

I, Gordon M. LeBlanc, Jr., certify that:

1. I have reviewed this quarterly disclosure statement of PetroSun, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement, and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: October 25, 2013

*/s/Gordon M. LeBlanc Jr.*

---

Gordon M. LeBlanc Jr.  
CEO

**PetroSun, Inc.**  
(A Exploration Stage Company)

Consolidated Balance Sheets  
(Unaudited)

	June 30, 2013	December 31, 2012
<b><u>ASSETS</u></b>		
Current Assets		
Cash	\$ -	\$ -
Accounts Receivable	-	-
Total Current Assets	-	-
Fixed Assets		
Proven Oil and Gas Properties	-	-
Unproven Oil and Gas Properties	4,791,524	4,791,524
Production Technologies	6,000,000	6,000,000
Investment in Affiliates	7,631,500	7,631,500
Equipment - Net	191	305
Total Fixed Assets	18,423,215	18,423,329
Total Assets	\$ 18,423,215	\$ 18,423,329

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities		
Accounts Payable	\$ 1,688,859	\$ 1,698,859
Accrued Salary	2,481,090	2,361,090
Accrued Expenses	2,740	2,714
Notes Payable	105,911	105,911
Related Party Note	145,380	204,085
Total Liabilities	4,423,980	4,372,659
Stockholders' Equity		
Common Stock, authorized 250,000,000 shares, par value \$0.001, issued and outstanding on June 30, 2013 and December 31, 2012 is 105,648,750 and 77,648,750 respectively	105,649	77,649
Paid in Capital	27,654,440	27,612,440
Deficit Accumulated During the Development Stage	(13,760,854)	(13,639,419)
Total Stockholders' Equity	13,999,235	14,050,670
Total Liabilities and Stockholders' Equity	\$ 18,423,215	\$ 18,423,329

The accompanying notes are an integral part of these statements

**PetroSun, Inc.**  
(A Exploration Stage Company)

Consolidated Statements of Operations

(Unaudited)

	Six Months Ended		Three Months Ended		June 20, 2001
	June 30,		June 30,		(Inception) to
	2013	2012	2013	2012	June 30, 2013 (Restated)
Revenue					
Oil Revenue	\$ -	\$ -	\$ -	\$ -	\$ 145,674
Less: Cost of Goods Sold	-	-	-	-	67,867
Gross Profit	-	-	-	-	77,807
Operating Expenses					
General and Administrative	1,321	8,924	187	6,606	629,240
Officer Compensation	120,000	120,000	60,000	60,000	3,052,672
Loss on Abandoned Leases	-	-	-	-	271,500
Marketing	-	300	-	-	2,059,838
Depreciation and Depletion	114	14,221	57	7,075	215,318
Property Leases	-	-	-	-	338,472
Exploration and Development	-	-	-	-	195,043
Organizational and					
Recapitalization Expenses	-	-	-	-	50,354
Consulting Fees	-	-	-	-	2,152,924
Professional Fees	-	1,250	-	-	194,843
Production Expenses	-	-	-	-	27,623
Total Expenses	121,435	144,695	60,244	73,681	9,187,827
Net Loss from Operations	(121,435)	(144,695)	(60,244)	(73,681)	(9,110,020)
Other Expenses					
Interest Expense	-	-	-	-	(18,634)
Extrodinary Income/(Expenses)					
Net Loss from Impairment	-	-	-	-	(4,290,000)
Net Loss on Asset Disposal	-	-	-	-	(342,200)
Total Extrodinary Income/(Expenses)	-	-	-	-	(4,632,200)
Net Loss before Income Tax	(121,435)	(144,695)	(60,244)	(73,681)	(13,760,854)
Income Tax	-	-	-	-	-
Net Income/(Loss)	\$ (121,435)	\$ (144,695)	\$ (60,244)	\$ (73,681)	\$ (13,760,854)
Basic and Diluted					
(Loss) per Share	\$ -	\$ -	\$ -	\$ -	
Weighted Average					
Number of Shares	94,665,325	77,648,750	94,665,325	77,648,750	

