
X RAIL ENTERPRISES, INC. (XREE)

FINANICAL STATEMENTS

December 31, 2015 and 2014

PRITCHETT, SILER & HARDY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

1438 N. HIGHWAY 89 STE. 130

FARMINGTON, UTAH 84025

(801) 447-9572 FAX (801) 447-9578

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
X Rail Enterprises, Inc.
6480 S. Eastern Avenue
Suite 205
Las Vegas, NV 89123

We have audited the accompanying balance sheets of X Rail Enterprises, Inc. as of December 31, 2015 and 2014 and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Rail Enterprises, Inc. as of December 31, 2015 and 2014 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses and has no operations which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Pritchett, Siler & Hardy, P.C.

Pritchett, Siler & Hardy, P.C
Farmington, Utah
February 14, 2017

X Rail Enterprises, Inc.
Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash	\$ 325,057	\$ -
Total current assets	325,057	-
Property and equipment	750,000	-
Total assets	\$1,075,057	\$ -
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accrued expenses	\$ 18,455	\$ 9,705
Convertible notes payable	87,500	97,050
Notes payable to related parties	532,400	-
Total current liabilities	638,355	106,755
Stockholders' equity (deficit)		
Preferred stock, \$0.00001 par value, 51,001,000 shares authorized, 98,880 and 47,795 shares issued and outstanding as of December 31, 2015 and December 31, 2014, respectively	1	1
Common stock, \$0.00001 par value, 500,000,000 shares authorized, 4,557,784 and 7,634 shares issued and outstanding as of December 31, 2015 and December 31, 2014, respectively	46	1
Additional paid-in capital	5,835,346	4,976,918
Common stock subscribed	-	-
Accumulated deficit	(5,398,691)	(5,083,675)
Total stockholders' equity (deficit)	436,702	(106,755)
Total liabilities and stockholders' equity (deficit)	\$1,075,057	\$ -

See the accompanying notes to the financial statements

X Rail Enterprises, Inc.
Statements of Operations
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue	\$ -	\$ -
Cost of revenue	-	-
Gross profit	-	-
Operating Expenses:		
Compensation and payroll taxes	302,383	-
Selling, general and administrative	3,383	22,046
Professional fees	500	942
Total operating expenses	306,266	22,988
Loss from operations	(306,266)	(22,988)
Other income (expense)		
Interest expense	(8,750)	(9,705)
Total other income (expense)	(8,750)	(9,705)
Net income (loss) from operations before provision for income taxes	(315,016)	(32,693)
Provision for income taxes	-	-
Net income (loss)	\$ (315,016)	\$ (32,693)
Net income (loss) per share, basic and diluted	\$ (0.64)	\$ (7.17)
Weighted average number of common shares outstanding, basic and diluted	495,860	4,559

See the accompanying notes to the financial statements

X Rail Enterprises, Inc.
Statements of Stockholders' Equity (Deficit)
For the Years Ended December 31, 2015 and 2014

	Common Stock		Preferred Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	
Balance, December 31, 2013	7,634	\$ 1	47,795	\$ 1	\$ 4,912,553	\$ (5,050,982)	\$ (138,427)
Conversion of related party debt to capital	-	-	-	-	64,365	-	\$ 64,365
Net loss	-	-	-	-	-	(32,693)	(32,693)
Balance, December 31, 2014	7,634	1	47,795	1	4,976,918	(5,083,675)	(106,755)
Stock cancellation	(750)	-	-	-	-	-	-
Common stock issued for compensation	4,000,900	40	-	-	280,023	-	280,063
Preferred stock issued for compensation	-	-	51,005	-	3,570	-	3,570
Stock Subscribed for purchase of rail cars	550,000	5	-	-	38,495	-	38,500
Gain on extinguishment of related party debt	-	-	-	-	511,500	-	511,500
Conversion of related party debt to capital	-	-	-	-	24,840	-	24,840
Net loss	-	-	-	-	-	(315,016)	(315,016)
Balance, December 31, 2015	4,557,784	\$ 46	98,800	\$ 1	\$5,835,346	\$ (5,398,691)	\$ 436,702

