Frontera Resources Corporation

Condensed Consolidated Financial Statements
Six Months Ended June 30, 2018 and 2017

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Condensed Consolidated Financial Statements *(Unaudited)*

Frontera Resources Corporation

Condensed Consolidated Balance Sheets *(Unaudited)*

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$633,026	$90,445	$74,535
Accounts receivable, net	561,326	1,716,940	597,514
Inventory	4,635,990	4,971,931	4,754,773
Prepaid expenses and other current assets	1,580,933	2,004,866	2,249,133
Total current assets	7,411,275	8,784,182	7,675,955
Property and equipment, net	2,722,928	3,025,213	3,430,483
Properties being depleted	144,326,195	132,674,301	131,575,419
Less: Accumulated depletion	(130,928,150)	(130,556,436)	(130,372,821)
Net oil and gas properties	13,398,045	2,117,865	1,202,598
Total assets	$23,532,248	$13,927,260	$12,309,036
Accounts payable	$5,379,322	$3,270,773	$4,087,287
Accrued liabilities	19,228,850	9,806,040	10,116,611
Capital lease – current	6,624	6,405	6,193
Total current liabilities	24,614,796	13,083,218	14,210,091
Long term debt	35,580,650	35,580,650	33,500,743
Capital lease	2,306	5,673	8,929
Commitments and contingencies (Note 5)	-	-	-
Total liabilities	60,197,752	48,669,541	47,719,763
Preferred stock	2,650,000	4,400,000	7,200,000
Common stock	630,788	585,146	447,105
Additional paid in capital	464,279,180	457,519,907	447,691,760
Accumulated deficit	(504,225,472)	(497,247,334)	(490,749,592)
Total stockholders' deficit	(36,665,504)	(34,742,281)	(35,410,727)
Total liabilities and stockholders' deficit	$23,532,248	$13,927,260	$12,309,036

The accompanying notes are an integral part of these condensed consolidated financial statements.

Frontera Resources Corporation
Condensed Consolidated Statements of Comprehensive Loss *(Unaudited)*

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Revenue - crude oil & natural gas sales	$1,832,407	$1,486,771
Field operating and project costs	1,867,907	3,425,080
General and administrative	3,348,261	3,258,195
Depreciation, depletion and amortization	745,965	483,143
Total operating expenses	5,962,133	7,166,418
Loss from operations	(4,129,726)	(5,679,647)
Interest income	19,734	8,659
Interest expense	(2,793,905)	(5,704,184)
Other, net	(74,241)	(42,794)
Total other income (expense)	(2,848,412)	(5,738,319)
Net loss and comprehensive loss	($6,978,138)	($11,417,966)
Loss per Share		
Basic and diluted	$(0.00)	$(0.00)
Number of shares used in calculating loss per share		
Basic and diluted	15,486,998,257	8,881,329,000

The accompanying notes are an integral part of these condensed consolidated financial statements

Frontera Resources Corporation
Condensed Consolidated Statement of Stockholders' Deficit *(Unaudited)*

	Stockholders' Deficit				
	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2017	$ 4,400,000	$ 585,146	$ 457,519,907	$ (497,247,334)	$ (34,742,281)
Issuance of common stock	-	45,642	6,759,273	-	6,804,915
Redemption of preferred stock	(1,750,000)	-	-	-	(1,750,000)
Net loss for the six months ended June 30, 2018	-	-	-	(6,978,138)	(6,978,138)
Balances at June 30, 2018	$ 2,650,000	$ 630,788	$ 464,279,180	$ (504,225,472)	$ (36,665,504)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Frontera Resources Corporation
Condensed Consolidated Statements of Cash Flows *(Unaudited)*

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities		
Net loss	$ (6,978,138)	$ (11,417,966)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	745,965	483,143
Loss on debt to equity conversion	-	144,735
Debt issuance cost amortization	-	340,234
Non-cash interest expense	2,767,504	2,468,282
Non-cash interest expense eliminated on debt conversion	-	1,749,036
Non-cash payroll expense	770,804	534,945
Non-cash expense on debt conversion	-	999,723
Changes in operating assets and liabilities:		
Accounts receivable	1,155,614	(155,427)
Inventory	335,941	182,991
Prepaid expenses and other current assets	1,173,691	1,849,970
Accounts payable	(107,498)	459,728
Accrued liabilities	3,376,624	1,152,666
Net cash used in operating activities	3,240,507	(1,207,940)
Cash flows from investing activities		
Investment in oil and gas properties	(7,398,228)	(48,095)
Investment in property and equipment	(73,951)	(6,413)
Change in restricted cash	-	471,137
Net cash provided by (used in) investing activities	(7,472,179)	416,629
Cash flows from financing activities		
Proceeds from notes payable	-	594,350
Payments on capital lease, net	(3,148)	(2,947)
Proceeds from related party notes payable	-	233,000
Proceeds from redemption of preferred stock	(265,100)	-
Proceeds from issuance of common stock	5,042,501	-
Net cash provided by financing activities	4,774,253	824,403
Net increase in cash and cash equivalents	542,581	33,092
Cash and cash equivalents		
Beginning of year	90,445	41,443
End of period	$ 633,026	$ 74,535