The accompanying notes are an integral part of these notes

**PetroSun, Inc.**  
(A Exploration Stage Company)

Consolidated Statement of Stockholders' Equity  
(Restated and Unaudited)

June 20, 2001 (Inception) to June 30, 2013

	Common Stock		Paid in Capital	Accumulated Deficit	Total Equity
	Shares	Amount			
<b>Balance, December 31, 2010</b>	75,000,000	75,000	27,577,289	(8,389,370)	19,262,919
Common shares issued for cash	2,648,750	2,649	35,151		37,800
Net Income/(Loss)				(4,964,525)	(4,964,525)
<b>Balance, December 31, 2011</b>	77,648,750	77,649	27,612,440	(13,353,895)	14,336,194
Net Income/(Loss)				(285,524)	(285,524)
<b>Balance, December 31, 2012</b>	77,648,750	77,649	27,612,440	(13,639,419)	14,050,670
Common shares issued to retire debt	28,000,000	28,000	42,000		70,000
Net Income/(Loss)				(121,435)	(121,435)
<b>Balance, June 30, 2013</b>	<u>105,648,750</u>	<u>\$ 105,649</u>	<u>\$ 27,654,440</u>	<u>\$ (13,760,854)</u>	<u>\$ 13,999,235</u>

The accompanying notes are an integral part of these statements

**PetroSun, Inc.**  
(A Exploration Stage Company)

Consolidated Statements of Cash Flows  
(Unaudited)

	Six Months Ended		Three Months Ended		June 20, 2001
	June 30,		June 30,		(Inception) to
	2013	2012	2013	2012	June 30, 2013 (Restated)
<b>Operating Activities</b>					
Net Income/(Loss)	\$ (121,435)	\$ (144,695)	\$ (60,244)	\$ (73,681)	\$ (13,760,854)
Adjustments to reconcile Net (Loss) to cash:					
Depreciation	114	14,221	57	7,075	215,318
Loss on abandoned Leases	-	-	-	-	271,500
Extraordinary losses	-	-	-	-	4,249,959
Common Stock issued for Service	-	-	-	-	2,290,667
Common Stock issued to Retire Debt	70,000	-	-	-	1,359,097
Changes in Assets and Liabilities					
Increase/(Decrease) in Accrued Expenses	120,026	120,000	59,997	60,000	2,483,452
Increase/(Decrease) in Accounts Payable	(10,000)	(9,893)	-	(391)	1,689,237
<b>Net Cash (Used) by Operating Activities</b>	<u>58,705</u>	<u>(20,367)</u>	<u>(190)</u>	<u>(6,997)</u>	<u>(1,201,624)</u>
<b>Investment Activities</b>					
Investment in Proven Properties	-	-	-	-	-
Purchase of Equipment	-	-	-	-	(195,492)
<b>Net Cash (Used) by Investment Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,492)</u>
<b>Financing Activities</b>					
Proceeds/(Repayment) from Related Party Loans	(58,705)	20,818	190	7,320	145,380
Proceeds from Sale of Stock	-	-	-	-	1,145,825
Proceeds from Notes Payable	-	-	-	-	105,911
<b>Cash Provided by Financing Activities</b>	<u>(58,705)</u>	<u>20,818</u>	<u>190</u>	<u>7,320</u>	<u>1,397,116</u>
<b>Net Increase in Cash</b>	-	451	-	323	-
<b>Cash, Beginning of Period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128</u>	<u>-</u>
<b>Cash, End of Period</b>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ -</u>
<b>Supplemental Information:</b>					
Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ 16,352
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-Cash Activities:</b>					
Depreciation	\$ 114	\$ 14,221	\$ 57	\$ 7,075	\$ 215,318
Common Stock Issued to Founders	\$ -	\$ -	\$ -	\$ -	\$ 84,000
Common Stock Issued for Acquisitions	\$ -	\$ -	\$ -	\$ -	\$ 23,175,750
Common Stock Issued for Service	\$ -	\$ -	\$ -	\$ -	\$ 2,290,667
Common Stock Issued to Retire Debt	\$ 70,000	\$ -	\$ -	\$ -	\$ 1,359,097

