

RISK FACTORS AS FILED IN OUR 10-K, MAY 31, 2014

Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be materially adversely affected. In such case, the Company may not be able to proceed with its planned operations and your investment may be lost entirely.

RISK FACTORS

RISKS RELATED TO OUR BUSINESS

We have extremely limited assets and ceased generating revenue.

We have little assets and have had limited revenues since inception. We will not receive material revenues until we complete funding through debt, equity, or Joint Venture financing.

We will, in all likelihood, sustain operating expenses without corresponding revenues, at least until the consummation of a debt, equity, or Joint Venture financing or consummate a business combination with a profitable business. This may result in our incurring a net operating loss that will increase unless we consummate an acquisition of an oil and gas producing properties that are profitable. We cannot assure you that we can identify any oil and gas properties that will be profitable at the time of its acquisition by the Company or ever.

We will need to raise additional capital.

We will require additional financing. Any debt or equity financing may be dilutive to shareholders, and debt financing, if available, would increase expenses, and may involve restrictive covenants. We may be required to raise additional capital, at times and in amounts, which are uncertain, especially under the current capital market conditions. Under these circumstances, if we are unable to acquire additional capital or are required to raise it on terms that are less satisfactory than desired, it may have a material adverse effect on our financial condition.

Unless we secure additional working capital, the Company can only continue as a going concern for six months

Unless we secure equity, debt financing or Joint Venture partners, of which there can be no assurance, or identify a profitable acquisition candidate, we will not be able to continue any operations for longer than six months. The majority of our operating costs related to salaries of the officers and directors of the Company are being accrued. Our negative cash flow is for our auditors, attorneys, transfer agent, EDGAR filer and travel expenses. We have sufficient cash and liquid assets to cover auditors, attorneys, transfer agent, EDGAR filer and limited travel expenses for the next six months. After such time, the Company would be forced to cease operations.

RISKS RELATED TO OUR BUSINESS OPERATIONS:

Environmental and Occupational Regulations will impact our operations.

We are subject to various federal, state, provincial, and local international laws and regulations concerning occupational safety and health as well as the discharge of materials into, and the protection of, the environment. Environmental laws and regulations relate to, among other things:

- assessing the environmental impact of drilling, workover or construction activities;
- the generation, storage, transportation and disposal of waste materials;
- the emission of certain gases into the atmosphere;
- the monitoring, abandonment, reclamation and remediation of well and other sites, including sites of former operations; and
- the development of emergency response and spill contingency plans.

The costs of environmental protection and safety and health compliance are significant. Compliance with environmental, safety and health initiatives can be costly. There is no assurance that we will be able to comply with these regulations. If we cannot comply with these regulations, we will be forced to cease all operations in which case you will lose your entire investment. We cannot predict with any reasonable degree of certainty our future exposure concerning such matters.

We are subject to exploration and production regulation

Our oil and gas operations are subject to various federal, state, provincial, tribal, and local laws and regulations. These laws and regulations relate to matters that include, but are not limited to:

- acquisition of seismic data;
- location of wells;
- drilling and casing of wells;
- hydraulic fracturing;
- well production;
- spill prevention plans;
- emissions and discharge permitting;
- use, transportation, storage and disposal of fluids and materials incidental to oil and gas operations;
- surface usage and the restoration of properties upon which wells have been drilled;
- calculation and disbursement of royalty payments and production taxes;
- plugging and abandoning of wells; and
- transportation of production.

Our operations also are subject to conservation regulations, including the regulation of the size of drilling and spacing units or proration units; the number of wells that may be drilled on the Oil and Gas Lease and the unitization or pooling of oil and gas properties. In the United States,

some states allow the forced pooling or integration of tracts to facilitate exploration, while other states rely on voluntary pooling of lands and leases, which may make it more difficult to develop oil and gas properties. In addition, state conservation laws generally limit the venting or flaring of natural gas and impose certain requirements regarding the ratable purchase of production. The effect of these regulations is to limit the amounts of oil and gas we can produce from our wells and to limit the number of wells or the locations at which we can drill.

