

**SPO GLOBAL INC.
CONSOLIDATED BALANCE SHEETS**

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,178	\$ 743
Accounts receivable	63,369	42,905
Prepaid expenses and other receivables	6,013	10,689
Total current assets	<u>71,560</u>	<u>54,337</u>
Total assets	<u>\$ 71,560</u>	<u>\$ 54,337</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Convertible notes payable	\$ 1,252,360	\$ 1,356,060
Derivative liability	184,743	527,432
Accounts payable	224,084	281,671
Loans payable	76,989	79,466
Accrued expenses and other liabilities	226,269	57,798
Total current liabilities	<u>1,964,445</u>	<u>2,302,427</u>
Long-Term Liabilities		
Notes payable	275,767	260,918
Total liabilities	<u>2,240,212</u>	<u>2,563,345</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' DEFICIENCY		
Preferred stock \$0.0001 par value		
Authorized - 2,000,000 shares, issued and outstanding - 100 Series A shares, 17,500 and 0 Series B shares, respectively	2	2
Common stock \$0.0001 par value-		
Authorized - 4,998,000,000 shares, issued and outstanding - 3,189,025,708 and 1,519,795,399 shares, respectively	438,557	151,980
Additional paid-in capital	14,942,592	15,075,807
Accumulated other comprehensive income	53,612	91,679
Accumulated deficit	(17,528,813)	(17,758,375)
Total stockholders' deficiency	<u>(2,094,050)</u>	<u>(2,438,907)</u>
Non-controlling interest	(74,602)	(70,101)
Total deficiency	<u>(2,168,652)</u>	<u>(2,509,008)</u>
Total liabilities and stockholders' deficiency	<u>\$ 71,560</u>	<u>\$ 54,337</u>

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SPO GLOBAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Six Months ended June 30,	
	2017	2016
Revenues	\$ 232,996	\$ 81,519
Cost of revenues	-	-
Gross profit	<u>232,996</u>	<u>81,519</u>
Operating expenses		
Research and development	153,715	76,307
Selling and marketing	12,277	6,198
General and administrative	152,667	124,353
	<u> </u>	<u> </u>
Total operating expenses	<u>318,659</u>	<u>206,858</u>
Operating loss	(85,663)	(125,339)
Financial income (expenses)	<u>311,575</u>	<u>(1,857,869)</u>
Net profit (loss)	<u>\$ 225,912</u>	<u>\$ (1,983,208)</u>
Net profit (loss) attributable to non-controlling interests	4,449	(3,780)
Net profit (loss) attributable to common stockholders	221,463	(1,979,428)
Basic and diluted earnings (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding used in computation of basic loss per share	<u>3,217,564,059</u>	<u>99,736,606</u>
Other comprehensive income (loss):		
Foreign currency translation differences	<u>\$ 82,919</u>	<u>\$ (16,189)</u>
Total comprehensive income (loss)	<u>\$ 308,831</u>	<u>\$ (1,999,397)</u>

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SPO GLOBAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, <u>2017</u>	Six months ended June 30, <u>2016</u>
Cash Flows from Operating Activities		
Net profit (loss) for the period	\$ 225,912	\$ (1,983,208)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Non-cash expense related to shares issued for services	-	22,260
Non-cash expenses related to derivative liability	(342,689)	259,682
Non-cash expense related to shares issued for financing	20,162	1,602,149
Changes in assets and liabilities:		
Accounts receivable	(20,464)	(44,483)
Prepaid expenses and other receivables	4,676	8,641
Accounts payable	(57,587)	6,972
Accrued expenses and other liabilities	<u>168,471</u>	<u>15,359</u>
Net cash provided by / (used by) operating activities	(1,519)	(112,628)
Cash Flows from Financing Activities		
Proceeds from sale of preferred B shares		15,000
Proceeds from loans	29,500	132,811
Repayment of loan	<u>-</u>	<u>(105,060)</u>
Net cash provided / (used) by financing activities	29,500	42,751
Increase (decrease) in cash and cash equivalents	27,981	(69,877)
Effect of exchange rate changes	(26,546)	(44,613)
Cash and cash equivalents at the beginning of the period	<u>743</u>	<u>141,637</u>
Cash and cash equivalents at the end of the period	<u><u>\$ 2,178</u></u>	<u><u>\$ 27,147</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	<u>\$ -</u>	<u>\$ 3,781</u>
Taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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SPO GLOBAL INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL

S.P.O. (SOFTWARE PERFORMANCE OPTIMIZATION) GLOBAL INC, and subsidiaries is a company that is focused on acquiring performance optimization software IP for all enterprise applications. The focus of SPO is to acquire unique software companies that own outright valuable IP with a proven verifiable customer base.