The accompanying notes are an integral part of these statements

# **PetroSun, Inc.**

(An Exploration Stage Company)

## **NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

(March 31, 2013 and December 31, 2012)

### **NOTE 1. GENERAL ORGANIZATION AND BUSINESS**

PetroSun, Inc. (PetroSun or the Company), was organized in the state of Nevada on June 20, 2001 as JBO, Inc. On December 1, 2001, JBO, Inc. merged with LeBlanc Petroleum, Incorporated, a private Arizona corporation and changed its name to LeBlanc Petroleum, Incorporated and then on August 31, 2005 changed its name to PetroSun Drilling, Inc and finally on August 8, 2006 changed its name to PetroSun, Inc.. The merger was a recapitalization and accounted for as a stock exchange reverse acquisition. PetroSun, Inc. is the surviving legal entity with LeBlanc Petroleum Incorporated, the Arizona corporation, the historical accounting company.

As a result of events beginning September 11, 2001 the company decided during 2002 to discontinue operations and remained dormant until July of 2005 when it began efforts to reestablish itself.

PetroSun is an exploration phase oil and gas company and is in the development stage of oilfield services and alternative energy divisions.

### **NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Financial Statement Presentation

The balance sheet presentation herein includes all assets and liabilities at historical cost. The Company is in the exploration stage and has issued stock for the acquisition of rights related to proven and unproven properties and has capitalized those costs at the fair market value of the stock issued at the date of acquisition. Costs of exploration are expensed when incurred. The Company has on occasion issued shares of its common stock in exchange for certain services from the Company's Officers & Directors, business consultants and vendors. The stock has been issued at the fair-valued-based method. The cost of these services has been expensed in the period when the services were performed. No costs of services that were paid with stock have been capitalized.

#### Accounting Basis

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

### Fiscal Year

The Company operates on a December 31 fiscal year end.

### Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include all highly liquid investments with maturity of three months or less.

### Revenue Recognition

Revenues from services are recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, services have been rendered, payment has been contractually earned and it is reasonably assured that the related receivable or unbilled revenue is collectable.

### Advertising

Advertising and marketing costs are expensed as incurred. Marketing expense total zero and \$ 300 for the period ended June 30, 2013 and the year ended December 31, 2012 respectively.

### Use of Estimates

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

### Fair Value of Financial Instruments

Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, requires disclosing fair value to the extent practicable for financial instruments that are recognized or unrecognized in the balance sheet. Fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties. The Company considers the carrying amounts of cash, certificates of deposit, accounts receivable, accounts payable, notes payable, related party and other payables, customer deposits, and short term loans approximate their fair values because of the short period of time between the origination of such instruments and their expected realization. The Company considers the carrying amount of notes payable to approximate their fair values based on the interest rates of the instruments and the current market rate of interest.

### Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid during the periods reported.

### Equipment

Drilling Equipment is depreciated using the straight-line method over its estimated useful lives of 7 years according to industry standards applicable in the oil and gas industry, other equipment is depreciated on a straight-line method over 3 years. Net Equipment follows:

	June 30, 2013	December 31, 2012
Drilling Equipment	\$ 186,000	\$ 186,000
Other Equipment	9,492	9,492
Total Equipment	195,492	195,492
Less:		
Accumulated Depreciation	(195,301)	(195,187)
Net Equipment	\$ 191	\$ 305

### Earnings (Loss) per Share

The basic earnings (loss) per share is calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share is calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

PetroSun has no potentially dilutive securities outstanding at the end of the statement periods. Therefore, the basic and diluted earnings (loss) per share are presented on the face of the statement of operations as the same number.

The Company has not issued any options, warrants or similar securities since inception.

### Stock Based Compensation

The Company has on occasion issued equity and equity linked instruments to non-employees in lieu of cash to various vendors for the receipt of goods and services and, in certain circumstances the settlement of short-term loan arrangements. The applicable GAAP establishes that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

### Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

### Exploration Stage Company

The Company complies with Accounting Standards Codification (ASC) Topic 915 and for its characterization of the Company as exploration stage. All losses accumulated since inception has been considered as part of the Company's exploration stage activities.