Public policy, which includes laws, rules and regulations, can change

Our operations are generally subject to federal laws, rules and regulations in the United States. In addition, we are also subject to the laws and regulations of various states, tribal and local governments. Pursuant to public policy changes, numerous government departments and agencies have issued extensive rules and regulations binding on the oil and gas industry and its individual members, some of which require substantial compliance costs and carry substantial penalties for failure to comply. Changes in such public policy have affected, and at times in the future could affect, our operations. Political developments can restrict production levels, enact price controls, change environmental protection requirements, and increase taxes, royalties and other amounts payable to governments or governmental agencies. Existing laws and regulations can also require us to incur substantial costs to maintain regulatory compliance.

Our operating and other compliance costs could increase further if existing laws and regulations are revised or reinterpreted or if new laws and regulations become applicable to our operations. Although we are unable to predict changes to existing laws and regulations, such changes could significantly impact our profitability, financial condition and liquidity, particularly changes related to hydraulic fracturing, income taxes and climate change as discussed below.

Hydraulic Fracturing – The Bureau of Land Management is considering the possibility of additional regulation of hydraulic fracturing on federal and Indian lands. Currently, regulation of hydraulic fracturing is conducted primarily at the state level through permitting and other compliance requirements.

Income Taxes – We are subject to federal, state, and local income taxes and our operating cash flow is sensitive to the amount of income taxes we must pay. In the jurisdictions in which we operate, income taxes are assessed on our earnings after consideration of all allowable deductions and credits. Changes in the types of earnings that are subject to income tax, the types of costs that are considered allowable deductions or the rates assessed on our taxable earnings would all impact our income taxes and resulting operating cash flow. Recently, the United States President and other policy makers have proposed provisions that would, if enacted, make significant changes to United States tax laws applicable to us. The most significant change to our business would eliminate the immediate deduction for intangible drilling and development costs. Such a change could have a material adverse effect on our profitability, financial condition and liquidity.

Climate Change – Policymakers in the United States are increasingly focusing on whether the emissions of greenhouse gases, such as carbon dioxide and methane, are contributing to harmful climatic changes. Policymakers at both the United States federal and state levels have introduced legislation and proposed new regulations that are designed to quantify and limit the

emission of greenhouse gases through inventories, limitations and/or taxes on greenhouse gas emissions. Legislative initiatives and discussions to date have focused on the development of cap-and-trade and/or carbon tax programs. A cap-and-trade program generally would cap overall greenhouse gas emissions on an economy-wide basis and require major sources of greenhouse gas emissions or major fuel producers to acquire and surrender emission allowances. Cap-and-trade programs could be relevant to us and our operations in several ways. First, the equipment we use to explore for, develop, produce and process oil and natural gas emits greenhouse gases. We could therefore be subject to caps, and penalties if emissions exceeded the caps. Second, the combustion of carbon-based fuels, such as the oil and gas we may sell, emits carbon dioxide and other greenhouse gases. Therefore, demand for our products could be reduced by imposition of caps and penalties on our customers. Carbon taxes could likewise affect us by being based on emissions from our equipment and/or emissions resulting from use of our products by our customers. Of overriding significance would be the point of regulation or taxation. Application of caps or taxes on companies such as Xun Energy, based on carbon content of produced oil and gas volumes rather than on consumer emissions, could lead to penalties, fees or tax assessments for which there are no mechanisms to pass them through the distribution and consumption chain where fuel use or conservation choices are made. Moreover, because oil and natural gas are used as chemical feedstocks and not solely as fossil fuel, applying a carbon tax to oil and gas at the production stage would be excessive with respect to actual carbon emissions from petroleum fuels.

Environmental matters and costs can be significant

As an operator of oil and gas properties, we are subject to various federal, state, and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on us for the cost of pollution clean-up resulting from our operations in affected areas. Any future environmental costs of fulfilling our commitments to the environment are uncertain and will be governed by several factors, including future changes to regulatory requirements. There is no assurance that changes in or additions to public policy regarding the protection of the environment will not have a significant impact on our operations and profitability.