The Company is incorporated under the laws of the State of Delaware.

NOTE 2 GOING CONCERN

As reflected in the accompanying financial statements, the Company's working capital deficit for the period ended June 30, 2017, was \$1,892,885 and the Company's balance sheet reflects a net stockholders' deficit of \$17,603,415. The Company's ability to continue operating as a "going concern" is dependent on its ability to increase revenues and raise sufficient additional working capital. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The Company plans to raise additional capital as needed. There can be no assurance that this capital will be available and if it is not, the Company may be forced to substantially curtail or cease operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of SPO and its subsidiaries.

SPO Global Inc. owns 93.94% of Reflective Solutions Ltd. (a U.K. corporation). Reflective Solutions Ltd. owns 100% of Reflective Solutions Inc. (a U.S. corporation) and 100% of Reflective Solutions Bulgaria Ltd. (a Bulgarian corporation)

All material inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Statements in U.S. dollars:

The reporting currency of the Company is the U.S. dollar ("dollar"). The dollar is the functional currency of the Company and the Company's U.S. subsidiary.

The primary economic environment in which the operations of the Company's British subsidiary are conducted is the GBP and thus its functional currency.

The primary economic environment in which the operations of the Company's Bulgarian subsidiary are conducted is the BGN and thus its functional currency.

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The financial statements of the non-U.S. subsidiaries are translated to U.S. dollars using the methods mandated by ASC 830.

Cash and Cash Equivalents:

The Company considers all highly liquid investments originally purchased with maturities of three months or less to be cash equivalents.

Revenue Recognition:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured.

Research and Development Costs:

Research and development costs are charged to expenses as incurred. The Company's research and development is performed by the Company's subsidiary, Reflective Solutions Bulgaria Ltd.

Income Taxes:

The Company accounts for income taxes in accordance with ASC 740-10, "Accounting for Income Taxes" This statement prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

Fair Value of Financial Instruments:

ASC 820, "Fair Value Measurements and Disclosures", defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

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Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of the derivative liabilities are valued based on level 2 of the hierarchy.

The carrying amounts of cash and cash equivalents, short-term loans, and accounts payable approximate their fair value due to the short-term maturities of such instruments.

The carrying amounts of long-term notes payable received in cash are reported at their original amounts.

Basic and Diluted Net Loss Per Share:

Basic and diluted net loss per share is presented in accordance with ASC 260-10, "Earnings Per Share" for all periods presented. Basic and diluted net loss per share of Common Stock was determined by dividing net loss attributable to Common stock holders by weighted average number of shares of Common Stock outstanding during the period. Diluted net loss per share of Common Stock is the same as basic net loss per share of Common Stock for all periods presented as the effect of the Company's potential additional shares of Common Stock were anti-dilutive.

NOTE 4 LOANS AND WARRANTS

In December 2005, the Company completed the private placement to certain accredited investors that commenced in April 2005 for the issuance of up to \$1,544,000 of units of its securities, with each unit comprised of (i) the Company's 18 month 8% promissory note (collectively, the "April 2005 Notes") and (ii) three year warrants (expired). As of June 30, 2017, the remaining outstanding April 2005 Notes principal totaled \$356,850. The Company reached an agreement with the investors to cancel the accrued interest. The remaining balance is past due. In 2016 the investors sold the notes to a non-affiliated third party.

In July 2006, the Company commenced a private placement of units of its securities, the ("Loan Notes"), with each unit comprised of (i) the Company's 8% month promissory note due 12 months from the date of issuance and (ii) warrants, pursuant to which the Company raised \$550,000 (the maximum amount that could be raised from this offering). As of June 30, 2017, \$86,510 in respect of the principal on these notes remains outstanding and past due. The Company reached an agreement with the investors to cancel the accrued interest. In 2016 the investors sold the notes to a non-affiliated third party.

From August 2011 to August 2012, the Company received \$425,000 from investors on account for loans. The loans bear interest at the rates of 15% to 23% per annum. Principal and accrued interest is convertible into shares of the Company's common stock at the option of the holder at the conversion price of \$0.50 per share. The loans are past due. The Company reached an agreement with the investors to cancel the accrued interest. In 2016 the investors sold the notes to a non-affiliated third party.

On August 27, 2012, the Company entered into a Loan Agreement with an investor pursuant to which the Company was to be advanced \$21,000. The loan is due on demand and is non-interest bearing. In 2016 the investor sold the note to a non-affiliated third party. As of June 30, 2017 the remaining balance is \$6,000.