The Company is subject to several categories of risk associated with its exploration stage activities. Mineral exploration and production is a speculative business, and involves a high degree of risk. Among the factors that have a direct bearing on the Company's prospects are uncertainties inherent in estimating mineral deposits, future mining production, and cash flows, particularly with respect to properties that have not been fully proven with economic mineral reserves; access to additional capital; changes in the price of the underlying commodity; availability and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

### Oil Property Costs

Oil property exploration costs are expensed as incurred. Oil property acquisition costs are initially capitalized when incurred. The Company assesses the carrying costs for impairment at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

### Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

### Asset Retirement Obligation

The Company records asset retirement obligations as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets result from the acquisition, construction, development and/or normal use of the assets. At June 30, 2012, the Company had not undertaken any drilling activity on its properties and had not incurred significant reclamation obligations. Consequently no asset retirement obligation was accrued in the June 30, 2013 and December 31, 2012 financial statements.

### Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. During the period ended June 30, 2013 and the year ended December 31, 2012 impairment was zero and zero respectively.

### Recent Accounting Guidance Not Yet Adopted

The Company has evaluated the recent accounting pronouncements through ASU 2013-05 and believes that none of them will have a material effect on the company's financial statements.

## **NOTE 3. GOING CONCERN**

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. PetroSun is just beginning the establishment of its sources of revenue and as June 30, 2013 has an inception to date loss of \$13,760,854 of which \$4,632,000 are extraordinary losses from the impairment and disposal of assets. This raises substantial doubt about the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Management plans to continue to seek funding from its shareholders and other qualified investors to pursue its business plan. As of the date of these statements the Company has acquired oil and gas mineral rights in 985,000 acres, acquired a 50% interest in an oilfield-well service company and has acquired supplies and equipment to establish its own oilfield pipe and supply company with equipment in two locations.

The Company continues to seek opportunities to expand its interest in oil and gas properties, and exploration and production tools and technologies.

#### **NOTE 4. RELATED PARTY TRANSACTIONS**

The directors and officers of the Company have other interests in the oil and gas business, which may present conflicts of interest with respect to the activities of the Company. The Chairman/CEO of the Company is involved on a part time basis for his own account as an independent oil and gas producer.

The Company currently shares office space and the expense with the Chairman/CEO located at 6900 East Camelback Road, Suite 210, Scottsdale, Arizona 85251. At such time that revenues permit, the Company intends to obtain separate office space in the Phoenix, Arizona metropolitan area.

The company has short term, zero interest demand notes payable with a related party who is the CEO of the Company. These borrowings have been principally used to finance the operations of the company. The outstanding balance at June 30, 2013 of related party borrowings is \$145,380.

The Company's employment contract with the CEO provides for accrual of the salary until sufficient cash flow allows payment. Beginning with December 2001 the Company has accrued \$15,000 per month through December 31, 2008 and \$20,000 per month through June 30, 2013 for a total of \$2,355,000.

The Company accrued unpaid salary of \$126,090 and reimbursable expenses of \$2,337 for a subsidiary officer through his resignation as of December 31, 2008.

#### **NOTE 5. FIXED ASSETS**

The Company has acquired several intangible assets for cash, stock or a combination of both. The Company has valued these assets at the fair value of the common stock issued at the time of the acquisition and intends to evaluate these assets for impairment on an annual basis beginning December 31, 2011. A summary of these acquisitions and adjustments for impairment follows:

1. On May 1, 2006 the Company issued 4,000,000 common shares valued at \$1.50 per share or \$6,000,000 to acquire an eighty percent interest in Bobcat Pipe & Supply, Inc. an oil field pipe and supply company.

During the fourth quarter of 2011, the Company agreed to eliminate its 80% interest in its former affiliate Bobcat Pipe and Supply, Inc. for a 50% interest in a new entity which received a transfer of certain assets from Bobcat. The Company determined that it is appropriate to impair 37.5% or \$2,250,000 of its original equity interest in Bobcat as a result.