Insurance does not cover all risks

Exploration, development, production, and processing of oil and gas can be hazardous and involve unforeseen occurrence including, but not limited to blowouts, cratering, fires, and loss of well control. These occurrences can result in damage to or destruction of wells or production facilities, injury to persons, loss of life, or damage to property or the environment. We do not maintain insurance at this time against losses or liabilities in accordance with customary industry practices. However, insurance against all operational risks is not available to us.

We have generated limited revenues from operations. We have a history of losses and losses are likely to continue in the future.

We have generated limited revenues from operations. Cumulative losses as of May 31, 2014 totaled (\$4,080,897). We have incurred significant losses in the past and we will likely continue to incur losses in the future unless our development program proves successful. Even if our

development program produces oil and gas, there can be no assurance that we will be able to commercially exploit these resources, or generate sufficient revenues to operate profitably.

We will require additional financing to continue our development operations.

We will require significant working capital to continue our current development program. There can be no assurance that we will be able to secure additional funding to meet our objectives or if we are able to identify funding sources, that the funding will be available on terms acceptable to the Company. Should this occur, we will have to significantly reduce our development programs, which will limit our ability to secure additional equity participation in acquisitions of oil and gas leases or in various joint ventures.

There are no confirmed proven reserves of oil and gas reservoirs on any properties from which we may derive any financial benefit.

Neither the Company nor any independent petroleum geologist has confirmed that our leasehold interests can be commercially developed. In order to carry out additional development and/or exploration programs of any potential oil or gas deposits, we will require substantial additional funding.

We have limited history as a company engaged in oil and gas development or exploration.

We have limited history of earnings or cash flow from oil and gas operations. If we are able to proceed to production, commercial viability will be affected by factors that are beyond our control such as the particular attributes of the deposit, the fluctuation in the prices of oil and gas, the cost of construction and operating an oil or gas well, prices, and refining facilities, the availability of economic sources for energy, government regulations including regulations relating to prices, royalties, restrictions on production, quotas on exploration, as the costs of protection of the environment.

If our exploration costs are higher than anticipated, then our profitability will be adversely affected.

We are currently proceeding with development and/or exploration of our leasehold interests on the basis of estimated development/exploration costs. If our development/exploration costs are greater than anticipated we may be forced to terminate our operations until such time as we generate additional revenues to fund our operations. Factors that could cause development/exploration costs to increase are adverse weather conditions, difficult terrain, unknown or unexpected results when we re-enter a well, increased government regulation and shortages of qualified personnel.

We face many operating hazards.

The development and operation of an oil or gas well involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, among other things, ground fall, flooding, environmental hazards, and the

discharge of toxic chemicals, explosions and other accidents. Such occurrences may result in work stoppages, delays in production, increased production costs, damage to or destruction of mines and other producing facilities, injury or loss of life, damage to property, environmental damage, and possible legal liability for such damages.

We do not maintain liability insurance.

We do not maintain liability insurance. As such, if we are found liable for any action, whether intentional or unintentional, we will be required to satisfy the liability with our own funds. Currently we have nominal assets and any monetary award would likely result in the close of our operations. Even assuming a significant increase in our assets and we secure liability insurance, the amount of the coverage may be insufficient to cover to insure against any award. Since the Company may not be able, or may elect not to insure, this may result in a material adverse change in the Company's financial position. The nature of these risks is such that liabilities may exceed policy limits, in which event the Company would incur substantial uninsured losses.

During our operations we may experience certain unanticipated conditions may arise or unexpected or unusual events may occur, including fires, floods, or earthquakes. It is not always possible to fully insure against such risks and we may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they may reduce or eliminate any future profitability and may result in a decline in the value of the securities of the Company.

There may be insufficient oil and gas reserves to develop any of our properties and our estimates may be inaccurate.

There is no certainty that any expenditures made in the development/exploration of any properties will result in discoveries of commercially recoverable quantities of oil or gas. Most development/exploration projects do not result in the discovery of commercially extractable deposits of oil or gas and no assurance can be given that any particular level of recovery will in fact be realized or that any identified leasehold interest will ever qualify as a commercially developed.