See the accompanying notes to the financial statements

X Rail Enterprises, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net loss	\$ (315,016)	\$ (32,693)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for payment of salaries and wages	280,063	-
Preferred stock issued for payment of salaries and wages	3,570	-
Conversion of related party debt to capital	-	(69)
Changes in operating assets and liabilities:		
Accounts payable	-	-
Accrued expenses	33,590	74,070
Net cash used in operating activities	2,207	41,308
Cash flows from investing activities		
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds (repayments) on convertible notes payable	(9,550)	-
Proceeds (repayments) on convertible notes payable to related parties	-	(41,377)
Proceeds from related party notes payable	332,400	-
Net cash provided by financing activities	322,850	(41,377)
Net change in cash	325,057	(69)
Cash, beginning of the period	-	-
Cash, end of the period	\$ 325,057	\$ (69)
Supplemental disclosure of cash flow information:		
Income taxes paid	-	-
Supplemental disclosure of non-cash investing and financing transactions:		
Conversion of related party debt to capital	\$ 536,345	\$ 64,365
Purchase of property and equipment with common stock and advances from related parties	\$ 750,000	\$ -

See the accompanying notes to the financial statements

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 - DESCRIPTION OF BUSINESS

X Rail Enterprises, Inc. (XREE) (the Company) is a Corporation originally domiciled in the state of Wyoming and currently registered in Nevada. Maxam Gold changed its name to X Rail Enterprises Inc. on November 5, 2015 upon acquisition of X Rail Asset Fund 1 from Las Vegas Railway Express, Inc. a related entity. At that time the primary business of the Company changed from mining to rail transportation, passenger excursions, rail car construction and rail related operations and services.

The Company's business strategy is based on developing and operating new and innovative train services for its customers' and delivering them to choice destinations in the United States through its railroad operations and services. The X Rail Enterprises, Inc. operates specialty passenger trains from metropolitan areas in the US to resort and casino destinations. XREE has four operating divisions. (1) Casino Fun Trains which are expected to be operated by Las Vegas Railway Express, Inc. (a related entity) under an operating agreement with the Company, (2) X Wine Railroads, (3) X Rail Asset Fund 1, and (4) Rail Services Management.

Las Vegas Railway Express, Inc. (Casino Fun Trains)

Las Vegas Railway Express, Inc. (XTRN) is a publically traded company on the OTC:PINK exchange. At December 31, 2015 Las Vegas Railway Express, Inc. was considered a related entity under common control including the utilization of some key members of management. During the year ended December 31, 2016 X Rail Enterprises, Inc. entered a share swap agreement with Las Vegas Railway Express, Inc. where shares were exchanged providing X Rail Enterprises, Inc. a 5% stake in the common stock of Las Vegas Railway Express, Inc. At December 31, 2016 the Company owned 40,108,940 shares out of 782,920,592 active shares or .05122%, as such management has determined that consolidation of these companies' financial statements is not considered necessary.

Las Vegas Railway Express, Inc. had developed a brand identity in its development of a passenger train service from Los Angeles to Las Vegas, called the X Train. Las Vegas Railway Express, Inc. ran out of money and could no longer move forward to put the X Train into operation. X Rail Enterprises, Inc. (XREE) was formed for the purposes described herein and entered into an agreement with selected shareholders of XTRN to exchange the stock of XREE for certain shares of XTRN. The share exchange offer made by XREE was not extended to all shareholders. In addition, XREE executed a license agreement with XTRN to pay a royalty of 5% of the gross revenues generated by XREE's operation of the X Train brand services including the operating name of Las Vegas Railway Express. Accordingly XREE does own the right to use Las Vegas Railway Express as an operating name, which it acquired under the license agreement.

Under the licensing agreement X Rail Enterprises Inc. operates a division named Las Vegas Railway Express, an excursion passenger rail service also known as the X Train that will run between Los Angeles and Las Vegas. Service is expected to begin in 2017. The Company plans to have its casino guests ride this exclusive train service and it manage a host of activities for its guests throughout their stay in the resort and casino. Future Casino Fun Train runs are being planned and are anticipated to begin service in the coming years.

The Company also owns a licensed IATIA travel agency, X Train Vacations which books rail excursions for other passenger railroads in the United States of America. X Train Vacations is considered as a part of the Las Vegas Railway Express division. At December 31, 2015 and 2015 there were not any significant operations from X Train Vacations to report. The Company plans to earn commissions from services that it will provide in 2017 in conjunction with the X Train rail service.

