APPARENT ENERGY
REVOLUTIONIZING THE WAY POWER MOVES

FINANCIAL STATEMENTS

of

Apparent Energy, Inc.
(a Nevada Corporation)

For the Years Ended December 31, 2016 and 2015
(Restated)

with

Independent Accountant's Review Report

APPARENT ENERGY, INC.
FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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CRAMER & ASSOCIATES
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Management
Apparent Energy, Inc.
295 E. Main, Suite 17
Ashland, Oregon 97520

We have reviewed the accompanying financial statements of Apparent Energy, Inc. (a Nevada corporation), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 7 to the financial statements, the Company changed its method of computing depreciation. In our opinion, such adjustments are appropriate and have been properly applied. Accordingly, the accompanying financial statements have been restated to reflect this change in accounting principle.

Cramer & Associates

Cramer & Associates
Medford, Oregon
January 15, 2018

APPARENT ENERGY, INC.
BALANCE SHEET
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,639	$ 54,262
Accounts receivable	-	898
Deferred tax asset	146,000	62,000
Total current assets	147,639	117,160
PROPERTY AND EQUIPMENT, net of accumulated depreciation	12,989	10,342
OTHER ASSETS		
Patents in process	12,676	27,158
Patents, net of accumulated amortization	35,236	-
Total other assets	47,912	27,158
Total assets	$ 208,540	$ 154,660
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 20,647	$ -
Accrued payroll liabilities	7,492	7,405
Total current liabilities	28,139	7,405
LONG-TERM LIABILITIES		
Notes payable - related parties	50,000	37,257
Total long-term liabilities	50,000	37,257
Total liabilities	78,139	44,662
STOCKHOLDER'S EQUITY		
Common stock, 10,000,000 shares authorized; no par; 2,032,000 and 999 shares issued and outstanding, December 31, 2016 and 2015, respectively	735,725	335,725
Retained earnings	(605,324)	(225,727)
Total stockholder's equity	130,401	109,998
Total liabilities and stockholder's equity	$ 208,540	$ 154,660

APPARENT ENERGY, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 2016 and 2015

	2016	2015
SALES	$ -	$ -
EXPENSES		
Research and development	173,796	58,001
Employee expenses	90,579	78,908
Consulting	64,638	1,290
Travel & entertainment	42,338	9,363
Administrative	10,868	4,973
Lease & rent	8,235	7,867
Depreciation / amortization	2,178	390
Advertising / marketing	2,196	-
Professional fees	2,133	-
Occupancy	1,556	953
Total expenses	398,517	161,745
INCOME BEFORE PROVISION FOR INCOME TAXES	(398,517)	(161,745)
PROVISION FOR INCOME TAXES		
Deferred tax benefit	(84,000)	(52,000)
NET INCOME (LOSS)	(314,517)	(109,745)
RETAINED EARNINGS (ACCUMULATED DEFICIT)		
Beginning of year	(225,727)	(114,423)
Adjustments (see note 5)	(65,080)	(1,559)
End of Year	$ (605,324)	$ (225,727)

APPARENT ENERGY, INC.
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ (314,517)	$ (109,745)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,178	390
Deferred tax benefit	(84,000)	(52,000)
Changes in:		
Accounts receivable	898	-
Accounts payable	20,734	7,331
Net cash provided by operating activities	(374,707)	(154,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,399)	(10,732)
Investment of patents and trademarks	(22,180)	(19,158)
Net cash used by investing activities	(25,579)	(29,890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stockholder loans	12,743	37,257
Stock issuance	334,920	68,930
Net cash used by financing activities	347,663	106,187
INCREASE IN CASH	(52,623)	(77,727)
CASH, beginning of year	54,262	131,989
CASH, end of year	$ 1,639	$ 54,262

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Apparent Energy, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity.

Nature of Operations

The Company was initially set up as Apparent Energy, LLC in Oregon on October 30, 2012. The LLC was dissolved on November, 18, 2013 and contemporaneously replaced with an Oregon foreign business corporation, Apparent Energy, Inc., a Nevada corporation established on November 1, 2013. The Company's primary focus is the development of patents relating to energy devices which they intend to license to other manufacturers. To date, the Company has strictly been involved in research and development relating to the creation of its patents.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. On this basis, revenue is recorded when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The carrying values of cash and cash equivalents approximate fair value.