Estimates of reserves, deposits, and production costs can also be affected by such factors as environmental regulations and requirements, weather, unexpected or unknown results when we re-enter a well, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, and work interruptions. Short term factors relating to reserves, such as the need for orderly development of the wells may also have an adverse effect on our development/exploration, drilling and on the results of operations. There can be no assurance the production of insignificant amounts of oil can be duplicated in a larger exploration program. Material changes in estimated reserves, development/drilling costs may affect the economic viability of any project.

We have no proven reserves.

All of our leasehold interests are without known bodies (reserves) of commercial oil or gas. Development of these properties will follow only upon obtaining satisfactory

development/exploration results. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its development/exploration and development programs. Oil and gas development/exploration and development are highly speculative businesses, involving a high degree of risk. Few properties, which are explored, are ultimately developed into producing oil and gas fields. There is no assurance that our development/exploration and development activities will result in any discoveries of commercial quantities of oil and gas. There is also no assurance that, even if commercial quantities of oil or gas are discovered, a well can be brought into commercial production. Production/discovery of oil and gas is dependent upon a number of factors, not the least of which is the technical skill of the development/exploration personnel involved. The commercial viability of a well is also dependent upon a number of factors, many of which are beyond the Company's control, such as worldwide economy, the price of oil and gas, government regulations, including regulations relating to royalties, allowable production, and environmental protection.

We face fluctuating oil and prices.

The price of oil and gas has experienced significant price movements over short periods of time and is affected by numerous factors beyond our control, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including, the U.S. dollar relative to other currencies) interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved exploration and production methods. The supply of and demand for oil and gas are affected by various factors, including political events, economic conditions and production costs in major producing regions.

Drilling operations are hazardous, raise environmental concerns and raise insurance risks.

Drilling operations are by their nature subject to a variety of risks, such as, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay development or production, increase production costs, or result in a liability. We may not be able to insure fully or at all against such risks, due to political or other reasons, or we may decide not to take out insurance against such risks as a result of high premiums or other reasons. We intend to conduct our business in a way that safeguards public health and the environment and in compliance with applicable laws and regulations. Environmental hazards may exist on properties in which we hold an interest which are unknown to us and may have been caused by prior owners. Changes to drilling laws and regulations could require additional capital expenditures and increase operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could render certain operations uneconomic.

Our estimates of resources are subject to uncertainty. The cost of employing the technologies necessary to establish reasonable certainty may be cost prohibitive or the cost may exceed the benefit.

Under current SEC standards, proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and

under existing economic conditions, operating methods, and government regulations. The term “reasonable certainty” implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. Reasonable certainty can be established using techniques that have been proved effective by actual production from projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that have been field-tested and have demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

In order to establish reasonable certainty with respect to our leases, we would have to employ technologies that have been demonstrated to yield results with consistency and repeatability. The technical data used in the estimation of proved reserves include, but are not limited to, electrical logs, radioactivity logs, core analyses, geologic maps and available downhole and production data, seismic data and well test data. Generally, oil and gas reserves are estimated using, as appropriate, one or more of these available methods: production decline curve analysis, analogy to similar reservoirs or volumetric calculations.

Reserves attributable to producing wells with sufficient production history are estimated using appropriate decline curves or other performance relationships. Reserves attributable to producing wells with limited production history and for undeveloped locations are estimated using performance from analogous wells in the surrounding area and technical data to assess the reservoir continuity. In some instances, particularly in connection with exploratory discoveries, analogous performance data is not available, requiring us to rely primarily on volumetric calculations to determine reserve quantities. Volumetric calculations are primarily based on data derived from geologic-based seismic interpretation, open-hole logs, and completion flow data. When using production decline curve analysis or analogy to estimate proved reserves, they would be limited to estimates to the quantities of oil and gas derived through volumetric calculations.

The accuracy of any reserve estimate is a function of the quality of available geological, geophysical, engineering, and economic data, the precision of the engineering and geological interpretation and judgment. The estimates of reserves and future cash flows are based on various assumptions and are inherently imprecise. Even though these estimates may be reasonable and logical, actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from these estimates. Also, the use of a discount factor for reporting purposes may not necessarily represent the most appropriate discount factor, given actual interest rates and risks to which the oil and natural gas industry in general are subject.