The accompanying notes are an integral part of these condensed consolidated financial statements

1. Nature of Operations

Frontera Resources Corporation, a Houston, Texas based Cayman Islands exempted company, and its subsidiaries (the "Company") are engaged in the development of oil and gas projects in emerging marketplaces. The Company was founded in 1996 and is headquartered in Houston, Texas. The Company emphasizes development of reserves in known hydrocarbon–bearing basins, and is attracted to projects that have significant exploration opportunities. Since 2002, the Company has focused substantially all of its efforts on the exploration and development of oilfields in the Black Sea area, namely within Georgia, Moldova, and Ukraine.

Georgia

In June 1997, the Company entered into a 25–year production sharing agreement with the Ministry of Fuel and Energy of Georgia and State Company Georgian Oil ("Georgian Oil"), which gives the Company the exclusive right to explore, develop and produce crude oil and natural gas ("Petroleum") in a 5500 square kilometer area in eastern Georgia known as Block 12, hereafter referred to as the "Block 12 PSA". The Block 12 PSA can be extended if commercial production remains viable upon its expiration in June 2022.

Under the terms of the Block 12 PSA, the Company is entitled to conduct exploration and production activities and is entitled to recover its cumulative costs and expenses from the Petroleum produced from Block 12. Following recovery of cumulative costs and expenses from Block 12 production, the remaining Petroleum sales, referred to as "Profit Oil" or "Profit Natural Gas", are allocated between Georgian Oil and Frontera in the proportion of 51% and 49%, respectively.

Under the terms of the Block 12 PSA, Frontera is exempt from all taxes imposed by the government of Georgia, and any taxes imposed on the Company are paid by Georgian Oil on behalf of the Company from Georgian Oil's 51% share of Profit Oil. Taxes are defined by the Block 12 PSA to mean all levies, duties, payments, fees, taxes or contributions payable to or imposed by any government agency, subdivision, municipal or local authorities within the government of Georgia.

Moldova

On January 2, 2017, the Company signed a Concession Agreement with the Government of Moldova (the "Concession Agreement") regarding the exploration, production and development of hydrocarbon resources in Moldova. Pursuant to the terms of the Concession Agreement, the Company has the exclusive right to explore for, produce and develop hydrocarbon resources within an area comprising approximately 3 million acres situated in the southern portion of the country. The overall term of the Concession Agreement is 50 years from the date of its execution, including an initial exploration phase of up to ten years.

2. Liquidity and Capital Resources

The following key financial measurements reflect the Company's financial position and capital resources as of June 30, 2018, December 31, 2017, and June 30, 2017:

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$ 633,026	$ 90,445	$ 74,535
Working capital (deficit)	(17,203,521)	(4,299,036)	(6,534,136)
Total debt	35,589,580	35,592,728	33,515,865

The Company has incurred net losses and negative cash flows from operations in most fiscal periods since inception. Management plans to continue to reduce costs and raise additional financing in order to continue to facilitate the Company's 2018 operating plan. As of June 30, 2018 the Company does not have any debt that is scheduled to mature in the next twelve months.

In the past several years there has been volatility and disruption in the global commodity, capital and credit markets. While these market conditions persist, the Company's ability to access the capital and credit markets may be adversely affected. Notwithstanding management's plan to manage costs and raise additional financing, the Company's viability is dependent upon producing oil and gas in sufficient quantities and marketing such oil and gas at sufficient prices to provide positive operating cash flow to the Company.

The Company is responsible for providing funding for the development of Block 12 in Georgia and will require additional funding in order to obtain certain levels of production and generate sufficient cash flows to meet future capital and operating spending requirements. This is dependent upon, among other factors, achieving significant increases in production, production of oil and gas at costs that provide acceptable margins, reasonable levels of taxation from local authorities, and the ability to market the oil and gas produced at or near world prices.