Accounts Receivable

Accounts receivable are recorded as the amount the Company expects to collect on balances outstanding at year-end based on the Company's sales volume, contract terms, and collection history.

Bad debts are provided for using the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Management believes that the balance is fully collectible and therefore no allowance for doubtful accounts has been recorded at December 31, 2016 or 2015.

Property and Equipment

Property and equipment are stated at cost and include major expenditures which increase productivity or substantially increase useful lives. Maintenance, repairs and minor replacements are charged to expense when incurred. When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of income.

Depreciation is calculated over the useful life of the asset. Management's estimate of the useful lives of real property and improvements is 39 years; furniture, fixtures, and equipment are estimated to have useful lives of 10 years. Assets determined to have a useful life less than 1 year or under $2,500 cost are expensed in the year of purchase.

Intangible Assets

The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangibles assets include patent and trademark costs. The intangible costs are being amortized using the straight-line method over 15 years.

Legal and other costs for patents not yet issued, but in process, are accumulated until placed in service, which is typically at issuance of the approval notice by the United States Patent Office.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

Accounts payable consists of trade payables and revolving credit cards balances.

Advertising

The Company expenses advertising costs as incurred. Advertising and marketing expenses was $164 and $0 for the years ending December 31, 2016 and 2015, respectively.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Income Taxes

The Company files income tax returns in the United States federal jurisdiction, as well as the state of Oregon.

The Company's income tax returns are subject to examination by the appropriate tax jurisdictions. The Company's Federal and Oregon tax returns generally remain open for examination for three years after they were filed.

The Company accounts for any interest and penalties to IRS assessments in their respective expense account.

Deferred taxes are provide on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. The deferred tax benefit is the estimated benefit of net operating loss carryforward against future income. No valuation allowance was established as of December 31, 2016 or 2015, as full realization of the future deductions is anticipated. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

As of December 31, 2016, the Company reported net operating loss carryovers on their tax returns totaling $647,804: $122,003 generated in 2014, expires in 2034; $180,593 generated in 2015, expires in 2035; and $345,208 generated in 2016, expires in 2036.

While the Company follows *FASB ASC 720 – Other Expenses* relating to start-up costs to be expensed as incurred, tax reporting under section 195(b)(1) generally requires such costs to be capitalized until the Company can substantiate it is considered to be carrying on a trade or business under Section 162(a). The Company reported all expenses on its tax returns for 2014 through 2016, which effectively created the net operating loss carryforwards. Management intends to amend its returns for those years to properly reflect the allowable expenses. The deferred tax benefits included on the financial statements was calculated based on this assumption.

The provision / benefit for income taxes consisted of a deferred tax benefit in the amounts of $33,000 Federal and $19,000 state as of December 31, 2015, and deferred tax benefit in the amounts of $59,000 Federal and $25,000 state as of December 31, 2016.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through January 15, 2018, the date on which the restated financial statements were available to be issued.

NOTE 2—PROPERTY AND EQUIPMENT

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

	12/31/2014	Additions	Deletions	12/31/2015
Buildings and improvements	$ -	$ 6,982	$ -	$ 6,982
Furniture and equipment	-	3,750	-	3,750
	-	$ 10,732	$ -	10,732
Less: accumulated depreciation	-	$ 390	$ -	390
	$ -			$ 10,342

Depreciation expense for the year ended December 31, 2015 was $390.

Property and equipment consisted of the following at December 31, 2016:

	12/31/2015	Additions	Deletions	12/31/2016
Buildings and improvements	$ 6,982	$ -	$ -	$ 6,982
Furniture and equipment	3,750	3,399	-	7,149
	10,732	$ 3,399	$ -	14,131
Less: accumulated depreciation	390	$ 752	$ -	1,142
	$ 10,342			$ 12,989

Depreciation expense for the year ended December 31, 2016 was $752.

NOTE 3—INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2015:

	12/31/2014	Additions	Deletions	12/31/2015
Patents in process	$ 8,000	$ 19,158	$ -	$ 27,158
Issued patents	-	-	-	-
	8,000	$ 19,158	$ -	27,158
Less: accumulated amortization	-	$ -	$ -	-
	$ 8,000			$ 27,158

Amortization expense for the year ended December 31, 2015 was $0.

Intangible assets consisted of the following at December 31, 2016:

	12/31/2015	Additions	Deletions	12/31/2016
Patents in process	$ 27,158	$ 22,180	$ 36,662	$ 12,676
Issued patents	-	36,662	-	36,662
	27,158	$ 54,842	$ 36,662	49,338
Less: accumulated amortization	-	$ 1,426	$ -	1,426
	$ 27,158			$ 47,912

Amortization expense for the year ended December 31, 2016 was $1,426.

Estimated future amortization expenses are as follows:

Years ending December 31,	Amount
2017	$ 2,444
2018	2,444
2019	2,444
2020	2,444
2021	2,444
Thereafter	23,016
Total	$ 35,236

NOTE 4—RELATED PARTY TRANSACTIONS

Note Payable - Related Parties

Stockholders and potential stockholders / related parties provide funds throughout the years to the Company for operations. Formal notes have not been drafted. Terms of repayment or conversion to stock sales are determined on an as-needed basis by the Board of Directors.

At December 31, 2016, notes of $27,000 from Nagaraj Murthy, stockholder, and $23,000 from Bill Patridge, stockholder and CEO of the Company were included on the balance sheet. At December 31, 2015, $37,250 was included on the balance sheet representing an adjustment to stock purchases for current shareholders. See also Note 5, below.

Leases

The Company leases office space on verbal month to month terms from Hani Hajje, one of the Company's original founders, stockholder and director. At December 31, 2016, the lease includes base rent of $1,100 per month plus utilities, insurance and taxes being passed on to the Company. For the years ended December 31, 2016 and 2015, the Company incurred a total of $8,235 and $7,867, respectively, under this lease agreement.

NOTE 5—COMMON STOCK AND STOCK PURCHASE AGREEMENTS

As of December 31, 2016, the Company's securities consist of common stock with no par value. All of the Company's common stock is voting stock with equal voting rights.

At December 31, 2015, 999 shares were issued and outstanding. Management's review of the transactions relating to the certificates showed a disparity between the shares issued and the amounts received. During 2016, the Company re-issued certificates based on the amounts they determined should have been issued, as well as issuing new shares. The totals amounts issued represent common stock in the amounts of $400,000 and $335,725 for the years ended December 31, 2016 and 2015, respectively. Additionally, adjustments to retained earnings were needed to reconcile the differences between the capital paid for the stock and amounts originally recorded. These amounts, $65,080 and $1,559 are reported on the statement of income and retained earnings for the years ended December 31, 2016 and 2015, respectively.

The Company has an incentivized plan offering options to buy stock in the Company. The Company is currently party to agreements with various stockholders, potential stockholders, related parties and employees to issue stock at a predetermined rate. The options generally have a vesting period up to 3 years and expire 5 - 10 years from the date the option is granted. At December 31, 2016, 710,000 shares were authorized as unexpired options. No amounts related to these options has been recorded on the financial statements as they are only a right to purchase and do not represent any liability or equity on the Company's books until the options are exercised. Upon exercising an option, the Company will accordingly record the stock purchase.

NOTE 6—GOING CONCERN MATTERS

The Company has been doing research and development for its patents since its inception. No revenue has been generated to date and substantial expenses have been incurred. The owners have continued to contribute capital and seek additional investment funding to continue their efforts. Management represents that various contracts are in the process of being negotiated and are confident that licensing of the patents to prospective companies will occur beginning in 2018, which will in turn alleviate any future going concern matters.

NOTE 7—RESTATEMENT OF FINANCIAL STATEMENTS

Management's method of depreciation is disclosed in Note 1 of the financial statements. Subsequent to the issuance of the Company's financial statements and our report dated November 21, 2017, management became aware of the need for reporting depreciation in accordance with generally accepted accounting principles (GAAP), as opposed to reporting using the Modified Accelerated Cost Recovery System (MACRS) required for Federal income tax purposes, which may not reflect the useful lives of the assets and is a departure from GAAP. Management believes such adjustments are appropriate and have been properly applied. Accordingly, the accompanying financial statements have been restated to reflect the change in accounting principles.

As apparent in the details of Note 2 of the financial statements, certain fixed assets below management's capitalization threshold were reclassified from fixed assets to expenses; further, the depreciation expense as originally reported was adjusted from the MACRS method to straight line over management's estimate of the useful life of the asset. The inclusion of these adjustments in the restated financial statements for this change in accounting principle resulted in the net overstatement of fixed assets on the financial statements reported on with our report dated November 21, 2017, in the amounts of $3,802 and $3,023 at December 31, 2016 and 2015, respectively.