TRUE NORTH ENERGY CORPORATION
AND SUBSIDIARIES

Consolidated Financial Statements
as of October 31, 2014 and April 30, 2014
and for the Six Months Ended
October 31, 2014 and 2013
(Unaudited)

CONTENTS

True North Energy Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	October 31, 2014	April 30, 2014
Assets		
Current assets:		
Cash	$ 1,034	$ 52,152
Accounts receivable	450	-
Prepaid expenses	10,275	11,670
Total current assets	11,759	63,822
Property:		
Oil and gas properties at cost, successful efforts	7,702	-
Total Assets	$ 19,461	$ 63,822
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 148,867	$ 84,017
Advances payable	150,350	64,000
Accrued expenses	127,800	108,438
Accrued expenses, related parties	21,750	10,000
Convertible settlements payable	691,867	958,550
Convertible notes payable, net of discount of $76,816 and $109,730 at October 31, 2014 and April 30, 2014, respectively	146,974	89,060
Notes payable	226,000	276,000
Derivative liabilities	487,680	506,180
Total current liabilities	2,001,288	2,096,245
Commitments and contingencies (Note 13)		
Stockholders' Deficit:		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized:		
Series A shares, $0.0001 par value, 1,000 and 1,000 shares issued and outstanding at October 31, 2014 and April 30, 2014, respectively	-	-
Series B shares, $0.0001 par value, 50,000 and 50,000 shares issued and outstanding at October 31, 2014 and April 30, 2014, respectively	5	5
Common stock, $0.0001 par value, 750,000,000 shares authorized; 371,518,995 and 122,787,798 shares issued and outstanding at October 31, 2014 and April 30, 2014, respectively	37,152	12,279
Additional paid in capital	24,138,815	23,702,573
Accumulated deficit	(26,157,799)	(25,747,280)
Total Stockholders' Deficit	(1,981,827)	(2,032,423)
Total Liabilities and Stockholders' Deficit	$ 19,461	$ 63,822

See accompanying notes to consolidated financial statements.

True North Energy Corporation and Subsidiaries
Statements of Operations
(Unaudited)

	For the Three Months Ended October 31, 2014	For the Three Months Ended October 31, 2013	For the Six Months Ended October 31, 2014	For the Six Months Ended October 31, 2013
Revenue, consulting services	$ -	$ -	$ 9,800	$ -
Revenue, royalty interests	450	-	450	-
Total revenues	450	-	10,250	-
Expenses:				
General and administrative	115,369	69,850	202,561	93,447
Officer and director compensation	7,500	-	15,000	403,000
Total operating expenses	122,869	69,850	217,561	496,447
Loss from operations	(122,419)	(69,850)	(207,311)	(496,447)
Other income (expense):				
Loss on debt extinguishment	(75,638)	-	(146,196)	-
Gain on derivative liability	18,500		18,500	
Other income	-	-	-	-
Interest expense	13,652	(71,408)	(75,511)	(80,825)
Net loss	$ (165,905)	$ (141,258)	$ (410,518)	$ (577,272)
Weighted average number of common shares outstanding - basic and fully diluted	164,856,385	77,732,301	236,910,475	77,732,301
Net loss per share - basic and fully diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

See accompanying notes to consolidated financial statements.