At the end of 2016 and beginning of 2017 management's continued efforts succeeded in the completion of a series of transactions resulting in the significant reduction of Company's debt and improvement of the financial position of the Company.

In December 2016 the convertible notes were restructured and note holders exchanged $30.1 million of notes due in 2016 into new secured notes due August 2020 (the "2020 Notes"). The 2020 notes are not convertible into ordinary shares of the Company, and bear an interest rate of 10 percent if paid in cash or 12 percent if paid in-kind with additional notes at the Company's election.

In 2017, the shareholders approved the increase of the Company's authorized share capital to 17,250,000,000 shares.

Simultaneously in June 2017, the Company entered into a standby equity distribution agreement with YA II PN, Ltd ("YA") (formerly, YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors LLC), whereby the entire amount of debt provided to the Company by YA under the previously announced SEDA-Backed Loan Agreement (the "SEDA") in the amount of approximately $6.2 million was eliminated through conversion into equity via the issuance of 7,200 Series A convertible, preferred, redeemable shares in the Company (the "Series A") with a par value of $0.00004 and a liquidation amount of $1,000 per share. Consequent to the conversion, the entire amount of debt owed to YA was eliminated from the Company's balance sheet. All other terms relating to the SEDA remained the same and, as of June 30, 2018, approximately $19 million of commitment was still available for drawdown. On June 6, 2018, the Company and YA agreed to restructure the Series A share agreement. See note 4 for further discussions on the Series A.

In May 2017, the Company approved the conversion of the related party notes payable into equity. Directors of the Company, Mr. Steve Nicandros (via an entity controlled by him) and Mr. Zaza Mamulaishvili, entered into note exchange agreements to eliminate approximately $26 million related to loans by the executives' advances to the Company. These loans were previously provided to the Company to support the Company's on-going operational and working capital requirements. The conversion was completed on June 30, 2017. Pursuant to the terms of the note exchange, there is a twelve month lock-in period on the sale of the new ordinary shares that Mr. Nicandros and Mr. Mamulaishvili received as a result of the conversion.

3. Basis of Presentation and Summary of Significant Accounting Policies

The condensed consolidated balance sheet of the Company at December 31, 2017 was derived from the Company's audited consolidated financial statements as of that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("US GAAP"). The condensed consolidated balance sheets at June 30, 2018 and June 30, 2017, the condensed consolidated statements of comprehensive loss for the six months ended June 30, 2018 and 2017, the condensed consolidated statement of changes in stockholders' deficit for the six months ended June 30, 2018, and the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017 were prepared by the Company in United States dollars ("USD").

In the opinion of Company management, all adjustments, consisting of normal recurring adjustments, necessary to state fairly the consolidated financial position, results of operations and cash flows were recorded. The results of operations for the six month period ended June 30, 2018 are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements presented in accordance with US GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's consolidated financial statements for the year ended December 31, 2017.

For a description of the Company's accounting policies, refer to Note 3 of the Company's 2017 consolidated financial statements.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future costs and expenses are inherently uncertain for numerous reasons, including many factors beyond the Company's control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, results of subsequent exploitation and development activities, prevailing commodity prices, operating costs and other factors. These revisions may be material and could materially affect the Company's future depletion, depreciation and amortization expenses.

The Company's revenue, profitability, and future growth are substantially dependent upon the prevailing and future prices for oil and natural gas, which are dependent upon numerous factors beyond its control such as economic, regulatory developments and competition from other energy sources. The energy markets have historically been volatile and there can be no assurance that oil and natural gas prices will not be subject to wide fluctuations in the future. A substantial or extended decline in oil and natural gas prices could have a material adverse effect on the Company's financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced.

Impairment

Under the full cost method of accounting, the net book value of natural gas and crude oil properties may not exceed a calculated "ceiling." The ceiling limitation is the discounted estimated future net revenue from proved natural gas and crude oil properties plus the cost of properties not subject to amortization. In calculating future net revenues, costs used are those as of the end of the appropriate period. The prices used are the unweighted average first-day-of-the-month commodity prices for the prior twelve months. These prices are not changed except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts.

The net book value is compared to the ceiling limitation on both a quarterly and annual basis. Any excess of the net book value is written off as impairment expense. Impairment expense recorded in one period may not be reversed in a subsequent period even though higher natural gas and crude oil prices may have increased the ceiling limitation in the subsequent period. There was no impairment charge recorded for the six months ended June 30, 2018 or 2017.

Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and unconvertible notes payable. The fair value of cash, accounts receivable and accounts payable are estimated to approximate the carrying value due to the liquid nature of these instruments. As such, the measurement was categorized as a Level 1 measurement per the fair value hierarchy. The fair value of the notes payable was determined based upon discount rates which approximate variable interest rates for borrowings of a similar nature.

The authoritative guidance related to fair value defines a hierarchy of inputs to valuation techniques based upon whether those inputs reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). Refer to the fair value of debt disclosed in Note 4. The Company does not have any assets or liabilities classified within Level 3 of the fair value hierarchy.

4. Debt

Debt consists of the following:

	June 30, 2018	December 31, 2017	June 30, 2017
Convertible notes payable	$ 35,580,650	$ 35,580,650	$ 33,500,734
Capital lease	8,930	12,078	15,122
Total debt	35,589,580	35,592,728	33,515,865
Less: Current notes payable	6,624	6,405	6,193
Total long- term debt	$ 35,582,956	$ 35,586,323	$ 33,508,672

Related Party Notes Payable

On January 11, 2011, a revolving credit facility ("Credit Facility") was put in place by and between the Company, Steve C. Nicandros, a Director of the Company, and Zaza Mamulaishvili, then a member of the Company's senior management team and now a Director of the Company (together, the "Lenders") in the amount of $2 million. The $2 million borrowing limit pursuant to the Credit Facility was removed on October 30, 2012. Accordingly, during 2017, the Company entered into a series of further notes payable governed by this Credit Facility with the Lenders in the aggregate amount of $0.2 million. These notes had a one-year term and bore interest of 15%.

In May 2017, the Company approved the conversion of the related party notes payable into equity. Directors of the Company, Mr. Steve Nicandros (via an entity controlled by him) and Mr. Zaza Mamulaishvili, entered into note exchange agreements to eliminate approximately $26 million related to loans by the executives' advances to the Company. These loans were previously provided to the Company to support the Company's on-going operational and working capital requirements. The conversion was agreed at a fixed conversion price of one pence per share. The conversion was completed on June 30, 2017. Pursuant to the terms of the note exchange, there is a twelve month lock-in period on the sale of the new ordinary shares that Mr. Nicandros and Mr. Mamulaishvili received at as a result of the conversion.

2020 Secured Unconvertible Notes Payable

On August 2, 2011, note holders exchanged $18.2 million of notes that originated in 2007 and 2008 into new notes issued under the 2016 Note Purchase Agreement due August 2016 (the "2016 Notes"). The 2016 Notes accrued interest at the rate of 10% per annum, matured five years from the date of issuance and were convertible into shares, at the option of the holder, at a conversion rate of $0.25 per share. During 2016 the Company elected to pay the quarterly interest payments in kind and issued approximately $1.8 million in additional convertible notes in accordance with the terms of the note purchase agreements.

On October 19, 2016, the Company and the holders of the largest outstanding group of the 2016 Notes, Outrider Master Fund, LP and Outrider Management, LLC (collectively "Outrider") agreed to exchange the 2016 Notes for new secured unconvertible notes maturing on August 1, 2020. On December 20, 2016, in accordance with this agreement, Frontera International Corporation, a wholly owned subsidiary, issued new secured unconvertible notes maturing on August 1, 2020 to Outrider. This was followed by the issuance of new notes on the same terms to other holders of the 2016 Notes. As a result of this exchange, the note holders exchanged $30.1 million of principal in the original notes into new secured notes due August 2020. There was $1.5 million in associated interest expense recognized through the end of year 2016 on the 2020 Notes. The 2020 Notes are not convertible into ordinary shares of the Company and bear an interest rate of 10 percent if paid in cash or 12 percent if paid in-kind with additional notes at the Company's election. Following the issue of the 2020 Notes, the 2016 Notes were re-assigned to the Company and cancelled. During 2017, the Company elected quarterly interest payments in kind and issued approximately $4.0 million in additional unconvertible notes in accordance with the terms of the 2020 Notes.

As of June 30, 2018, the fair value of 2020 Notes was approximately $29.4 million.

Other Notes Payable
In June 2011 the Company entered into a standby equity distribution agreement with YA providing for up to approximately $35.0 million of additional equity investment, through the issue of the new shares in the Company. As of June 30, 2018 approximately $19.0 million of commitment amount was still available for drawdown. The SEDA is effective through December 31, 2020.