PetroSun, Inc.  
Notes to Consolidated Financial Statements Continued

2. On May 12, 2006 the Company issued 3,200,000 common shares valued at \$1.70 per share or \$5,440,000 to acquire an eighty percent interest in Bengal Drilling, Inc. an oil well drilling contractor.

During the fourth quarter of 2011, the Company agreed to eliminate its 80% interest in its former affiliate Bengal Drilling, Inc. for a 50% interest in a new entity which received a transfer of certain assets from Bengal. The Company determined that it is appropriate to impair 37.5% or \$2,040,000 of its original equity interest in Bengal as a result.

3. On June 28, 2006 the Company issued 4,800,000 common shares valued at \$1.25 per share or \$6,000,000 to acquire algae biofuel technology. After certification of commercial viability the Company has agreed to issue an additional 8,000,000 common shares. Certification of viability is expected to take place during the third quarter of 2007.
4. On July 17, 2006 the Company issued 250,000 common shares valued at \$1.50 per share or \$375,000 to acquire ETC Energy, LLC an oil and gas operating company with leasehold interests in the Pinta Dome Field of Apache County, Arizona.
5. On July 24, 2006 the Company issued 200,000 common shares valued at \$1.55 per share or \$310,000, plus \$450,000 cash, to acquire a forty-four percent interest in a producing oil and gas property in the Sibley Field, Webster Parish, Louisiana held by ALM Trust Properties and the MEM Trust. The Company has paid \$50,000 for the ALM interest. The Company is waiting to pay the \$400,000 balance and has recorded a notes payable in that amount because the MEM interest is owned by a minor child the Company is waiting for court approval to complete the transaction.

During the fourth quarter of 2011, the Company sold its interest in the Sibley field to settle the outstanding balance and accrued expenses associated with this asset resulting in the elimination of the asset of \$742,200 the debt of \$400,000 and recording a loss on disposal of \$342,200.

6. On August 9, 2006 the Company issued 3,000,000 common shares valued at \$1.14 or \$3,420,000 to acquire the oil and gas mineral rights for 985,000 acres in Arizona and New Mexico.
7. On January 8, 2007 the Company issued 150,000 Common shares valued at \$0.71 per share or \$106,500 to acquire a 100% interest in 1031 Energy, LLC of Denver Colorado which is in the business of placing 1031 tax deferred real estate investors into proven oil and gas properties.

PetroSun, Inc.  
Notes to Consolidated Financial Statements Continued

8. On April 9, 2007, Algae BioFuels, a wholly-owned subsidiary of PetroSun, granted an algae-to-biofuel production technology license to PetroSun BioFuels Australasia, another wholly-owned subsidiary of PetroSun, for the exclusive rights to Australia.
9. On May 10, 2007 the Company issued 1,988,000 common shares valued at \$313,000 to acquire an 100% interest in the oil and mineral rights to Holbrook Basin, AZHB 88, Apache County, Arizona.
10. On June 5, 2007 the Company issued 2,750,000 common shares valued at \$550,000 to acquire a 100% interest in the oil and mineral rights to Holbrook Basin, AZHB 92, Apache County, Arizona.
11. On June 20, 2007 the Company issued 2,500,000 common shares valued at \$250,000 to acquire a 25% working interest in the oil and mineral right to the Coconino County, Arizona Meteor Crater project.
12. On August 6, 2007 the company issued 1,000,000 common shares valued at \$250,000 to complete the acquisition of a 25% interest in the oil and mineral rights to Holbrook Basin, AZHB 01, Apache County, Arizona.

The Company has determined that is appropriate to not provide for additional impairment for any of the above listed assets because the recorded value is lower than or equal to comparable assets held by other companies in the industry.

**NOTE 6. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS**

As of June 30, 2013, the Company has no capital lease obligations. The Company has received operational loans from a related party with a zero interest rate. Notes payable consists of a \$95,300 note that is currently in negotiations for settlement accordingly the Company has discontinued the accrual of interest.