If we are unable to obtain all of our required governmental permits, our operations could be negatively impacted.

Our future operations, including exploration and development activities, required permits from various governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine

safety and other matters. There can be no assurance that we will be able to acquire all required licenses or permits or to maintain continued operations at our properties.

We are subject to numerous environmental and other regulatory requirements.

All phases of drilling and development/exploration operations are subject to governmental regulation including environmental regulation. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect our operations. As well, environmental hazards may exist on a property in which we hold an interest that was caused by previous or existing owners or operators of the properties and of which the Company is not aware at present.

Government approvals and permits are required to be maintained in connection with our drilling and development/exploration activities. We will require permits for our operations and there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Parties engaged in drilling operations may be required to compensate those suffering loss or damage by reason of our activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

There is no assurance that there will not be title or boundary disputes.

Although we have investigated the right to explore and exploit our properties and obtained records from government offices, this should not be construed as a guarantee of title. Other parties may dispute the title to any of our properties or that any property may be subject to prior unregistered agreements and transfers. The title may be affected by undetected encumbrances or defects or governmental actions.

Local infrastructure may impact our development/exploration activities and results of operations.

Our activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other

interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

There may be challenges to our title in our properties.

While we intend to conduct our own due diligence prior to committing significant funds to any project, oil and gas properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. Should this occur, we face significant delays, costs and the possible loss of any investments or commitment of capital.

Because of the speculative nature of completing development programs and drilling for oil and gas, there are significant risks that our business will fail.

Oil and gas development/exploration is extremely risky. We cannot provide any assurances that our activities will result in commercially exploitable reserves of oil and gas. Development/exploration for oil and gas is a speculative venture necessarily involving substantial risk. Any expenditure that we make may not result in the discovery of commercially exploitable reserves.

The market for oil and gas is volatile. This will have a direct impact on the Company's revenues (if any) and profits (if any) and will probably have an adverse effect on our ongoing operations.

The price of both oil and gas has fluctuated significantly over the past few years. This has contributed to the renewed interest in oil and gas exploration. However, in the event that the price of either oil or gas falls, the interest in exploratory ventures may decline and the value of the Company's business could be adversely affected.

Government regulation or changes in such regulation may adversely affect the Company's business.

The Company intends to engage experts to assist it with respect to its operations. The Company deals with various regulatory and governmental agencies and the rules and regulations of such agencies. No assurances can be given that it will be successful in its efforts or dealings with these agencies. Further, in order for the Company to operate and grow its business, it needs to continually conform to the laws, rules, and regulations of such jurisdiction. It is possible that the legal and regulatory environment pertaining to the development/exploration and development of oil and gas properties will change. Uncertainty and new regulations and rules could increase the Company's cost of doing business or prevent it from conducting its business.

We are in competition with companies that are larger, more established and better capitalized than we are.

Many of our potential competitors have:

- greater financial and technical resources;
- longer operating histories and greater experience in oil and gas

We may not be able to generate revenue sufficient to maintain operations

To date, we have generated limited revenue. We have incurred significant losses since inception and there can be no assurance that we will be able to reverse this trend. Even if we are able to successfully identify commercially exploitable oil and gas reserves, there is no assurance that we will have sufficient financing to exploit these reserves, generate revenues, or find a willing buyer for the properties.

We have no proven reserves, extremely limited operations and no operating revenues.

We currently have no revenues from operations and no proven reserves. Reserves, by definition, contain mineral deposits in a quantity and in a form from which oil and gas may be economically and legally extracted or produced. We have not established that either oil or gas exists in any quantity in the property, which is the focus of our exploration efforts, and unless or until we do so, we will have nominal revenues.

Development/Exploration for economic deposits of oil and gas is speculative.

Our business is very speculative since there is generally no way to recover any of the funds expended on development/exploration unless the existence of commercially exploitable reserves are established and the Company can exploit those reserves by either commencing drilling operations, selling or leasing its interest in the property, or entering into a joint venture with a larger company that can further develop the property. Unless we can establish and exploit reserves before our funds are exhausted, we will have to discontinue operations, which could make our stock valueless.