The X Wine Railroad

The X Wine Railroad began operations on January 7th, 2017 and is the first of its kind to take passengers from Los Angeles by rail aboard elegantly restored rail cars and to complete their journey to visit the unique wine country of Los Olivos in the Santa Ynez valley.

The service is all-inclusive and includes luxury train tickets, a breakfast and dinner service on the way home, wine tasting on board, excursion to Los Olivos, brunch at the vineyards and special gifts for riders. The service is primarily marketed to individuals and to group planners, corporations and special parties and has its own website at www.xwinerailroad.com.

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

X Rail Asset Fund 1

The purpose of X Rail Asset Fund 1 (the Fund) is own, manage, maintain, and upgrade rail road equipment and assets. As of December 31, 2015 the Fund owns 12 passenger rail cars which being upgraded and refitted to form the Club X passenger rail fleet. The Fund also plans to build a rail refit and repair facility in Las Vegas and has been authorized by the Board of directors to actively seek acquisitions prospects in the short line passenger and freight business. There are three short line passenger and freight companies that are currently under consideration.

X Rail Management Services

X Rail Management Services is an operating division that is still in the organization stages. XREE is in process of applying to the Surface Transportation Board (STB) as a Common Carrier railroad. Under this designation XREE would be able to operate its own switching service on the planned station in Las Vegas, which would save the Company thousands of dollars each week in payments to third party switching services. Upon approval of the STB, and construction of the Las Vegas station, operations of this division will commence.

Ascendant Capital Partners

Ascendant Capital Partners has provided to XREE effective October 30, 2015 a \$7 million equity line of credit also known as an "At the Market Line". The terms of this agreement require XREE to (1) pay a commitment fee of \$10,000, to (2) file a form S-1 to register shares for Ascendant and the other common shareholders, and (3) execute the stock purchase agreement with Ascendant in order to activate the equity line of credit. The \$10,000 commitment fee was paid after December 31, 2015. As of December 31, 2015 the Form S-1 filing, which activates the registration of shares, has not been filed and XREE has not executed the stock purchase agreement. As of December 31, 2015 the line is inactive, consequently, no shares have been allocated to Ascendant and no equity dilution has occurred related to this agreement.

Pursuant to the terms of the Term Sheet, for a period of up to Thirty six (36) months commencing on the date of effectiveness of the Registration Statement (the Form S-1), Ascendant shall commit to purchase up to \$7,000,000 of the Company's common stock, par value \$0.00001 per share (the "Advance Shares"), pursuant to Advances, covering the Registrable Securities during the Commitment Period. The Purchase Price shall be 70% of the closing bid price on the trading day the Draw-Down-Notice is delivered to the Investor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has net losses for the years ended December 31, 2015 and 2014. The Company also had an accumulated deficits in 2015 and in 2014. Management believes that it will need additional equity or debt financing to be able to implement the business plan. Given the lack of revenue and capital deficiency there is substantial doubt about the Company's ability to continue as a going concern.

Management is attempting to raise additional equity and debt financing to sustain operations until it can market its services and achieves profitability. The successful outcome of future activities cannot be determined at this time and there are no assurances that, if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Company operates in an industry that is subject to potential government regulations. Significant changes in regulations and the inability of the Company to establish contracts with rail services providers could have a materially adverse impact on the Company's operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Amounts that could materially change in the future are the value of shares used for compensation and the impairment, if any, of long lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid holdings with maturities of three months or less at the time of purchase to be cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Company up to \$250,000. Account balances in excess of federally insured limits were \$75,057 at December 31, 2015 and \$0 at December 31, 2014. The Company has not experienced any losses in such accounts.

Property and Equipment

Property and equipment including rail cars acquired from an entity under common control are recorded at historical cost and depreciated on a straight-line basis over their estimated useful lives of approximately five years once the individual assets are placed in service. The Company expenses all purchases of equipment with individual costs of under \$500.

Long-Lived Assets

In accordance with FASB ASC 360-10, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. During the year ended December 31, 2015, the Company acquired \$750,000 of capitalized costs relating to the purchase and improvements on the rail cars. Management determined that there has been no impairment of long-lived assets for the years ended December 31, 2015 and 2014.