True North Energy Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended October 31, 2014	For the Three Months Ended October 31, 2013	For the Six Months Ended October 31, 2014	For the Six Months Ended October 31, 2013
Cash flows from operating activities				
Net loss	$ (165,905)	$ (577,272)	$ (410,518)	$ (177,113)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of debt discount	(24,014)	-	56,149	-
Preferred stock issued for services	-	1,000	-	1,000
Gain on derivative liability	(18,500)	-	(18,500)	-
Loss on debt extinguishment	75,638	-	146,196	-
Decrease (increase) in assets:				
Accounts receivable	(450)		(450)	-
Prepaid expenses	4,444	(388,558)	1,395	(388,558)
Increase (decrease) in liabilities:				
Accounts payable	58,100	320,524	64,850	320,524
Accounts payable, related parties	-	83,000	-	83,000
Accrued expenses	2,862	(13,713)	19,362	(13,713)
Accrued expenses, related parties	11,750	30,000	11,750	30,000
Net cash used in operating activities	(56,075)	(545,019)	(129,766)	(144,860)
Cash flows from investing activities				
Investment in oil and gas properties	(7,702)	-	(7,702)	-
Net cash used in investing activities	(7,702)	-	(7,702)	-
Cash flows from financing activities				
Contributed capital	-	1,900	-	1,900
Advances from others	41,350	-	86,350	-
Proceeds from note payable	0	25,100	50,000	25,100
Repayment of note payable	0	-	(50,000)	-
Net cash provided by financing activities	41,350	27,000	86,350	27,000
Net increase (decrease) in cash	(22,427)	(518,019)	(51,118)	(117,860)
Cash, at beginning of period	23,461	5,096	52,152	5,096
Cash, at end of period	$ 1,034	$ (512,923)	$ 1,034	$ (112,764)
Supplemental disclosures:				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -	$ -
Non-cash investing and financing activities:				
Accounts payable exchanged for a promissory note, related parties	$ -	$ 16,000	$ -	$ 16,000
Common stock shares issued in payment of the convertible settlements payable obligation	$ 282,232	$ -	$ 437,879	$ -
Discounts recognized for beneficial conversion features on convertible notes payable	$ 23,236	$ 25,000	$ 23,236	$ 25,000
Gain recognized for embedded derivative liability	$ 18,500	$ -	$ 18,500	$ -

See accompanying notes to consolidated financial statements.

True North Energy Corporation & Subsidiaries
Notes to Consolidated Financial Statements
October 31, 2014 and April 30, 2014
(Unaudited)

Note 1 – Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

On June 28, 2013, True North Energy Corporation (the "Company" or "True North") had a change of control and management. The Company's common stock is traded on the Over the Counter Pink Sheets ("OTC PK") under the symbol, ("TNEN"). The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

Name of Entity	Form of Entity	State of Incorporation	Relationship
True North Energy Corporation	Corporation	Nevada	Parent
ICF Energy Corporation	Corporation	Nevada	Subsidiary
Marco Capital Limited	Corporation	Hong Kong	Subsidiary
TN Energy, Inc.	Corporation	Texas	Subsidiary

The consolidated financial statements herein contain the operations of the wholly owned Nevada subsidiary which was dissolved on June 3, 2013. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The Company has a fiscal year end of April 30th

On June 4, 2014, the Company acquired all of the outstanding shares of a recently formed and inactive corporation, Marco Capital Limited (MCL), which was organized pursuant to the Hong Kong Companies Ordinance. Headquartered in Hong Kong, MCL plans to explore emerging market opportunities in various industries, including those in China. During the three months ended October 31, 2014, MCL provided consulting services and acquired distribution rights to light emitting diode (LED) products within the United States for a period of two years beginning August 1, 2014.

On July 30, 2014, the Company formed a wholly owned subsidiary, TN Energy, Inc., under the laws of the state of Texas for the purpose of acquiring, owning and/or operating oil and gas properties. On July 30, 2014, the Company's overriding royalty interests in its Alaska and Colorado properties were assigned to this subsidiary (Note 4).

The accompanying financial information as it relates to the quarter ended July 31, 2014, have been restated to reflect the effects on our previously issued quarterly financials from the recent audit of our financial statements for the year ended April 30, 2014.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Basis of Presentation and Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Financial Accounting Standards Board established a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this Standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the consolidated balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the assets and liabilities. Except for the Company's embedded derivative liabilities (Note 14) the Company has no other assets or liabilities that are required to be measured at fair value on a recurring basis.

Revenue Recognition and Gas Balancing

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. The Company uses the sales method of accounting for gas balancing of gas production and would recognize a liability if the existing proven reserves were not adequate to cover the current imbalance situation.