On May 23, 2014, the Company entered into a loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$175,000 to be used for order financing. The principle amount of the loan with a \$10,000 fee is repayable by September 30, 2014 and such loan may be pre-paid, at the option of the Company, without notice or penalty. If the loan is not repaid by the scheduled maturity date, the principle amount of the loan shall begin to accrue interest at a rate of 12%

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per annum from the maturity date until repayment in full. The Company reached an agreement with the investor to cancel the accrued interest. As of December 31, 2016 the remaining principal balance was \$29,000. In 2016 the investor sold the note to a non-affiliated third party.

On July 1, 2014, the Company entered into a loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$50,000 to be used for order financing. The principle amount of the loan with a \$4,000 fee was repayable by November 30, 2014. If the loan is not repaid by the scheduled maturity date, the principle amount of the loan shall begin to accrue interest at a rate of 12% per annum from the maturity date until repayment in full. The Company reached an agreement with the investor to cancel the accrued interest. In 2016 the investor sold the note to a non-affiliated third party.

On August 1, 2014, the Company entered into a loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$200,000 to be used for order financing. The principle amount of the loan with a \$16,000 fee was repayable by November 30, 2014. If the loan is not repaid by the scheduled maturity date, the principle amount of the loan shall begin to accrue interest at a rate of 12% per annum from the maturity date until repayment in full. The Company reached an agreement with the investor to cancel the accrued interest. As of December 31, 2016 the remaining principal balance was \$110,000. In 2016 the investor sold the note to a non-affiliated third party.

On May 16, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$25,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 25% of the prevailing per share market price.

On May 27, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$30,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 25% of the prevailing per share market price.

On May 27, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$23,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 25% of the prevailing per share market price.

On June 29, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$18,500. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 25% of the prevailing per share market price.

On July 23, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$25,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 25% of the prevailing per share market price.

On September 12, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$25,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On November 16, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$10,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 2%. The principal and

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accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On November 17, 2016, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$3,000. The loan matures one year from the date of the loan and bears interest at a per annum rate of 10%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On February 6, 2017, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$3,500. The loan matures one year from the date of the loan and bears interest at a per annum rate of 12%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On February 28, 2017, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$1,500. The loan matures one year from the date of the loan and bears interest at a per annum rate of 12%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On March 17, 2017, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$1,500. The loan matures one year from the date of the loan and bears interest at a per annum rate of 12%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

On March 31, 2017, the Company entered into a convertible loan agreement with an investor pursuant to which the Company received a loan in the principal amount of \$5,500. The loan matures one year from the date of the loan and bears interest at a per annum rate of 12%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

From April through June 2017, the Company entered into convertible loan agreements with an investor pursuant to which the Company received loans of \$11,500. The loans mature one year from the date of the loans and bear interest at a per annum rate of 12%. The principal and accrued interest is convertible into common stock of the Company at a conversion rate of 50% of the prevailing per share market price.

As of June 30, 2017 a derivative liability in the amount of \$184,743 was recorded for the conversion feature of the convertible notes. The fair value of the conversion feature was calculated using Black-Scholes and the following assumptions, estimated life of less than 1 year, volatility of 452%, risk free interest rate of 1.03%, and dividend yield of 0%.

As of June 30, 2017, working capital loans payable in the amount of \$76,989 were received from non-affiliated third parties. The loans are due on demand and bear no interest.

NOTE 5 CAPITAL TRANSACTIONS

Preferred B Shares

In 2016 the Company sold 17,500 convertible preferred B shares for \$17,500.

Common Stock and Common Stock Equivalents

On February 5, 2016, the Company issued 1,800,000 shares for consulting services. The shares were valued at the market price on the date issued.

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On February 5, 2016, the Company issued 2,906,720 shares to an accredited investor for financing costs. The shares were valued at the market price on the date issued.

During the year ended December 31, 2016, the Company issued 1,459,063,563 shares of its common stock as repayment of debt in the amount of \$266,400.

During the six months ended June 30, 2017, the Company issued 2,865,770,309 shares of its common stock as repayment of debt and interest in the amount of \$173,523.

NOTE 6 STOCKHOLDER'S DEFECIENCY

Authorized Shares

The Company's Board of Directors is authorized to issue from time to time up to 2 million shares of preferred stock in one or more series, and to fix for each such series such voting power and such designations, preferences, relative participating or other rights, redemption rights, conversion privileges and such qualifications or restrictions thereof as shall be adopted by the board and set forth in an amendment to the Company's Certificate of Incorporation. Unless a vote of any shareholders is required pursuant to the rights of the holders of preferred stock then outstanding, the board may from time to time increase or decrease (but not below the number of shares of such series outstanding) the number of shares of any series of Preferred Stock subsequent to the issuance of shares of that series.