Our operations are subject to environmental risks.

Our operations are subject to strict environmental rules and regulations. There can be no assurance that we will be able to comply with these rules. Environmental legislation is evolving in some jurisdictions in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our projects

The oil and gas industry is highly competitive and the success and future growth of our business depend upon our ability to remain competitive in identifying and developing properties with sufficient reserves for economic exploitation.

The oil and gas industry is highly competitive and fragmented with limited barriers to entry, especially at the exploratory stages. We compete in national, regional, and local markets with large multi-national corporations and against start-up operators hoping to identify an oil or gas property. Some of our competitors have significantly greater financial resources than we do.

This puts us at a competitive disadvantage if we choose to further exploit development opportunities.

The loss of key members of our senior management team could adversely affect the execution of our business strategy and our financial results.

We believe that the successful execution of our business strategy and our ability to move beyond the exploratory stages depends on the continued employment of key members of our senior management team. If any members of our senior management team become unable or unwilling to continue in their present positions, our financial results and our business could be materially adversely affected.

We operate in a regulated industry and changes in regulations or violations of regulations may result in increased costs or sanctions that could reduce our revenues.

Our organization is subject to extensive and complex, federal and state laws and regulations. If we fail to comply with the laws and regulations that are directly applicable to our business, we could suffer civil and/or criminal penalties or be subject to injunctions or cease and desist orders.

We will hire third party companies to undertake our development programs.

We will have to hire employees or retain independent companies to oversee or perform our development operations. We currently do not have sufficient funds for either. As such, even with exploitable deposits of oil or gas, we may not be able to develop our leasehold interests.

RISKS RELATED TO OUR STOCKHOLDERS AND SHARES OF COMMON STOCK

We have a large number of authorized but unissued shares of our common stock.

We have a large number of authorized but unissued shares of common stock, which our management may issue without further stockholder approval, thereby causing dilution of your holdings of our common stock. Our management will continue to have broad discretion to issue shares of our common stock in a range of transactions, including capital-raising transactions, mergers, acquisitions and in other transactions, without obtaining stockholder approval, unless stockholder approval is required. If our management determines to issue shares of our common stock from the large pool of authorized but unissued shares for any purpose in the future, your ownership position would be diluted without your further ability to vote on that transaction.

Shares of our common stock may continue to be subject to price volatility and illiquidity because our shares may continue to be thinly traded and may never become eligible for trading on a national securities exchange.

While we may at some point be able to meet the requirements necessary for our common stock to be listed on a national securities exchange, we cannot assure you that we will ever achieve a listing of our common stock on a national securities exchange. Our shares are currently eligible

for quotation on the Over-The-Counter Bulletin Board, which is not an exchange. Initial listing on a national securities exchange is subject to a variety of requirements, including minimum trading price and minimum public “float” requirements, and could also be affected by the general skepticism of such markets concerning companies that are the result of mergers with inactive publicly-held companies. There are also continuing eligibility requirements for companies listed on public trading markets. If we are unable to satisfy the initial or continuing eligibility requirements of any such market, then our stock may not be listed or could be delisted. This could result in a lower trading price for our common stock and may limit your ability to sell your shares, any of which could result in you losing some or all of your investments.

The market valuation of our business may fluctuate due to factors beyond our control and the value of your investment may fluctuate correspondingly.

The market valuation of companies, such as us, frequently fluctuate due to factors unrelated to the past or present operating performance of such companies. Our market valuation may fluctuate significantly in response to a number of factors, many of which are beyond our control, including:

- changes in securities analysts’ estimates of our financial performance, although there are currently no analysts covering our stock;
- fluctuations in stock market prices and volumes, particularly among securities of emerging growth companies;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;
- variations in our quarterly operating results;
- fluctuations in related commodities prices; and
- additions or departures of key personnel.

As a result, the value of your investment in us may fluctuate.

Our common stock may be subject to penny stock regulations, which may make it difficult for investors to sell their stock.