Revenues from consulting services are recognized when the services have been performed, no further obligation exists on the part of the Company and collection is reasonably assured.

Non-Oil & Gas Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. During the six months ended October 31, 2014 and the year ended April 30, 2014 the Company did not own any such assets and, accordingly, recorded no depreciation expense.

Asset Retirement Obligations

The oil and gas industry is subject, by its nature, to environmental hazards and clean-up costs as well as the cost associated with plugging and abandoning wells. The Company records the fair value of the liability for an asset retirement obligation in the period in which the well is spudded or the asset is acquired and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. At this time, management knows of no substantial losses from environmental accidents or events for which the Company may be currently liable. Additionally, the Company currently owns no oil and gas properties for which an asset retirement obligation would be required.

Note 1 – Basis of Presentation and Significant Accounting Policies (continued)

Full Cost Method

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center (full cost pool). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. During the six months ended October 31, 2014 and the year ended April 30, 2014, the Company incurred no exploration and development costs.

Proceeds from property sales will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 20% or more of the proved reserves related to a single full cost pool. The Company assesses all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization.

Capitalized costs associated with impaired properties and properties having proved reserves, estimated future development costs, and asset retirement costs under ASC Topic 410, *Extractive Industries – Oil and Gas*, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned.

Capitalization costs of oil and gas properties (net of related deferred income taxes) may not exceed an amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and gas reserves plus the cost of unproved properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling an impairment charge is recognized. The present value of estimated future net cash flows is computed by applying the arithmetic average first day price of oil and natural gas for the preceding twelve months to estimated future production of proved oil and gas reserves as of the end of the period, less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Such present value of proved reserves' future net cash flows excludes future cash outflows associated with settling asset retirement obligations. Should this comparison indicate an excess carrying value, the excess is charged to earnings as an impairment expense. During the six months ended October 31, 2014 and the year ended April 30, 2014, the Company did not recognize any impairment costs.

Note 1 – Basis of Presentation and Significant Accounting Policies (continued)

Impairment

ASC Topic 360, *Property, Plant and Equipment*, requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Oil and gas properties accounted for using the full cost method of accounting (which the Company uses) are excluded from this requirement but continue to be subject to the full cost method's impairment rules.

Stock-Based Compensation

Under ASC Topic 718, *Compensation – Stock Compensation*, all share-based payments to employees, including grants of employee stock options, are to be recognized in the consolidated statements of operations based on their fair values. For the six months ended October 31, 2014 and the year ended April 30, 2014, the fair values of common and preferred stock shares issued for services and compensation totaled $0 and $448,000, respectively.

Basic and Diluted Loss Per Share

Basic earnings per share (EPS) are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted EPS is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants and restricted stock. The number of potential common shares outstanding relating to stock options, warrants and restricted stock is computed using the treasury stock method. For the six months ended October 31, 2014 and the year ended April 30, 2014, approximately 61,000,000 and 33,000,000 potentially dilutive securities, respectively, were excluded from the EPS calculation because they would have had an anti-dilutive effect.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Uncertain Tax Positions

In accordance with ASC Topic 740, *Income Taxes*, the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Note 1 – Basis of Presentation and Significant Accounting Policies (continued)

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Recently Issued Accounting Pronouncements

During the six months ended October 31, 2014 and through December 15, 2014, there were several new accounting pronouncements issued by the Financial Accounting Standards Board and/or the Securities and Exchange Commission. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

Note 2 – Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of approximately $26,158,000, and as of October 31, 2014, the Company's current and total liabilities exceeded its current and total assets by approximately $1,982,000. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new ventures to recommence operations, set up an operating subsidiary, in addition to holding its over-riding royalty interests in oil and gas assets. In addition, the Company is currently seeking additional sources of capital to fund short term operations. Management has plans to seek additional capital through loans, private offerings, and potentially through public offerings of its common stock.

The consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These consolidated financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Related Party Transactions

On July 3, 2013, the Company granted 1,000 shares of Series A Preferred Stock to the Company's CEO, Gilbert Steedley in exchange for services valued at $1,000 (Notes 10 and 15). The preferred stock is not entitled to dividends or liquidation preferences and has no conversion rights. The Holder of the Preferred Stock has voting rights. For so long as any shares of the Preferred Stock remain issued and outstanding, the Holders thereof, voting separately as a class, have the right to vote on all shareholder matters (including, but not limited to, at every meeting of the stockholders of the Company and upon any votes actually taken by stockholders of the Company with or without a meeting) equal to fifty-one percent (51%) of the total vote.

On July 3, 2013, the Company's former CEO, John Folnovic, contributed capital in the amount of $1,900 which was used to pay expenses for operations.

On June 28, 2013, our CEO and Chairman of the Board, John Folnovic, and our Director, Massimiliano Pozzoni, resigned, and Gilbert Steedley was appointed as the Company's CEO, President and sole Director. At June 28, 2013, Mr. Folnovic and Mr. Pozzoni were owed unpaid compensation prior to their resignations $480,000 and $255,000, respectively, and a total of $460,000 and $245,000, respectively, of unpaid compensation at April 30, 2013. These debts were subsequently sold and assigned (Note 7).

From time to time, the Company's former CEO, John Folnovic, also advanced funds to the Company for operations. These advances, presented within accounts payable, totaled $16,000 at April 30, 2013 and were subsequently secured by a promissory note on May 29, 2013. On October 10, 2013, this note was sold to an unrelated party. The note matured on May 15, 2014 and bore interest at 5% compounded monthly. The debt was and remains secured by the Company's Overriding Royalty Interest in its Colorado leases (Note 4).

Note 4 – Oil and Gas Properties

The Company is engaged in the acquisition, exploration, development and production of oil and gas with an initial focus in Colorado and Texas. The Company first became an oil and gas exploration and development company in February 2006, but until September 2007 had no developed reserves or production, and had not realized any revenues from its operations. Our producing properties from September of 2007 were foreclosed upon in July of 2009, and we have not held any producing properties until the purchase of a .051416% royalty interest in Oklahoma effective August 2014.

Alaska Properties

True North's principal Alaska assets consisted of oil and gas leases covering approximately 34,910 acres in the Cook Inlet and Beaufort Sea (North Slope) areas of Alaska. The Company held a 100% working interest in its Alaska leases. The Cook Inlet leases provided for a net revenue interest of 87.5% prior to an overriding 5% royalty. The North Slope leases provided for a net revenue interest of approximately 83.3% prior to an overriding 5% royalty. The Cook Inlet leases had expiration dates ranging from November 27, 2010 to September 30, 2013 and have all fully expired. The North Slope leases, which were held by production or drilling activity, expired on March 1, 2012. However, on August 5, 2011, the Company sold these leases for total proceeds of $460,280, resulting in a loss of $305,694 on the sale during the year ended April 30, 2012.

Note 4 – Oil and Gas Properties (continued)

Colorado Properties

In June 2007 True North acquired certain non-producing oil and gas interests and properties in northwest Colorado in an area covering more than 17,000 acres. The Company held a 100% working interest in the underlying oil and gas leases, which expire in 2016. Seven of these leases are still active. On April 27, 2010, four of these leases were suspended by the U.S. Department of the Interior Bureau of Land Management pending an Environmental Assessment which has not yet been completed. On June 20, 2010, the Company sold these leases for total proceeds of $350,000, resulting in a loss of $1,074,235 on the sale during the year ended April 30, 2011. The Company retained an Overriding Royalty Interest of 0.375% on the leasehold interests.

Oklahoma Properties

On September 1, 2014, the Company, through its TN Energy, Inc. subsidiary (Note 1), purchased a .051416% royalty interest in oil and gas properties located in Payne County, Oklahoma.

