively.

NOTE N – RELATED PARTY TRANSACTIONS

Notes receivable, stockholders, totals \$209,247 and \$158,669 at September 30, 2017 and December 31, 2016, respectively. Interest receivable on the notes total \$- and \$- at September 30, 2017 and December 31, 2016, respectively.

Included within accounts payable and accrued expenses are wages due officers and shareholders of \$950,952 and \$791,626 as of September 30, 2017 and December 31, 2016, respectively.

NOTE O -COMMITMENTS AND CONTINGENCIES

On February 1, 2017, the Company entered into a second operating lease for its current office space. The lease term is month to month with monthly rent totaling \$428/month. The Company may terminate the lease with 30 days notice.

Future minimum rental obligations at September 30, 2017 are \$1,284 in 2017 and \$5,136 in 2018. The future minimum rental obligations assume the Company will maintain its current office space through the end of calendar 2018.

On April 1, 2015, the Company executed an employment agreement with Wayne Anderson to serve in the role as President, Treasurer, and Secretary of the Company upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term of three (3) years, commencing on April 1, 2015, and terminating on March 31, 2018, unless earlier terminated as provided in the Agreement. The Agreement included options to Mr. Anderson to purchase 100,000,000 shares of common stock at an average price of \$.0002 per share. Mr. Anderson will receive an annual compensation of \$221,767 for each of the three years of the Agreement.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE P- LENDER ACQUISITION AGREEMENT

A lender acquisition agreement was entered into on September 4, 2009 by Sylios Corp and SLMI Holdings, LLC. Through the agreement, Sylios Corp acquired SLMI Options, LLC, a Nevada Limited Liability Company. SLMI Options, LLC is the secured lender of the three commercial notes defined below.

This Agreement is made with respect to loans made by SLMI Holdings, LLC to Harry Thompson ("Thompson"), Harlis Trust ("Trust"), Wilon Resources Inc. ("Wilon") and/or Wilon Gathering System Inc. Sylios Corp agrees to pay the following consideration herewith in return for conveyance of the Lender Units.

\$500,000 in financing given May 6, 2005 for construction of a natural gas gathering system in Kentucky (the "Gathering System Loan"), \$300,000 mortgage on the Wilon business offices given October 13, 2005 (the "Office Loan"), \$175,000 in financing given on October 24, 2006 to finance 176 acres of land in West Virginia and to finance the placement of a natural gas treatment station (the "WV Loan"); these loans include that certain Amendment to Loan Agreements dated August 2, 2006, that certain Receipt for Shares Pledged as Collateral dated December 8, 2007 and that certain Second Amendment to Loan Agreements dated January 27, 2009 (with 7.8 million Wilon shares attached and pledged as additional collateral). Further, the Borrowers and SLMI have agreed to special terms for assignment of loan rights by SLMI and subsequent holders of the loans pursuant to that Acknowledgment by Borrowers delivered Jan. 5, 2009. At December 31, 2010 the notes receivable balance was eliminated through consolidation.

\$1,000,000 in financing was made payable by secured promissory note. By December 31, 2010, Sylios Corp shall have paid at least \$250,000 in cash toward the Secured Note. By December 31, 2011, Sylios Corp shall have paid at least \$250,000 more. By December 31, 2012, Sylios Corp shall have paid at least \$250,000 more. All unpaid principal and interest shall be due no later than December 31, 2013. To the extent, Sylios Corp tenders proceeds from dispositions of real estate collateral on the SLMI Loans (which dispositions shall require the written consent of Owner), said payments shall be applied toward the Secured Note, but they shall not reduce the minimum installments required for years 2010 through 2012. From January 2010 to December 2013, a minimum monthly cash installment of \$4,000 shall be paid by Sylios Corp on the Secured Note until it is paid in full. Additional Security and Collateral for the Secured Note and the covenants hereunder: At September 30, 2017 and December 31, 2016 the notes payable balances were \$780,000 and \$780,000, respectively. (Please see **NOTE J- NOTES PAYABLE** for further information).

NOTE Q - SUBSEQUENT EVENTS

On July 22, 2017, the Company entered into a Stock Purchase Agreement (the "Agreement") with an Officer of Amelot Holdings, Inc. ("Amelot") for the purchase of all issued and outstanding shares of Preferred stock of Amelot. Amelot is a publicly traded entity under the symbol AMHD on the OTC Pinksheets. The transaction was set to close on or before August 25, 2017. The transaction is not an acquisition of Amelot through a Stock Exchange Agreement, but an acquisition of the Preferred shares (control shares) held by a current officer of the Company. The transaction closed on November 10, 2017. All delinquent quarterly and annual reports have been prepared and will be filed with OTC Markets prior to November 24, 2017 in an effort to bring the Company "Current" with OTC Markets.