On the 26th April 2016 the company applied to the State of Delaware to designate a Series B Convertible Preferred Stock and the amendment of the Amended and restated Certificate of Incorporation of the company that the total number of shares of all classes of stock that the company shall have the authority to issue is 300,000,000 of which 298,000,000 are shares of common stock , par value \$0.01 per share and 2,000,000 shares are Preferred Stock, par value \$0.01.

On the 14th July , 2016 The State of Delaware approved the amendment of the Amended and restated Certificate of Incorporation of the company that the total number of shares of all classes of stock that the company shall have the authority to issue is 750,000,000 of which 748,000,000 are shares of common stock, par value \$0.01.

On January 30, 2017 the State of Delaware approved the amendment of the Amended and restated Certificate of Incorporation of the that the total number of shares of all classes of stock that the company shall have the authority to issue is 5,000,000,000 of which 4,998,000,000 are shares of common stock , par value \$0.0001 per share and 2,000,000 shares are Preferred Stock, par value \$0.0001. All amounts based on the par value have been restated for this change in par value.

Equity Incentive Plans

In April 2005, the Company adopted the 2005 Equity Incentive Plan (the "2005 Plan"). A total of 87,500 shares of Common Stock were originally reserved for issuance under the 2005 Plan. The 2005 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, bonus stock, awards in lieu of cash obligations, other stock-based awards and performance units. The 2005 Plan also permits cash payments under certain conditions. The compensation committee of the Board of Directors is responsible for determining the type of award, when and to who awards are granted, the number of shares and the terms of the awards and exercise prices. The options are exercisable for a period not to exceed ten years from the date of grant. Vesting periods range from immediately to four years. Under the 2005 plan options granted expire no later than the tenth anniversary from the date of the grant.

In April 2005, the Company adopted the 2005 Non-Employee Directors Stock Option Plan (the "2005 Directors Plan") providing for the issuance of up to 20,000 shares of Common Stock to non-employee directors. Under the 2005 Directors Plan, only non-qualified options may be issued and they will be exercisable for a period of up to six years from the date of grant.

The 2005 Plan and the Non-Employee Directors Plan authorized options exercisable into 95,000 shares of common stock at an exercise price of \$7.80. As of December 31, 2016, options for an aggregate of

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6,500 shares of Common Stock remain available for future grants under the Company's 2005 Plan and 2005 Directors Plan.

Stock Options:

Options outstanding and exercisable at December 31, 2016:

	Amount of Options	Weighed Average Exercise Price	Weighed Average Remaining Life in Years
Outstanding at the beginning of the year	38,900	\$ 8.20	
Expired	(11,000)	-	
Outstanding at the end of the year	27,900	\$ 2.70	1.91
Exercisable at the end of the year	27,900	\$ 2.70	1.91

Stock Warrants

Warrants outstanding and exercisable at December 31, 2016:

	Amount of Warrants	Weighed Average Exercise Price	Weighed Average Remaining Life in Years
Outstanding at the beginning of the year	1,339,168		
Expired	-	-	
Issued	-	-	
Outstanding at the end of the year	1,339,168	\$ 0.09	1.31
Exercisable at the end of the year	1,339,168	\$ 0.09	1.31

NOTE 7 INCOME TAXES

For the year ended December 31, 2016, the Company had available for U.S federal income tax purposes net operating loss carryovers of approximately \$71,000, which expire beginning in 2036. The net operating loss carryovers may be subject to limitations under Internal Revenue Code due to significant changes in the Company's ownership. The Company has provided a full valuation allowance against the full amount of the net operating loss benefit, since, in the opinion of management, based upon the earnings history of the Company it is more likely than not that the benefits will not be realized.

For the year ended December 31, 2016, the Company had available for UK income tax purposes net operating loss carryovers of approximately \$900,000, which can be carried forward indefinitely. The Company has provided a full valuation allowance against the amount of UK unused net operating loss benefit, since management believes that, based upon the earnings history of the Company, it is more likely than not that the benefits will not be realized.

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Management does not believe that the Company has any material uncertain tax positions requiring recognition or measurement in accordance with the provisions of ASC 740. The Company's policy is to record interest and penalties on uncertain tax positions, if any, as income tax expense.

All tax years for the Company remain subject to future examinations by the applicable taxing authorities.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Reflective Solutions Ltd. leases office space for 4,400 GBP per quarter. The lease expires July 31, 2017.

Reflective Solutions Inc. leases office space for \$750 per month. The lease expires December 31, 2017.

Reflective Solutions Bulgaria Ltd. leases office space for \$1000 per month. The lease expires December 31, 2018.

Future minimum lease payments are as follows:

<u>Years ended December 31,</u>	
2017	\$25,518
2018	\$12,000

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