Note 5 – Asset Retirement Obligations

From time to time the Company has asset retirement obligations associated with the future plugging and abandonment of proved properties and related facilities. Under the provisions of ASC Topic 410, *Asset Retirement and Environmental Obligations*, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling asset retirement obligations. At October 31, 2014 and April 30, 2014, the Company did not have any asset retirement obligations.

Note 6 – Accrued Expenses

Accrued expenses consisted of the following as of October 31, 2014 and April 30, 2014, respectively:

	October 31	April 30
Accrued Compensation, Officer and Directors	$ 21,750	$ 10,000
Accrued Other Expenses	-	-
Accrued Interest	127,800	108,438
	$ 149,550	$ 118,438

Note 7 – Convertible Settlements Payable

On October 10, 2013, the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida approved the September 5, 2013 Settlement Agreement entered into between the Company and ASC Recap LLC (Recap) whereby a total of $1,124,000 of outstanding debts that were acquired by Recap from various creditors, including $735,000 of outstanding compensation previously owed to our former

Note 7 – Convertible Settlements Payable (continued)

Officers and Directors that was previously sold and assigned to an unrelated third party and $83,000 owed to our current CEO, Gilbert Steedley. In satisfaction of the outstanding debts acquired by Recap, we agreed to issue Recap shares of our common stock (Settlement Shares) in various tranches and from which 75% of the proceeds from the sale of these shares by Recap will be used to satisfy the outstanding debts until such time as the debts are satisfied. The exact number of Settlement Shares to be issued pursuant to the Settlement Agreement is indeterminable, and Recap is precluded from owning more than 9.99% of the Company's common stock in aggregate at any given time. Recap does not bear the risk of market loss. The difference between the amount of proceeds used to satisfy the outstanding debts and the fair value of the common stock shares issued will result in a gain or loss on debt settlement.

During the six months ended October 31, 2014, the Company issued Recap 162,252,000 shares of common stock pursuant to the Settlement Agreement. The shares were sold by Recap and 75% of the net proceeds, totaling $266,683, were used to settle the outstanding debts as ordered by the court. At October 31, 2014, the convertible settlements payable outstanding totaled $691,867.

During the year ended April 30, 2014, the Company issued Recap 42,055,497 shares of common stock pursuant to the Settlement Agreement. The shares were sold by Recap and 75% of the net proceeds, totaling $165,450 were used to settle the outstanding debts as ordered by the court. At April 30, 2014, the convertible settlements payable outstanding totaled $958,550. On January 10, 2014, the Company also granted Recap a warrant to purchase common stock (Note 11).

Note 8 – Convertible Notes Payable

ASC Recap LLC (Note 7)

Pursuant to the September 5, 2013, settlement agreement and subsequent Court Order on October 10, 2013 as disclosed in Note 8, above, we agreed to issue Recap a non-interest bearing convertible promissory note, of which the terms were finalized on November 1, 2013, in the amount of $56,500 payable at maturity on May 1, 2014. The convertible note carries no registration rights and is convertible at a price equal to the greater of (i) 50% of the low closing bid price for the twenty (20) days prior to conversion or (ii) $0.002 per share. The note was recorded net of a beneficial conversion feature discount of $42,657 which was amortized as interest over the life of the note on a straight-line basis.

During the year ended April 30, 2014, the Company recognized as a financing cost interest expense in the amount of $56,500 related to the issuance of the convertible note. In addition, during the year ended April 30, 2014, the Company fully amortized the debt discount and charged interest expense in the amount of $47,579. At October 31, 2014 and April 30, 2014, the note remained outstanding with a net carrying value of this note totaled $56,500.

In addition, the Company recognized and measured the embedded beneficial conversion feature present in the convertible note by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the convertible debt. This intrinsic value is limited to the portion of the proceeds allocated to the convertible debt.