Basic and Diluted Loss per Share

In accordance with FASB ASC 260, "Earnings per Share," the basic loss per common share is computed by dividing the net loss available to common stockholders after preferred stock dividends, by the weighted average common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if diluted potential common stock had been converted to common stock. Common stock equivalents have not been included in the diluted earnings per share computation for the years ended December 31, 2015 and 2014 as the amounts are anti-dilutive. As of December 31, 2015 and 2014, the Company had convertible debt in the amounts of \$87,500 and \$97,050 respectively, which was excluded from the computation because their effect would have been anti-dilutive. As of March 31, 2015 and 2014, the Company had no outstanding warrants, nor options.

Share Based Payments

The Company accounts for its share-based compensation to employees in accordance FASB ASC 718. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period.

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Company's financial instruments as defined by FASB ASC 825-10-50 include cash, notes payable and derivative liabilities. Derivative liabilities are recorded at fair value. The principal balance of notes payable approximates fair value because current interest rates and terms offered to the Company for similar debt are substantially the same. As of the years ended December 31, 2015 and 2014, the Company had no derivative liabilities.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FASB ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Rail cars (not in service)	\$ 750,000	\$ -
Less accumulated depreciation	-	-
	\$ 750,000	\$ -

NOTE 4 – CONVERTIBLE NOTES PAYABLE

Convertible notes payable as of December 31, 2015 and 2014 consist of:

	2015	2014
Promissory note, dated April 30, 2008, bearing 10% interest annually, payable on demand, convertible to shares of common stock at \$.01 per share	\$ 87,500	\$ 97,050
Total convertible notes payable	\$ 87,500	\$ 97,050

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 5 – NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties as of December 31, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
Promissory note, dated December 15, 2015, bearing 10% interest annually, payable on demand	\$ 55,994	\$ -
Promissory note, dated December 15, 2015, bearing 10% interest annually, payable on demand	130,599	-
Promissory note, dated December 31, 2015, bearing 10% interest annually, payable on demand	<u>345,807</u>	<u>-</u>
Total notes payable to related parties	<u>\$ 532,400</u>	<u>\$ -</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases

None

Litigation

None

NOTE 7 - EQUITY

Preferred Stock

The Company has issued two series of Preferred Stock designated as Series A (51,000,000 shares authorized) and Series A-2 (1000 shares authorized) bearing a par value of \$.00001 per share.

The Series A Preferred shares are convertible to Common Stock on a one-for-one basis, have liquidation rights equal to \$1.00 per share in preference to the Common shares, do not have voting rights and currently are not entitled to dividends, though the Preferred Series A shares may be entitled to dividends if, or when, declared by the Board of Directors.

The Series A-2 Preferred shares are convertible into Common shares using a formula equal to four times the number of Common and Preferred Series A shares outstanding at the time of conversion divided by the number of Series A Preferred shares outstanding at the

time of conversion. These shares also bear the same number of voting rights as would be obtained from the conversion to Common shares. As of December 31, 2015, the number of Common shares that would be obtained from such conversion, based on the number of Preferred Series A and Common shares outstanding would be 359 common shares. The Series A-2 Preferred shares were issued to management and currently do not have liquidation preferences to common shareholders.

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 7 – EQUITY (CONTINUED)

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock and 51,001,000 of preferred shares. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available therefore subject to the prior rights of holders of any outstanding shares of preferred stock and any contractual restrictions we have against the payment of dividends on common stock. In the event of our liquidation or dissolution, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive or other subscription rights and no right to convert their common stock into any other securities.

During the year ended December 31, 2015, the Company issued an aggregate of 4,000,900 shares of common stock for compensation. During the year ended December 31, 2014 there was no common stock issued.

Also on November 20, 2016, the Company effected a 1000 to 1 reverse split, the effects of which have been actively applied to the earliest period presented.

During the year ended December 31, 2015, the Company effectively issued 550,000 shares of common stock to Michael Barron and Wanda Witoslawski, officers of the Company. The railcars were purchased with these shares and with \$200,000 related party debt from LVRE, a related party, whose officers are also officers of the Company. Las Vegas Railway Express, Inc. (LVRE) had born the cost of improving, restoring, shipping and storage of the rail cars to be used in the Company’s primary business exceeding \$750,000, but had agreed to accept the 550,000 shares and an extinguishment of \$200,000 of its related party debt resulting in a gain on extinguishment that was recorded to additional-paid-in-capital, of \$511,500.

Basic Loss per Share of Common Stock

	For the Years Ended	
	2015	2014
Loss (numerator)	\$ (315,016)	\$ (32,693)
Shares (denominator)	495,860	4,559
Per Share Amount	\$ (0.64)	\$ (7.17)

The basic loss per share of common stock is based on the weighted average number of shares issued and outstanding during the period of the financial statements.