A summary of operational loans and notes payable for the reported periods follows:

	June 30, 2013	December 31, 2012
Operational loans from Related Parties, zero interest	\$ 145,380	\$ 204,085
Convertible Debenture, 4.75% interest, matured 23-Oct-2010	95,300	95,300
Notes Payable	95,300	95,300
Accrued Interest	10,611	10,611
Total Notes Payable	\$ 105,911	\$ 105,911

## NOTE 7. STOCKHOLDERS' EQUITY

### Common Stock

On April 13, 2011 the company increased its authorization to issue common stock from 75,000,000 common shares at a par value of \$0.001 to 250,000,000 common shares at a par value of \$0.001.

PetroSun, Inc. was organized in the state of Nevada on June 20, 2001 as JBO, Inc. and after its merger with LeBlanc Petroleum, Inc. (Note 2) on December 1, 2001 had 9,500,000 common shares issued and outstanding.

During December 2002 the Company issued 200,000 shares of common stock to retired notes payable of \$90,000.

The Company issued an additional 108,000 common shares to correct oversights in the stock issued during the merger recapitalization during the year ended December 31, 2006.

On May 1, 2006 the Company issued 4,000,000 common shares valued at \$1.50 per share or \$6,000,000 to acquire an eighty percent interest in an oil field pipe and supply company.

On January 31, 2006 the Company authorized 1,000,000 common shares valued at \$.05 per share or \$50,000 as consideration for an executive employment agreement, 300,000 shares were issued on May 4, 2006 and 700,000 common shares were issued on September 29, 2006 in completion of this agreement.

On May 12, 2006 the Company issued 3,200,000 common shares valued at \$1.70 per share or \$5,440,000 to acquire an eighty percent interest in an oil well drilling contractor.

PetroSun, Inc.  
Notes to Consolidated Financial Statements Continued

On June 28, 2006 the Company issued 4,800,000 common shares valued at \$1.25 per share or \$6,000,000 to acquire algae biofuel technology.

On July 17, 2006 the Company issued 250,000 common shares valued at \$1.50 per share or \$375,000 to acquire an oil and gas operating company.

On July 24, 2006 the Company issued 200,000 common shares valued at \$1.55 per share or \$310,000, to acquire a forty-four percent interest in a producing oil and gas property.

On August 3, 2006 the Company issued 1,000,000 common shares in a 504 offering for \$1.00 per share. The Company has received \$382,000 cash and recorded \$618,000 subscriptions receivable for a total of \$1,000,000.

On August 9, 2006 the Company issued 3,000,000 common shares valued at \$1.14 or \$3,420,000 to acquire the oil and gas mineral rights for 985,000 acres in Arizona and New Mexico.

On August 18, 2006 the Company issued 2,625,000 common shares valued at \$1.29 per share or \$3,386,250 to acquire a twenty percent interest in ElectraTherm, Inc. and the exclusive worldwide rights to market the renewable energy products of ElectraTherm.

On August 10, 2006 the Company issued 200,000 common share for legal fees of \$50,000 or \$0.25 per share.

On January 8, 2007 the Company issued 150,000 Common shares valued at \$0.71 per share or \$106,500 to acquire a 1031 tax deferred real estate investment company.

On March 23, 2007 the Company issued 1,582,857 Common shares to convert \$110,800 debt.

On May 10, 2007 the Company issued 1,988,000 Common shares valued at \$313,000 to acquire 100% interest in the oil and mineral rights to AZHB 88, Apache County, Arizona.

On June 5, 2007 the Company issued 2,750,000 common shares valued at \$550,000 to acquire a 100% interest in the oil and mineral rights to Holbrook Basin, AZHB 92, Apache County, Arizona.

On June 20, 2007 the Company issued 2,500,000 common shares valued at \$250,000 to acquire a 25% working interest in the oil and mineral right to the Coconino County, Arizona Meteor Creator project.

On June 20, 2007 the Company issued 2,000,000 common shares valued at \$500,000 for prepaid consulting on a two year contract beginning July 1, 2007.

On July 27, 2007 the Company issued 500,000 common shares for research and development costs of \$50,000.

PetroSun, Inc.  
Notes to Consolidated Financial Statements Continued

On August 6, 2007 the Company issued 1,000,000 common shares valued at \$250,000 to complete the acquisition of a 25% interest in the oil and mineral rights to Holbrook Basin, AZHB 01, Apache County, Arizona.