Note 8 – Convertible Notes Payable (continued)

The convertible note, consisting of a total original face value of $56,500 from Recap that created the beneficial conversion feature carries a provision that places a "maximum share amount" on the note holder. A maximum of 9.99% of the Company's common stock in aggregate at any given time can be owned as a result of the conversions. On October 10, 2014 Recap exercised its right to sell $25,000 of the original principal value of the note to Black Arch Opportunity Fund LP ("Black") (Note 14).

On July 25, 2013, the Company issued Recap a $25,000 non-interest bearing convertible promissory note which was due on demand, in satisfaction of consulting services performed. The principal balance of the note is convertible at the option of the holder with a 50% discount to the low closing bid price for the 20 days prior to conversion. The intrinsic value of the shares that would have been issuable at the inception of the note was allocated to additional paid in capital. The associated discount was immediately expensed as the note was due on demand. During the six months ended October 31, 2014, Recap exercised its right under this note and submitted to the Company a Notices of Conversion to convert the entire principal and fees into 86,479,167 shares of common stock.

<u>Other convertible promissory notes</u>

On January 20, 2014, the Company granted an unrelated party a convertible promissory note in the amount of $117,290 bearing interest at 6.0% and maturing on July 30, 2015. The principal balance and any accrued interest associated with this note is convertible at the option of the holder at the lesser of $0.01 per share or 70% of the trading price of the Company's common stock. The intrinsic value of the shares that would have been issuable at the inception of the note, equal to the face value of the note, was recognized as a discount with an offset to additional paid in capital. On July 23, 2014, the convertible note payable was amended effective to January 20, 2014 changing the maturity date from July 30, 2015 to August 31, 2014. This amendment corrected an error in the original document as was agreed to by the parties. At October 31, 2014, the unamortized discount totaled $56,063.

On July 8, 2014, the Company received $50,000 from an unrelated party and issued a convertible promissory note payable in exchange. The note bears no interest, is nonredeemable by the Company and matures on July 8, 2015 at which time the note automatically converts into the Company's common stock shares at a conversion price equal to 65% of the average closing prices of the shares for the 5 trading days preceding the conversion date. The intrinsic value of the shares that would have been issuable at the inception of the note, equal to the face value of the note, was recognized as a discount with an offset to additional paid in capital. At October 31, 2014, the unamortized discount totaled $15,978.

Note 9 – Notes Payable

On April 25, 2014, the Company executed a note payable to a vendor in the amount of $10,000 in exchange for services previously recorded as accounts payable. The note matures on October 25, 2014, bears no interest and is unsecured. The note is currently in default and carries a 4% interest rate upon default.

On January 15, 2014 the Company executed a note payable to an unrelated party in the amount of $50,000. The note matures on January 14, 2015, bears interest at 4.0% and is unsecured. In connection

Note 9 – Notes Payable (continued)

with the note, the Company issued a warrant to purchase shares of the Company's common stock (Note 11). On May 7, 2014, this note and accrued interest was repaid.

On July 7, 2009, the Company granted Valens U.S. SPVI, LLC an unsecured promissory note, bearing interest at 8% in the amount of $200,000, maturing on July 7, 2012. The note is currently in default, and carries a 15% interest rate upon default.

Note 10 – Changes in Stockholders' Deficit

On October 24, 2013, the Company's CEO, Gilbert Steedley, holding 51% of the Company's voting rights, authorized the amendment to the Company's Articles of Incorporation to increase the authorized shares of common stock from 250,000,000 shares to 750,000,000 shares of $0.0001 par value common stock and increased the authorized preferred stock to 20,000,000 shares of $0.0001 par value preferred stock.