NOTE 8 – INCOME TAXES

The Company accounts for income taxes under FASB ASC 740 "Income Taxes." Under the asset and liability method of FASB ASC 740, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets of the Company relate primarily to operating loss carryforwards for federal income tax purposes.

X Rail Enterprises, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 8 – INCOME TAXES (CONTINUED)

A full valuation allowance for deferred tax assets has been provided because the Company believes it is not likely that the deferred tax asset will be realized. Realization of deferred tax assets is dependent on the Company generating sufficient taxable income in future periods.

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of December 31, 2015 and 2014, the Company has not established a liability for uncertain tax positions. The Company's tax returns for the years ended December 31, 2013, 2014, and 2015 remain open for examination.

The Company has NOL's totaling approximately \$5.1 million, which are subject to the limitations of IRC Section 382, due to significant changes in the ownership of the Company both prior to December 31, 2013 and during 2014 and 2015, for which a valuation allowance has been recorded to offset the resulting deferred tax asset arising from the NOL totaling \$765,000. The Company has other deferred tax assets resulting from temporary differences related to stock based compensation totaling approximately \$43,000, also for which a valuation allowance was recorded, due to the uncertainty regarding the eventual utilization of those deferred tax assets. The change in valuation allowance for the years ended December 31, 2015 and 2014 was \$47,000 and \$4,900, respectively, based on an assumed Federal income tax rate of 15% and no state taxes.

NOTE 9 – RELATED PARTY TRANSACTIONS

Michael A. Barron, the CEO and President of the Company, is a 100% owner and President of Allegheny Nevada Holdings Corporation, "Allegheny". The Company was indebted to Allegheny by a certain promissory note with 10% annual interest. As of December 31, 2015, the balance of the note was \$130,599.

Wanda Witoslawski, the Controller of the Company, holds a promissory note of \$55,994 with 10% annual interest. The balance of the note was \$55,994 as of December 31, 2015.

As of December 31, 2015, Las Vegas Railway Express, Inc. holds promissory note of \$345,807, with no interest, payable on demand.

As of December 31, 2015, the Company had an obligation to issue 550,000 shares of common stock to Michael Barron and Wanda Witoslawski. The shares were deemed effectively issued as partial consideration for the acquisition of railcars resulting in a gain on extinguishment of related party debt recorded in additional-paid-in-capital of \$511,505, based on the deemed fair value of the underlying Common shares (see note 7).

NOTE 10 – SUBSEQUENT EVENTS

Quarter End March 31, 2016

During the quarter ended March 31, 2016, the Company issued 142,849,071 shares of common stock as per Share Exchange Agreement with some of the shareholders of Las Vegas Railway Express, Inc., 16,791,611 shares of common stock for compensation and 20,394,719 shares of common stock for stock purchase.

During the quarter ended March 31, 2016 the Company engaged BGR Government Affairs, LLC (BRG). The scope of BGR's work is threefold (1) to assist the Company in obtaining charter approval to reestablish a train route between Las Vegas and Southern California; (2) help the Company work toward an agreement that will allow the Company to operate services on other established rail lines; (3) work with Congress, rail carriers and operators, Department of Transportation, Nevada and California state government officials and other relevant parties to obtain approval for obtain a long term charter agreement to run the Company's charter service.

X Rail Enterprises, Inc.

Notes to the Financial Statements

December 31, 2015 and 2014

NOTE 10 – SUBSEQUENT EVENTS (CONTINUED)

Phase 1 of the agreement is defined as reaching a charter agreement with Amtrak. The consideration for the proposed services through phase 1 is \$10,000 per month shares of restricted stock equivalent to a 2% equity interest X Rail Enterprises, Inc. Restrictions on the awarded stock are subject to rules set by the SEC which are a one year restriction on non-reporting companies and a six month period for fully reporting companies. The Company will provide BRG with piggyback registration rights on the next S-1 underwriting filed with the SEC and subject to the underwriters allocation of registered shares.

Phase 2 of the agreement is defined as securing a multiyear contract with Amtrak to run several charters per year based on a schedule of special events and times specified by the Company. On successful completion of phase 1 the monthly professional fee will increase to \$15,000 per month and upon successful completion of phase 2 BRG would receive an additional 1% equity interest in the company which will be awarded in restricted stock and under the same terms as described in the phase 1.