On October 5, 2017, Wayne Anderson tendered his resignation as an officer and director of AMDAQ Corp effective as of 5:00 pm EDT on the same date. Prior to Mr. Anderson's resignation, Jeffrey J. Parker was appointed to serve on the Board of Directors of AMDAQ Corp. Upon Mr. Anderson's resignation, Mr. Parker will serve as the Company's sole director. Mr. Parker will also serve as the Company's interim-President while the Company continues with its registration process to take the company public.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE Q - SUBSEQUENT EVENTS (continued)

Prior to this position with the Company, Mr. Parker served in various leadership capacities in the high tech industry, including Gemesis Corporation, Sterling Semiconductor and a partner in various small business ventures. Mr. Parker is a results-oriented experienced professional providing leadership to sales and operations in the areas of small business and startup environments. Mr. Parker has a proven ability to help build start-ups, develop and execute plans into high volume and effectively liaise with relevant stakeholders to accomplish goals and resolve challenges. Mr. Parker completed both his undergraduate

NOTE R- ACCRUED COMPENSATION

Accrued compensation consists of the following at September 30, 2017:

	<u>09/30/2017</u>	<u>12/31/2016</u>
Accrued officers compensation	\$ 950,952	\$ 791,626
Other accrued compensation	0	0
Accrued payroll taxes	0	0
Total	<u>\$ 950,952</u>	<u>791,626</u>

NOTE T- GCC SPIN-OFF

Effective March 10, 2017 (Payment Date), in connection with a partial spin-off of The Greater Cannabis Company, Inc ("GCC") from the Company, GCC issued a total of 26,905,969 shares of its common stock. 5,378,476 shares were issued to the Company (representing 19.9% of the issued and outstanding shares after the spin-off) and 21,527,493 shares were issued to the stockholders of record of the Company on February 3, 2017 (Record date) on the basis of one share of GCC common stock for each 500 shares of the Company's common stock held (representing 80.1% of the issued and outstanding shares of GCC's common stock after the spin-off). The shares of common stock held in the Company's name are recorded on the Company's financials on its Balance Sheet as an Investment under Other Assets.

Effective upon the payment Date, GCC was no longer a wholly owned subsidiary of the Company. Mr. Anderson, the Company's current President and Chairman, will serve as the interim President of GCC until additional key personnel are retained.

NOTE U- ARTEMIS LICENSING AGREEMENT

Under the terms of the Agreement, the Company was to pay Artemis a licensing fee of \$500,000 payable as follows: (1) \$100,000 upon execution of the Agreement (which was paid to Artemis in August 2014), (2) \$100,000 in 60 days, (3) \$100,000 upon Artemis' delivery of a functioning prototype, and (4) \$200,000 after delivery of the prototype. Due to a lack of funds, the Company failed to pay the \$100,000 due within 60 days of the July 31, 2014 Agreement date. Artemis failed to deliver any prototype of the dispensing product to the Company. The initial term of the Agreement expired December 31, 2016 and in the opinion of management the Agreement is no longer in effect.

On December 31, 2016 (expiration date of the initial term of the Agreement), the Company reduced the carrying value of the Artemis Licensing Agreement capitalized costs from \$100,000 to \$0 and recognized an expense provision for nonrecoverability of Artemis License Agreement costs of \$100,000.

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through September 30, 2017 (Unaudited)

NOTE V- AMDAQ SPIN-OFF

On August 24, 2017, the Board approved the filings for the spin-off of its wholly owned subsidiary, E 2 Investments, LLC ("E2"). On August 25, 2017, the Company filed a Reinstatement, Notice of Conversion and Articles of Incorporation for E2 with the State of Florida. Under the Articles of Incorporation, E 2 shall be authorized to issue two classes of stock. The first being Common stock of which it shall be authorized to issue 250 million shares. The second being Preferred stock of which it shall be authorized to issue 5 million shares. The Record date for the spin-off of AMDAQ is set at September 15, 2017. Shareholders of record of Sylios Corp on the close of September 15, 2017 will receive 1 share of common stock of AMDAQ Corp for every 750 shares of common stock of Sylios Corp owned.

On September 1, 2017, Sylios Corp ("Sylios") filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, AMDAQ Corp, through a stock dividend. On September 29, 2017, Sylios received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent, Pacific Stock Transfer. The Record Date for the spin-off was September 15, 2017 with a Payment Date of October 2, 2017. For additional information, please see the Company's website at www.amdaq.com/dividend.html.

NOTE W- AMDAQ, LTD ACQUISITION

On August 21, 2017, the Company's wholly owned subsidiary E 2 Investments, LLC ("E2")(hereinafter the "Company") entered into a Letter of Intent with AMDAQ LTD ("AMDQA"), a corporation formed under the Registrar of Companies for England and Wales. Under the terms of the LOI, the Company was to file documents with the State of Florida to convert the Company from a limited liability company to a Florida for-profit corporation, file Articles of Incorporation and a name change to AMDQA Corp. Each of the required filings was completed on August 25, 2017 and is now effective with the State of Florida. The Company issued 15,000,000 shares of common stock in exchange for AMDQA'S 100 ordinary issued and outstanding shares at Closing. In addition, the Company received 1,000,000 AMDQA tokens which represents all of the AMDQA mined Ethereum tokens. The Company and AMDQA entered into definitive documents on August 28, 2017 and the Closing occurred on September 1, 2017.

NOTE X- TERRATECH ACQUISITION

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY ("KY")(hereinafter the "Company") entered into a Letter of Intent with TerraTech, Inc. ("TTECH"), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. During the 4th Quarter of 2017, Sylios Corp will file to spin-off TTECH through a stock dividend