Preferred Stock

On July 3, 2013, the Company granted 1,000 shares of Series A Preferred Stock to the Company's CEO, Gilbert Steedley. The preferred shares, which were issued on February 3, 2014, are not entitled to dividends, or liquidation preferences. The Holder of the Preferred Stock has voting rights. For so long as any shares of the Preferred Stock remain issued and outstanding, the Holders thereof, voting separately as a class, have the right to vote on all shareholder matters (including, but not limited to at every meeting of the stockholders of the Company and upon any action taken by stockholders of the Company with or without a meeting) equal to fifty-one percent (51%) of the total vote. Following the 3rd anniversary of the original issuance date of the Preferred Stock to any Holder, the Company shall have the option in its sole discretion, with (1) the unanimous consent or approval of all members of the Board of Directors of the Company; (2) the approval of the Holder of the Preferred Stock; and (3) the approval of any interest or option holder(s) of such Preferred Stock, to redeem any and all outstanding shares of Preferred Stock, by paying the Holder of such Preferred Stock a redemption price of $1.00 per share for such Preferred Stock shares redeemed (the "Redemption Amount", each a "Redemption"). We recognized officer compensation expense of $1,000 based on the fair value of the shares and the stated redemption value (Note 3).

On January 17, 2014, the Company issued 50,000 of Series B Convertible Preferred Stock to an unrelated company in exchange for $25,000 cash. The shares are not entitled to dividends, receive a preference in liquidation over the common stockholders but behind the Series A Preferred stockholders and are convertible into 4.99% of the Company's common stock on a non-dilutable basis (i.e., 4.99% of the Company's outstanding common stock from time to time at the time of any conversion or conversions until 4.99% of the Company's common stock has been issued to holder upon such conversion(s), with such percentage of shares issuable upon conversion decreasing in proportion to the percentage of outstanding shares of the company then converted by the holder at any time), provided that the holder is prohibited from owning more than a 9.99% beneficial ownership of the Company's common stock upon any conversion.

Note 10 – Changes in Stockholders' Deficit (continued)

<u>Common Stock</u>

On November 12, 2013, the Company entered into an agreement with an unrelated company to provide investor relations services. The agreement provides for a monthly fee of $7,500 over a three month term with an option to renew for an additional three or six month period. In addition, the agreement provided for the issuance of 3,000,000 shares of common stock. The shares were issued on December 12, 2013, valued at $.01 per share based on the quoted market price of the shares on the date of the agreement and the $30,000 value of the shares were charged to expense over the original three month term of the agreement. The Company elected to renew the agreement for an additional six month period ending on August 12, 2014.

Other than the shares described in the preceding paragraph and those issued to Recap in satisfaction of the Convertible Settlements Payable (Notes 7 and 14), no other shares of common stock were issued during the six months ended October 31, 2014 and the year ended April 30, 2014.

Note 11 – Warrants

On January 10, 2014, in connection with an employment agreement with its CEO (Note 12), the Company granted its CEO a warrant to purchase up to 1,000,000 common stock shares at a purchase price of $.01 per share. The warrant expires on January 10, 2016 and may be exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of October 31, 2014, no shares had been exercised.

On January 10, 2014, the Company granted Recap (Note 7) a warrant to purchase up to 1,000,000 common stock shares at a price of $.01 per share. The warrant expires January 9, 2016 and may be exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of October 31, 2014, no shares had been exercised.

Also on January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 1,000,000 common stock shares at a price of $.01 per share. The warrant expired January 10, 2016 and could have been exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. As of April 30, 2014, no shares had been exercised.

Also on January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 500,000 common stock shares at a price of $.01 per share. The warrant expired January 9, 2017 and could have been exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. Effective April 30, 2014, no shares had been exercised.

On January 10, 2014, the Company granted an unrelated third party a warrant to purchase up to 4.99% of the Company's common stock shares at a price of $.01 per share. The warrant expires January 15, 2019 and may be exercised in cash or a cashless exercise, subject to certain restrictions as provided for in the Common Stock Purchase Warrant. On April 30, 2014, the third party and the Company mutually agreed to cancel this warrant for nominal consideration.