Quarter Ended June 30, 2016

During the quarter ended June 30, 2016, the Company issued 8,964,848 shares of common stock as per Share Exchange Agreement with some of the shareholders of Las Vegas Railway Express, Inc. and 1,024,000 shares of common stock for services.

Quarter Ended September 30, 2016

During the quarter ended September 30, 2016, the Company issued 71,270 shares of common stock as per Share Exchange Agreement with some of the shareholders of Las Vegas Railway Express, Inc., 200,000 shares of common stock for note conversion and 3,500,000 shares of common stock for stock purchase.

Quarter Ended December 31, 2016

During the quarter ended December 31, 2016, the Company issued 10,000,000 shares of common stock for stock purchase at the price of \$0.05 per share.

As of December 31, 2016, the Company, as a result of Shares Exchange Agreement with some of the shareholders of Las Vegas Railway Express, Inc., holds a 5% interest (40,108,940 shares of common stock) in Las Vegas Railway Express, Inc.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as December 31, 2014 and 2015. Based on that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of December 31, 2014 such that material information required to be disclosed is made known to management and others, as appropriate, to allow timely decision regarding required disclosure and that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of the CEO and CFO, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on this evaluation, our management, with the participation of the CEO and CFO, concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors:

Name	Age	Office
Michael A. Barron	66	Chairman of the Board of Directors, Chief Executive Officer
Wayne Bailey	67	Chief Financial Officer

Directors hold office for a period of one year from their election at the annual meeting of stockholders and until their successors is duly elected and qualified. Officers are elected by, and serve at the discretion of, the Board of Directors. None of the above individuals has any family relationship with any other.

Set forth below is a brief description of the background and business experience of each of our executive officers and directors.

Michael A. Barron – Chairman and Chief Executive Officer, 66

Mr. Barron has been a developer of new business enterprises for nearly 30 years. Mr. Barron began his career in 1971 where he was the Senior Planner for the City of Monterey and was the HUD liaison for the City’s downtown redevelopment project. He master planned the city’s redevelopment of famous Cannery Row, Fisherman’s Wharf, and was Secretary of the Architectural Review Committee. Mr. Barron was the founder of Citidata, the first electronic provider of computerized real estate multiple listing service (MLS) information in the nation from 1975 to 1979. Citidata became the nation’s largest provider of electronic real estate information and was sold to Moore Industries in 1979. In June 1979, TRW hired Mr. Barron to develop its real estate information services division (TRW/REIS) that acquired 11 companies in the field and eventually became the world’s largest repository of real estate property information - Experian. In November 1988, he founded and served as President, until 1992, of Finet Holdings Corporation (NASDAQ:FNCM), a publicly traded mortgage broker and banking business specializing in e-mortgage financing on site in real estate offices and remote loan origination via the Internet (www.finet.com). The company was publicly traded and maintained a market capitalization of \$500 million. From March 1995-1998, Mr. Barron pioneered the first nationwide commercially deployed video conference mortgage financing platform for Intel Corporation which as a licensed mortgage banker and broker in 20 states funded over \$1 billion in closed loans. He later went on to serve as CEO for Shearson Home Loans and founded Liberty Capital, a \$100 million asset management company based in Las Vegas, Nevada. Mr. Barron holds a B.S. degree from California Polytechnic University. Michael A. Barron has served as Director on Las Vegas Railway Express’ Board of Directors since inception. Mr. Barron’s experience as our president and chief executive officer qualify him to serve on our board of directors.

Wayne Bailey- Chief Financial Officer, 67

Mr. Bailey is the CFO of X Rail Enterprises, Inc., a passenger rail development and operating company based in Las Vegas, Nevada. Mr. Bailey is responsible for all financial reporting documents and financial compliance for X Rail Enterprises, Inc., a publicly traded company (OTC:PINK:XREE) Prior to joining X Rail Enterprises, Inc., Mr. Bailey was active in the OTC markets for small cap and micro cap public companies. He secured financing, managed public disclosures, mergers and acquisitions and compliance for several small cap public companies. Mr. Bailey served as CFO for Shearson Home Loans, a \$1.3 billion mortgage bank with 237 offices licensed in 33 states. Prior to his tenure at Shearson, Mr. Bailey was the operating partner for a privately held conglomerate of companies based in Salt Lake City, Utah. There he oversaw the operations of a steel manufacturing company, a plating company, a bottled water company and a prefab construction company. Mr. Bailey is a decorated veteran of the US Army having served with the 101st Airborne in Vietnam.