The Securities and Exchange Commission has adopted rules that regulate broker-dealer practices in connection with transactions in “penny stocks”. Penny stocks generally are equity securities with a price of less than \$5 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules; deliver a standardized risk disclosure document prepared by the Commission, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. The broker-dealer also must provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer and salesperson in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer’s account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a

special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. If our common stock becomes subject to the penny stock rules, holders of our shares may have difficulty selling those shares.

We have never paid dividends on our common stock.

We have never paid cash dividends on our common stock and do not presently intend to pay any dividends in the foreseeable future. We anticipate that any funds available for payment of cash dividends will be re-invested into the Company to further our business strategy.

We expect to issue more shares in an equity financing, which will result in substantial dilution.

Our Articles of Incorporation authorize the Company to issue 15 billion shares of common stock. Any equity financing effected by the Company may result in the issuance of additional securities without stockholder approval and may result in substantial dilution in the percentage of our common stock held by our then existing stockholders. Moreover, our common stock issued in any equity financing transaction may be valued on an arbitrary or non-arm's-length basis by our management, resulting in an additional reduction in the percentage of common stock held by our then existing stockholders. Our board of directors has the power to issue any or all of such authorized but unissued shares without stockholder approval. To the extent that additional shares of common stock or preferred stock are issued in connection with a business combination or otherwise, dilution to the interests of our stockholders will occur and the rights of the holders of common stock might be materially adversely affected.

Our Reserve Equity Financing Agreement could dilute the current shareholders.

On March 26, 2014, the Securities and Exchange Commission (the "SEC") declared the Registration Statement on Form S-1 (the "Registration Statement") of the Company, filed on February 4, 2014, effective. The Registration Statement registers for sale 37,414,967 shares of the Company's common stock pursuant to an amended and restated reserve equity financing agreement (the "Financing Agreement") previously issued or to be issued to AGS Capital Group, LLC ("AGS"). Pursuant to the Financing Agreement, the Company has the right, but not the obligation, to issue \$15,000,000 of the Company's common stock to AGS over the next 3 years. The Company has full control and discretion over the timing and amount of any shares that they sell to AGS when the Exercise Market Price, as defined in the Financing Agreement, is \$0.50 or higher per share. For each advance, the Company may issue an amount of stock up to \$250,000. Such advance will not exceed more than 200% of the average daily trading volume for the previous 10 trading days. The purchase price of the shares shall be set at ninety percent (90%) of the average of the three (3) lowest closing bid prices of the stock during the ten (10) consecutive weekday trading days (the "Pricing Period") immediately after the date on which the Company provides an advance notice. The Company, at its option, may select a safety net price for any specified advance which the Company will not sell shares to AGS under that advance when the Purchase Price (Market Price less 10% discount) falls below such safety net price during the Pricing Period. The

Company issued 4,081,633 shares of common stock as a commitment fee deposit towards the commitment fee of \$40,000 to be deducted from the first advance.

It is anticipated that AGS will sell these shares of common stock from time to time in one or more transactions, in negotiated transactions or otherwise, at prevailing market prices or at prices otherwise negotiated. We will not receive any proceeds from the sale of shares by AGS. However, we will receive the sale price of any common stock that we sell to AGS under the Drawdown Agreement. AGS is an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”) in connection with the resale of our common stock under the equity line of credit. AGS will pay us 90% of the average of the three (3) lowest closing bid prices during the ten (10) trading days immediately following our delivery of our Notice to AGS of our election to exercise our “put” right.

The offering will terminate upon the earlier of (i) the first day of the month next following the 36-month anniversary of the date the registration statement, to which this prospectus is made a part, is declared effective by the SEC and (ii) the date on which AGS shall have made payment of advances in the aggregate amount of the Commitment Amount. Each issuance pursuant to a Notice shall dilute the current issued and outstanding shares which may decrease the value of the shares of common stock currently held by our shareholders.

The price of our common stock is subjected to volatility.

The market for the Company’s common stock is highly volatile. The trading price of the Company’s common stock is subject to wide fluctuations in response to, among other things, quarterly variations in operating and financial results, and general economic and market conditions. In addition, statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to their markets or relating to the Company could result in an immediate and adverse effect on the market price of our common stock. The highly volatile nature of the Company’s stock prices may cause investment losses for their shareholders. If securities class action litigation is brought against the Company, such litigation could result in substantial costs while diverting management’s attention and resources.