Note 11 – Warrants (continued)

The warrants issued by the Company were valued using the Black-Scholes option pricing mode. The variables used in the Black-Scholes pricing model during the year ended April 30, 2014, were an exercise price of $0.01, a discount rate of 1%, an average expected life of 2-3 years, and volatility of 75%. The estimated fair value of the warrants issued approximated $42,000. Because the warrants contained a cashless exercise provision, a warrant liability was recognized and adjusted to fair value at April 30, 2014, which result in a net reduction of the expense recognized for the warrants issued of $10,500.

Following is a summary of outstanding stock warrants at October 31, 2014 and April 30, 2014 and activity during the three months and year then ended:

	Number of Shares	Exercise Price	Weighted Average Price
Warrants as of April 30, 2013	-	$ -	$ -
Issued	8,226,418	$ -	$ -
Cancelled	(4,726,418)	$ -	$ -
Exercised	-	$ -	$ -
Warrants as of April 30, 2014	3,500,000	$ 0.01	$ 0.01
Issued	-	$ -	$ -
Exercised	-	$ -	$ -
Warrants as of October 31, 2014	3,500,000	$ 0.01	$ 0.01

Summary of outstanding warrants as of October 31, 2014:

Expiration Date	Number of Shares	Exercise Price	Remaining Life (years)
2016	3,000,000	$ 0.01	1.50
2017	500,000	$ 0.01	2.50

Note 12 – Commitments and Contingencies

Although the Company is unaware of any legal matters, the Company may be involved in various inquiries, administrative proceedings and litigation relating to matters arising from our operations prior to the change in management on June 28, 2013. The Company is not currently a defendant in any litigation and is not aware of any threatened litigation that could have a material effect on the Company. Management is not able to estimate the minimum loss to be incurred, if any, as a result of the final outcome of these matters but believes they are not likely to have a material adverse effect upon the Company's financial position or results of operations and, accordingly, no provision for loss has been recorded.

On January 1, 2014, the Company entered into an employment agreement with its CEO, Gilbert Steedley. The agreement provides for monthly compensation of $2,500 and expires December 31, 2014 but automatically renews annually unless terminated by either party pursuant to the agreement. In addition, the agreement provides a common stock warrant (Note 11).

Note 13 – Income Taxes

Deferred tax assets and liabilities reflect the net income tax effect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes.

The following table summarizes the Company's deferred tax assets at October 31, 2014 and April 30, 2014.

	October 31	April 30
Net operating losses	$ 593,000	$ 403,000
Stock based compensation	15,000	152,000
Derivative changes and debt discounts		54,000
Loss on conversion of debt	115,000	36,000
Total deferred tax assets	713,000	645,000
Valuation allowance	(713,000)	(645,000)
Total deferred tax assets, net	$ -	$ -

The Company has recognized no tax benefit for the losses generated for the periods through October 31, 2014. ASC Topic 740 requires that a valuation allowance be provided if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company's ability to realize the benefit of its deferred tax asset will depend on the generation of future taxable income. Because the Company has yet to recognize revenue, we believe that the full valuation allowance should be provided.

As of October 31, 2014 and April 30, 2014, we have an estimated federal and state income tax net operating loss ("NOL") carry-forward of approximately $1,774,000 and $1,160,000, respectively, which was incurred since the change in control (Note 1) and which will expire through the year 2035. We do not estimate we will derive any income tax benefit from losses incurred prior to the change of control due to the limitations imposed by Internal Revenue Code Section 382 pertaining to the use of net operating losses when changes in control take place.

	October 31		April 30	
	Amount	Percent	Amount	Percent
Benefits for income tax at federal statutory rate	$ 713,000	34%	$ 645,000	34%
Change in valuation allowance	(713,000)	(34)	(645,000)	(34)
	$ -	-%	$ -	-%

Note 14 – Subsequent Events

Additional share issuances (Note 7)

During the period November 1, 2014 through December 12, 2014 the Company issued Recap and Black an additional 290,700,000 and 517,666,040, respectively, common stock shares pursuant to the Notes Payable Agreements. The issuance of the aggregate of these shares reduces the $56,500 note to a balance of $14,041 as of December 12, 2014 (Note 8).