On November 2, 2009 the Company issued 3,668,500 common shares at \$0.27 per share for \$1,000,000 subscription receivable.

On November 14, 2007 the Company issued 90,000 common shares at \$0.20 per share for consulting service valued at \$18,000.

On February 12, 2008 the Company issued 500,000 common shares valued at \$0.10 per share as a recruiting incentive.

On March 24, 2008 the Company issued 1,500,000 common shares valued at \$0.02 per share for \$29,975 cash.

On June 30, 2008 the Company accepted consulting services in payment of \$1,407,000 subscriptions receivable.

During the period from April 28, 2008 to December 26, 2008 the Company issued 4,647,745 common shares to convert \$3,100 debt and converted 31,000 warrants to common shares for \$337,900 cash to the same investor as part of a financing agreement.

On December 31, 2008 the Company received and cancelled 2,500,000 common shares in cancellation of its purchased interest in ElectraTherm Inc.

During the period from January 5, 2009 to April 9, 2009 the Company issued 3,622,417 common shares to convert \$1,350 debt and converted 13,500 warrants to common shares for \$147,150 cash to the same investor as part of a financing agreement.

On September 3, 2009 the Company issued 1,166,667 common shares valued at \$0.07 per share or \$81,667 for employee bonuses.

On October 19, 2009 the Board of Directors approved the issue of 19,706,314 common shares valued \$0.055 per share to convert \$1,083,847 of the related party debt.

On August 2, 2011 with an effective date of August 3, 2011 the Company filed a Form D Rule 506 Notice of Exempt Offering of Securities with the SEC to raise up to \$10,000,000 in a private offering.

During August 2011 the Company issued 2,648,750 shares of common stock at market price for \$37,800 cash in a 506 offering.

On March 12, 2013 the company issued 28,000,000 common shares at \$0.0025 per share to settle \$60,000 in related party operational loans and \$10,000 accounts payable.

**NOTE 8. PROVISION FOR INCOME TAXES**

The Company provides for income taxes under ASC 740 “Income Taxes” which requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

The standard requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company’s opinion, it is uncertain whether they will generate sufficient taxable income in the future to fully utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is \$2,008,304 which is calculated by multiplying a 22% estimated tax rate by the cumulative NOL of \$9,128,654. The total valuation allowance is a comparable \$2,008,304.

Details for the period ended June 30, 2013 and the year ended December 31, 2012 follow:

	June 30, 2013	December 31, 2012
Deferred Tax Asset	\$ 26,716	\$ 62,815
Valuation Allowance	(26,716)	(62,815)
Current Taxes Payable	-	-
Income Tax Expense	<u>\$ -</u>	<u>\$ -</u>

Below is a chart showing the estimated federal net operating losses and the years in which they will expire.

Year	Amount	Expiration
2001	136,240	2021
2002	43,042	2022
2003	184,571	2023
2004	301,347	2024
2005	158,505	2025
2006	1,341,823	2026
2007	1,380,291	2027
2008	3,954,573	2028
2009	585,697	2029
2010	303,281	2030
2011	332,325	2031
2012	285,524	2032
YTD 2013	<u>121,435</u>	2033
Total	<u>\$ 9,128,654</u>	

**NOTE 9. UNSETTLED EVENT**

On August 22, 2006, the Company entered in to an agreement with The Independence Bowl Foundation, Inc to be a co-sponsor of the Independence Bowl. Total sponsorship billings through July 1, 2008 were for \$1,975,000 with total payments made of \$700,000 for the same period leaving a balance of \$1,275,000. The Independence Bowl Foundation was awarded an amended judgment in the amount of \$1,275,000 on June 10, 2009. On February 1, 2011 the Independence Bowl agreed to a Settlement in the amount of \$625,000 with the first payment of \$40,000 made by the Company with the execution of the agreement and monthly payment of \$20,000 to commence on March 15, 2011 and annual interest of 6%. The Company made the \$40,000 initial payment but is currently in default for additional monthly payments.