Disruptions in global financial markets and deteriorating global economic conditions could cause lower returns to investors.

Disruptions in global financial markets and deteriorating global economic conditions could adversely affect the value of the Company’s common stock. The current state of the economy and the implications of future potential weakening may negatively impact market fundamentals, resulting in lower revenues and values for the Company’s business opportunities and investments.

If securities or industry analysts do not publish research or reports about the Company’s business or if they issue an adverse or misleading opinion regarding the Company’s stock, its price and trading volume could decline.

The trading market for the Company’s common stock will be influenced by the research and reports that

industry or securities analysts publish about the Company or its business, if any.

RISKS RELATED TO THE EQUITY LINE OF CREDIT:

AGS will pay less than the then-prevailing market price of our common stock which could cause the price of our common stock to decline.

Our common stock to be issued under the Drawdown Agreement will be purchased at a ten percent (10%) discount or 90% of the average of the three (3) lowest closing bid prices during the ten (10) trading days immediately following our delivery of our Notice to AGS of our election to exercise our "put" right.

AGS has a financial incentive to sell our shares immediately upon receiving the shares to realize the profit between the discounted price and the market price. If AGS sells our shares, the price of our common stock may decrease. If our stock price decreases, AGS may have a further incentive to sell such shares. Accordingly, the discounted sales price in the Drawdown Agreement may cause the price of our common stock to decline.

We registered an aggregate of 37,414,967 shares of common stock to be issued under the equity line of credit. The sale of such shares could depress the market price of our common stock.

We registered an aggregate of 37,414,967 shares of common stock under the registration statement for issuance pursuant to the equity line of credit. The sale of these shares into the public market by AGS could depress the market price of our common stock.

Our common stock price may decline by our draw on our equity line of credit.

Effective July 11, 2013, and amended on November 27, 2013, we entered into the Drawdown Agreement with AGS. Pursuant to the Drawdown Agreement, when we deem it necessary, we may raise capital through the private sale of our common stock to AGS at a price equal to 90% of Pricing Market Price. Because the put price is lower than the prevailing market price of our common stock, to the extent that the put right is exercised, your ownership interest

There may not be sufficient trading volume in our common stock or price of our common stock to permit us to acquire adequate funds which may adversely affect our liquidity.

The Drawdown Agreement provides that the dollar value that we will be permitted to request from AGS in each Notice may be up to \$250,000, provided that the number of shares sold pursuant to each Notice shall not exceed 200% of the average daily trading volume for the previous 10 trading days. If the average daily trading volume in our common stock is too low, it is possible that we may not be permitted to draw the full amount of proceeds of the drawdown request, which may not provide adequate funding for our planned operations and may materially decrease our liquidity.

We may not have access to the full amount under the equity line of credit.

For the five consecutive trading days prior to September 12, 2014, the lowest closing trade price of our common stock was \$0.0001. There is no assurance that the Market Price of our common stock will increase substantially in the near future. The entire commitment under the equity line of credit is \$15,000,000. The aggregate number of shares of common stock necessary to raise the entire \$15,000,000 at \$0.0001 per share is approximately 150 Billion. The number of common shares that remains issuable is lower than the number of common shares we need to issue in order to have access to the full amount under the equity line of credit. Therefore, we may not have access to the remaining commitment under the equity line of credit unless the Market Price of our common stock to increase substantially.

Shares to the Selling Stockholder unless the Exercise Market Price of the Company's common stock is at least \$0.50. The Company may have to restructure the common stock through a common stock reverse split to meet its minimum Exercise Market Price of \$0.50 per share of common stock. The purchase price that the Selling Stockholder will have to pay may be less than the \$0.50 minimum Exercise Market Price as the Selling Stockholder's purchase price is ninety percent (90%) of the average of the three lowest closing bid prices during the ten consecutive trading days immediately following the Company's delivery of a Notice (the "Pricing Market Price").