Code of Ethics

The Company has adopted a Code of Ethics that applies to the Company’s principal executive officer, principal financial officer and principal accounting officer.

Section 16(a) Beneficial Ownership Compliance

Our officers, directors and shareholders owning greater than ten percent (10%) of our shares are required to file beneficial ownership reports pursuant to Section 16(a) of the Securities and Exchange Act (the "Exchange Act"). To the Company's knowledge, all such reporting obligations were complied with during the year ended December 31, 2015.

Committees of the Board

The Company does not have an audit committee nor compensation committee because of the small size and early stage of the Company.

Nominating Committee

We do not have a separately designated nominating committee because the board makes all decisions regarding director nominations.

Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a pending or completed action, suit or proceeding if the officer or director acted in good faith and in a manner the officer or director reasonably believed to be in the best interests of the corporation.

Our certificate of incorporation provides that, except in certain specified instances, our directors shall not be personally liable to us or our stockholders for monetary damages for breach of their fiduciary duty as directors, except for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and
- any transaction from which the director derived an improper personal benefit.

In addition, our certificate of incorporation and bylaws obligate us to indemnify our directors and officers against expenses and other amounts reasonably incurred in connection with any proceeding arising from the fact that such person is or was an agent of ours. Our bylaws also authorize us to purchase and maintain insurance on behalf of any of our directors or officers against any liability asserted against that person in that capacity, whether or not we would have the power to indemnify that person under the provisions of the Delaware General Corporation Law. We expect to continue to enter into agreements to indemnify our directors and officers as determined by our Board of Directors. These agreements provide for indemnification of related expenses including attorneys' fees, judgments, fines, and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees regarding which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Insofar as the provisions of our certificate of incorporation or bylaws provide for indemnification of directors or officers for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, we have been informed that in the opinion of the Commission this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Family Relationships

There are no family relationships between any of our directors or executive officers and any other directors or executive officers, except that Dianne David Barron, the Company's Director Asset Development is the spouse of the CEO, Michael A. Barron.

Item 11. Certain Relationships and Related Transactions and Director Independence

Michael A. Barron, the CEO and President of the Company, is a 100% owner and President of Allegheny Nevada Holdings Corporation, "Allegheny". The Company was indebted to Allegheny by a certain promissory note with 10% monthly interest, of which Allegheny loaned the Company funds for working capital needs. As of December 31, 2015, the balance of the note was \$130,599.

Item 12. Principal Accountant Fees and Services

In accordance with the SEC's definitions and rules, "audit fees" are fees for professional services for the audit and review of our annual financial statements, and includes fees for the audit and review of our annual financial statements included in a registration statement filed under the Securities Act as well as issuance of consents and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements except those not required by statute or regulation. "Audit-related fees" are fees for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements, including attestation services that are not required by statute or regulation, due diligence and services related to acquisitions. "Tax fees" are fees for tax compliance, tax advice and tax planning, and "all other fees" are fees for any services not included in the first three categories.

Audit Fees

The aggregate fees were billed by the Company's auditor for the professional services rendered in connection with the audit of the Company's annual financial statements, and reviews of the financial statements included in the Company's Forms 10-Ks for fiscal 2015 and 2014.

Audit Related Fees

There were no audit related fees for the fiscal year ended December 31, 2015 and 2014.

Tax Fees

None.

All Other Fees

None.

PART IV

Item 13. Exhibits and Financial Statement Schedules.

(1) **Financial Statements:** The following financial statements are included in Item 8 of this report:

- Balance Sheets as of December 31, 2015 and 2014.
- Statements of Operations for the fiscal years ended December 31, 2015 and 2014.
- Statements of Cash Flows for the fiscal years ended December 31, 2015 and 2014.
- Statement of Stockholders' (Deficit) for the fiscal years ended December 31, 2015 and 2014.

- Notes to Financial Statements.
- Report of Independent Registered Public Accounting Firm.

(2) Exhibits:

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 14, 2016

X RAIL ENTERPRISES, INC.

By: /s/Michael A. Barron
Michael A. Barron, Chief Executive Officer
Principal Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated: