PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

# U.S. OIL & GAS CORP.

(A Development Stage Company)

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS
www.pmbhd.com

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Members'
United States Oil & Gas Corp

We have audited the accompanying consolidated balance sheets of United States Oil & Gas Corp (the Company) (a Development Stage Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2008, and the period from April 20, 2007 (Inception ) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Oil & Gas Corp as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the year ended December 31, 2008, for the period from Inception through December 31, 2007, and for the period from Inception through December 31, 2008 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has experienced circumstances which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**PMB Helin Donovan, LLP**

PMB Helin Donovan, LLP

March 2, 2009
Austin, Texas

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**UNITED STATES OIL & GAS CORP.**
**(A Development Stage Company)**

Consolidated Balance Sheets

December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 324,834 | $ 207,937 |
| Prepaid expenses and other current assets | 8,000 | 8,000 |
| Total current assets | 332,834 | 215,937 |
| Property and equipment: | | |
| Computer equipment | 12,457 | 10,658 |
| Less accumulated depreciation and amortization | (5,309) | (1,407) |
| Net property and equipment | 7,148 | 9,251 |
| Total assets | $ 339,982 | $ 225,188 |
| **Liabilities and Stockholder's Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 10,305 | $ 2,426 |
| Total current liabilities | 10,305 | 2,426 |
| Long-term liabilities | — | — |
| Total liabilities | 10,305 | 2,426 |
| Stockholder's equity: | | |
| Common stock, .0001 par value, 100,000,000 shares authorized, 39,477,144 and 36,132,660 shares issued and outstanding at December 31, 2008 and 2007, respectively | 3,948 | 3,613 |
| Additional paid in capital | 1,763,839 | 621,823 |
| Deficit accumulated during the development stage | (1,438,110) | (402,674) |
| Total stockholders' equity | 329,677 | 222,762 |
| | $ 339,982 | $ 225,188 |

See accompanying notes to financial statements.

**UNITED STATES OIL & GAS CORP**
(A Development Stage Company)

Consolidated Statements of Operations

December 31, 2008 and 2007

and the period from April 27, 2007 (Inception) through December 31, 2008

| | 2008 | 2007 | Inception through December 31, 2008 |
|---|---|---|---|
| Total revenues | — | — | — |
| Operating expenses: | | | |
| Consultant Fees | 337,860 | 225,000 | 562,860 |
| Service, prospecting and administrative fees | 513,910 | 143,706 | 657,616 |
| Depreciation and amortization | 3,902 | 1,407 | 5,309 |
| Other expenses | 136,025 | 33,293 | 169,318 |
| Total operating expenses | 991,697 | 403,406 | 1,395,103 |
| Loss from operations | (991,697) | (403,406) | (1,395,103) |
| Other income (expense), net | | | |
| Interest income | 6,261 | 732 | 6,993 |
| Acquistion costs | (50,000) | — | (50,000) |
| Total other income, net | (43,739) | 732 | (43,007) |
| Loss before income tax expense | (1,035,436) | (402,674) | (1,438,110) |
| Income tax expense | — | — | — |
| Net loss | $ (1,035,436) | $ (402,674) | $ (1,438,110) |
| Net loss per share, basic and fully diluted | $ (0.03) | $ (0.01) | $ (0.04) |
| Weighted average common shares outstanding | 38,425,615 | 35,219,781 | 38,425,615 |

See accompanying notes to financial statements.

**UNITED STATES OIL & GAS CORP.**
**(A Development Stage Company)**

Consolidated Statements of Stockholders' Equity

For the Period from April 27, 2007 (Inception) through December 31, 2007 and the year ended December 31, 2008

| | Common stock | | | | |
|---|---|---|---|---|---|
| | **Shares** | **Par Value** | **Additional paid in Capital** | **Deficit accumulated during the development stage** | **Total** |
| Balances at Inception | — | $ — | $ — | $ — | $ — |
| Founders' capital contribution | 34,600,000 | 3,460 | — | — | 3,460 |
| Common stock issued, net of issuance costs of $1,653,264 | 1,532,660 | 153 | 621,823 | — | 621,976 |
| Net loss | — | — | — | (402,674) | (402,674) |
| Balances at December 31, 2007 | 36,132,660 | $ 3,613 | $ 621,823 | $ (402,674) | $ 222,762 |
| Common stock issued, net of issuance costs of $44,321, prior to reverse merger | 1,251,053 | 125 | 477,123 | — | 477,248 |
| Acquisition of SEGV common stock in a reverse merger, including 30-1 reverse stock split less 300,000 treasury shares | 286,567 | 29 | (174,970) | — | (174,941) |
| Common stock issued, net of issuance costs of $74,367, subsequent to reverse merger | 1,806,864 | 181 | 839,863 | — | 840,044 |
| Net loss | — | — | — | (1,035,436) | (1,035,436) |
| Balances at December 31, 2008 | 39,477,144 | $ 3,948 | $ 1,763,839 | $ (1,438,110) | $ 329,677 |

See accompanying notes to financial statements

**UNITED STATES OIL & GAS CORP.**
**(A Development Stage Company)**

Consolidated Statements of Cash Flows

For the year ended December 31,2008 and for the period from April 27, 2007 (Inception) through December 31, 2007

and the period from Inception through December 31, 2008

| | 2008 | 2007 | Inception through December 31, 2008 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | $ (1,035,436) | $ (402,674) | $ (1,438,110) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 3,902 | 1,407 | 5,309 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses and other current assets | — | (8,000) | (8,000) |
| Accounts payable and accrued liabilities | 7,879 | 2,426 | 10,305 |
| Net cash used in operating activities | (1,023,655) | (406,841) | (1,430,496) |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (1,799) | (10,658) | (12,457) |
| Net cash used in investing activities | (1,799) | (10,658) | (12,457) |
| Cash flows from financing activities: | | | |
| Cash paid to acquire SEGV common stock | (175,000) | — | (175,000) |
| Proceeds from sale of common stock, net of issuance costs | 1,317,351 | 625,436 | 1,942,787 |
| Net cash provided by financing activities | 1,142,351 | 625,436 | 1,767,787 |
| Net decrease in cash and cash equivalents | 116,897 | 207,937 | 324,834 |
| Cash and cash equivalents at inception | 207,937 | — | — |
| Cash and cash equivalents at end of year | $ 324,834 | $ 207,937 | $ 324,834 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | $ — | $ — | $ — |
| Cash paid for income taxes | $ — | $ — | $ — |

See accompanying notes to financial statements.

**NOTE 1 – Organization, History and Business Activity**

United States Oil and Gas Corp. ('USOG" or the "Company") is a Delaware corporation, first incorporated on January 25, 1988 under the name "Massapequa Ventures, Inc." Over the years its name has changed various times until in May, 2008 the Company name was changed to "United States Oil and Gas Corp."

In May 2008 the Company performed a reverse merger with US Oil & Gas Corp. ("USOG Sub), the majority shareholder. At this time the combined company name was changed to United States Oil and Gas Corp.

Prior to the merger the company was named Sustainable Energy Development, Inc. ("SEGV") and its common stock traded on the pink sheets under the symbol SEGV.PK. This name reflected a plan of reorganization in 2006 to move into the research and development of intellectual property. To accomplish this, the Company issued 28,000,000 shares to a wholly-owned subsidiary of Australian Gold Holdings ("AGHL"), an Australian private company, and 7,000,000 to other parties. AGHL had created a subsidiary in the United States that had acquired certain intellectual property rights to a bladeless gas turbine. By an agreement dated July 11, 2006 titled "Assignment of Intellectual Property Rights," the Company received these rights and the related research to that point along with commitments to receive the necessary funding to complete the research and develop the concept ready to market. Pursuant to the share issuance, the Company became a majority owned subsidiary of AGHL. This venture was not funded as committed in the Assignment of Intellectual Property Rights. As a result, it did not move forward as anticipated.

On October 24, 2007, the Company and the subsidiary of AGHL agreed to undo the agreements between them in what is titled the "Unwind Agreement." AGHL and its subsidiary returned the 28,000,000 shares of common stock it had received in the Company. The Company relinquished all claims and rights to the intellectual properties it had acquired on July 11, 2006.

In February 2008 the majority shareholders in SEGV sold their interests in SEGV to US Oil & Gas Corp., a Nevada corporation based in Austin, Texas. Following this change in majority ownership the Board of Directors unanimously adopted a resolution approving and recommending to the stockholders for their approval, and the shareholders of the Company who collectively own a majority of the outstanding shares of the Company's Common Stock approved by written consent in lieu of a meeting, a reverse stock split of the Company's Common Stock at a ratio of 1 to 30, as determined at the discretion of the Board of Directors to be in the best interests of the Company. The Company's Board of Directors implemented the reverse stock split in April 2008.

In May 2008, USOG acquired all the outstanding shares of US Oil & Gas Corp. ("USOG Sub"), in exchange for 37,383,713 restricted shares of its common stock in a reverse triangular merger (the "Merger"). The Merger has been accounted for as a reverse merger with USOG Sub deemed to be the accounting acquirer. Accordingly, the historical financial statements presented herein are those of USOG Sub since the Merger. The $175,000 amount paid to acquire the controlling interest (totaling 300,000 post split shares of common stock) in USOG has been reflected as a reduction of additional paid in capital after the acquisition and USOG's basis of its assets and liabilities were carried over in the reverse merger. Operations prior to the business combination are those of the accounting acquirer, USOG Sub.

**NOTE 1 – Organization, History and Business Activity**

Accordingly, no goodwill or other adjustment in basis of assets is recorded, the shares of the shell, the legal surviving entity, are treated as issued as of the date of the transaction, and the shares held by the controlling shareholders after the transaction, are treated as outstanding for the entirety of the reporting periods.

The Company is currently in the process of performing product raising equity capital and seeking acquisition candidates to accomplish its growth strategies. The Company intends to conduct business in oil and gas drilling and service industry with a focus on green technologies that create the smallest ecological footprint possible.

**Basis of Consolidation**

The consolidated financial statements include the accounts of United States Oil & Gas Corp. and its wholly owned subsidiary US Oil and Gas Corp. All significant inter-company balances and transactions have been eliminated.

Development Stage Activities

The Company is a development stage company, as defined in the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 7. The Company is devoting substantially all of its present efforts in securing and establishing a new business, and although planned operations have commenced, no revenues have been realized.

The Company is subject to many risks associated with early-stage businesses in the oil and gas industry, including its ability to raise capital, reliance on key persons, and uncertainties surrounding market acceptance of the Company's products.

To date the Company has experienced losses from its operations and anticipates that it will require additional capital resources, including the net proceeds from additional equity and debt financing transactions, to generate revenue and achieve positive cash flows from operations. The Company's ability to generate positive cash flows depends upon a variety of factors, including the acceptance in the market for the Company's products and various other factors, some of which may be beyond the Company's control. There can be no assurance that such financing transactions will be consummated or that such revenue will be generated.

**Note 2 – Significant Accounting Policies**

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles (GAAP) and to general practices within the oil and gas industry. The following summarizes the more significant of these policies.

Cash Equivalents

For purposes of the statements of cash flows, the Company considers short-term investments, which may be withdrawn at any time without penalty, and restricted cash, which will become available within one year from the date of the financial statements, to be cash equivalents.

Use of estimates

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

Equipment and Depreciation

Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years. Management periodically reviews these assets to determine whether carrying values have been impaired.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statements and federal income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. Deferred income tax benefits result from net operating loss carry-forwards. Valuation allowances are established when necessary to reduce the deferred tax assets to the amount expected to be realized. Due to the development stage nature of the Company's business, any deferred tax benefit from the anticipated utilization of net operating losses generated during the interim period have been offset by a valuation allowance. Income tax expense is the tax payable or refundable for the period plus, or minus the change during the period in deferred tax assets and liabilities.

Loss Per Common Share

Basic loss per share of $.03 represents loss absorbed by common shareholders divided by the weighted average number of common shares outstanding during the calendar year 2008 and $.01 during the 256 day period as of inception April 20, 2007. The weighted average number of shares outstanding was 38,425,615 during 2008 and 35,219,781 during 2007.

**Note 3 – Liquidity and Going Concern Uncertainty**

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company is in the development stage. The Company has accumulated net losses of approximately $1,613,110 from its Inception through December 31, 2008. The Company has historically been financed through an issuance of common stock. As of December 31, 2008, the Company's principal source of liquidity consisted of $332,834 of cash and cash equivalents. To continue its current level of operations beyond June 30, 2009, it is expected that the Company will need to seek additional funds through the issuance of additional equity or debt securities or other sources of financing. Additional financing sources may not be available when and if needed by the Company. If the Company were unable to obtain the necessary additional financing, it would be required to reduce the scope of its operations, primarily through the reduction of discretionary expenses, or discontinue operations.

**Note 4 – Common Stock**

The Company has placed 7,000,000 shares of its common stock with a third-party placement agent for sale to that entity's clients at an issuance price of $1.50 per share, of which the Company is expected to receive a per share amount to be determined after payment of negotiated placement costs.

**NOTE 5 – Stockholders' Equity**

In April 2008 the Company affected a reverse stock split wherein 30 shares were exchanged for 1 new share of common stock which resulted in the reduction to 586,567 shares being outstanding (including 300,000 shares owned by the Company which are reflected as retired treasury shares) prior to the reverse merger. As part of the reverse merger 37,383,713 shares of common stock were issued to the existing shareholders of USOG Sub. In addition, 1,806,864 shares were issued to common shareholders for $840,044 during 2008 subsequent to the reverse merger.

Increase in Authorized Shares

On May 16th, 2008, the Company filed Articles of Amendment to its Articles of Incorporation (the "Amendment") with the state of Delaware increasing the number of shares of Common Stock that the Company has the authority to issue to 100,000,000 shares of common stock with par value of $.0001 and 10,000,000 of preferred stock with par value of $.001.

**Note 6 – Related party Transactions and Commitments**

The Company has entered into various month-to-month consulting agreements with certain shareholders as of or during the period then ended December 31, 2008 and 2007. Such commitments are expected to be satisfied through cash payments. Cash payments under these consulting agreements amounted to $790,000 during the period from January 1, 2008 through December 31, 2008 and $351,700 during the period from Inception through December 31, 2007.

These related party payments included:

| Contract | Affiliate | Monthly Amount | 2008 | 2007 |
|---|---|---|---|---|
| The Company has entered into a contractual agreement for the procurement of human resource related services that required a $5,000 start up fee, payable in August 2007. Monthly service costs will vary based on services required and can be cancelled by either party with 30 days notice. | HR Management Systems is an affiliated company with Alex Tawse, President and Shareholder | Currently $24,000 per month | $ 275,000 | $ 92,500 |
| The Company has entered into a financial consulting agreement with Kaleidoscope Real Estate, Inc. | Kaleidoscope is an affiliated company and shareholder | Currently $20,000 per month | 262,000 | 160,000 |
| The Company has entered into a contract with its Chairman for services. | Keith Field, Chairman and Shareholder | Currently $5,000 per month | 52,500 | 25,000 |
| The Company has entered into a contract with its President for services. | Alex Tawse, President and Shareholder | Currently $8,000 per month | 91,000 | 49,200 |
| The Company has paid The Good One for services. | The Good One is an affiliated company and shareholder | No current commitment | 109,500 | 25,000 |
| | | | $ 790,000 | $ 351,700 |

**Note 7 – Letters of Intent**

On October 30, 2008 the Company signed a letter of intent to acquire United Oil and Gas, a company located in Bottineau, North Dakota. The purchase price is $850,000. A due diligence audit is currently being performed and the acquisition is expected to be finalized by the end of the first quarter 2009.

**Note 7 – Letters of Intent (continued)**

On November 24, 2008 the Company signed a letter of intent to acquire Turnbull Oil and Gas, a company located in Plainville, Kansas. The purchase price is $3,750,000 with $800,000 due upon signing and the remainder due in scheduled payments over the following 12 months. A due diligence audit is currently being performed and the acquisition is expected to be finalized by the end of the first quarter 2009.

During 2008, the Company had signed a letter of intent to acquire certain companies in the drilling business in the Western United States. The Company opted not to pursue this acquisition and expensed $50,000 representing a deposit made along with the letter of intent.

**Note 8 – Recent Accounting Pronouncements**

Effective January 1, 2008, the Company adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a contract-by-contract basis. The Company did not elect to adopt the fair value option for existing assets and liabilities under this Statement.

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company has adopted the provisions of SFAS 157 with respect to its financial assets and liabilities only. SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable as:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active;
  or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement did not have a material impact on the Company's consolidated results of operations and financial condition.

**Note 8 – Recent Accounting Pronouncements (continued)**

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R is effective on a prospective basis for all business combinations for which the acquisition date is on after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. We are currently evaluating the effects, if any, that SFAS 141R may have on our financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for us beginning July 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing the potential impact that adoption of SFAS No. 160 may have on our financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133, which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently assessing the potential impact that adoption of SFAS No. 161 may have on our financial statements.

In April 2008, the FASB issued (FSP) FAS No. 142-3, which amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under FAS No. 142, "Goodwill and Other Intangible Assets." The FSP requires an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset, and is an attempt to improve consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141, "Business Combinations." The FSP is effective for fiscal years beginning after December 15, 2008, and the guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The FSP is not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

**Note 8 – Recent Accounting Pronouncements (continued)**

In May 2008, the FASB issued Financial Accounting Standard (FAS) No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. Unlike Statement on Auditing Standards (SAS) No. 69, “The Meaning of Present in Conformity With GAAP,” FAS No. 162 is directed to the entity rather than the auditor. The statement is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with GAAP,” and is not expected to have any impact on the Company’s results of operations, financial condition or liquidity.

In June 2008, the FASB issued (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” Under the FSP, unvested share-based payment awards that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, and is not expected to have a significant impact on the Company’s results of operations, financial condition or liquidity.

**Note 9 – Subsequent Events (unaudited)**

In February, 2009 the company is preparing to file a Form D, 506 offering restricted shares for sale to investors. The offering will target the raising of $5 million that will be used to secure the acquisition of the two companies described in Note 7.

Following the finalization of the two acquisitions, if completed, described in Note 7, the Company plans on filing its financial reports with the Securities and Exchange Commission (“SEC”), to have its common stock registered, and to move the listing of the common stock from the Pink Sheet Exchange to the Bulletin Board or another national stock exchange.