In June 2017, the Company reached an agreement with YA whereby the entire amount of debt, provided to the Company by YA under the SEDA and SEDA-Backed Loan Agreement in the amount of approximately $6.2 million was eliminated through conversion into equity through the issuance of 7,200 Series A shares in the Company with par value of $0.00004 and with liquidation amount of $1,000 per share. The Series A shares were convertible into a maximum of 1,300,000,000 ordinary shares of the Company using the conversion price which, in respect of each conversion, meant the lesser of (i) the Fixed Conversion Price, or (ii) the Variable Conversion Price, where "Fixed Conversion Price" meant (a) up to and including December 31, 2017, 1.0 pence per share, and (b) after December 31, 2017, the lower of 1.0 pence per share or the closing bid price per share of the ordinary shares of the Company as of December 31, 2017, and "Variable Conversion Price" means 90% of the lowest daily volume weighted average price of the ordinary shares of the Company (as reported by Bloomberg) over the five consecutive trading days expiring on the trading day immediately prior to the date of delivery of the relevant conversion notice.

Pursuant to the terms of the agreement with YA, there is a limitation on number of ordinary shares that YA was entitled to convert each month whereby the value of such number of shares could not exceed $400,000 each month. Additionally, there is a limitation of a maximum of 1,300,000,000 ordinary shares that YA was entitled to convert over the twelve month period following the issuance of Series A shares. Consequent to the conversion, the entire amount of debt owed to YA was eliminated from the Company's balance sheet.

In 2017, 2,800 Series A preferred shares were converted by YA resulting in the issuance of 1,037,289,968 ordinary shares. During first six months of 2018, 1,509 Series A preferred shares were converted by YA resulting in the issuance of 262,697,886 ordinary shares. The last such conversion occurred on April 4, 2018, as announced on the same date, following which YA was in possession of the remaining 2,891 Series A shares with a redemption value of $2,891,000 which were redeemable on June 16, 2018. On June 6, 2018 the Company and YA agreed that the redemption of the remaining 2,891 Series A shares will take place over a twelve month period, on a monthly basis, for which the Company will be making cash redemption payments to YA of $265,000 per month. In June 2018, YA redeemed 241 Series A shares for cash. Once fully redeemed, the Series A shares will be cancelled. The Company has the right to convert redeemable Series A shares into ordinary shares, at its option. The Company has the right to pay down in cash the entire redemption amount for the outstanding number of Series A shares at any point. As consideration for this agreement, the Company Issued YA 10,000,000 new ordinary shares.

5. Commitments and Contingencies

Enforcement of Arbitration Award and Collection of Amounts due from Defendants
On January 9, 2008, Frontera Eastern Georgia Limited ("FEGL"), a subsidiary of the Company, served a notice of arbitration and claim on ARAR, Inc., for breach of contract under drilling services contract dated May 2, 2007. On December 16, 2008, FEGL entered into a settlement agreement with ARAR Inc, ARAR Petrol ve Gas Arama Uretim Paz A.S., and Mr. Fatih Alpay (collectively, “Defendants”), which was confirmed by the arbitration panel and pursuant to which Defendants were required to make a series of payments to FEGL through December 2009 in the aggregate amount of $1.25 million. As a result of court hearings and appeals as well as subsequent execution proceedings undertaken in November 2017, FEGL collected from the Defendants the full amount of the Final Award plus interest and expenses as of June 30, 2018 in the total amount of $2,026,126.

Georgian Tax Refund
From the inception of operations in Georgia, the Company has incurred certain tax expenses which per the terms of the Production Sharing Agreement with the Georgian government are subject to reimbursement from the state. The Company has notified the appropriate authorities and is in the process of collecting a tax refund from the Georgian government. As of June 30, 2018 the amount of refund due to the Company was $6.4 million. As collectability is uncertain, the Company has not recognized a receivable as of June 30, 2018 or 2017 for these ongoing proceedings.

6. Stockholders’ Equity

Common Stock
On February 9, 2018, the Company announced an underwritten offer to raise approximately $3.5 million at an offer price of $0.007 per ordinary share, which comprised a fully underwritten offer through PrimaryBid. On February 12, 2018 Company announced the successful raise of gross proceeds of $3.5 million. Accordingly, the Company issued 536,480,687 new ordinary shares pursuant to this transaction.

On February 13, 2018 the Company announced that, further to the completion of the fundraising announced on February 12, 2018, an institutional investor purchased 331,858,407 ordinary shares at a price of $0.006 per ordinary share resulting in a further $2.1 million cash receipt for the Company.

Preferred Stock
As discussed in Note 4, on May 17, 2017 the Company entered into agreement with YA, whereby the entire amount of debt, which had been provided to the Company by YA under the previously announced SEDA-Backed Loan Agreement, was converted into equity by issuing to YA 7,200 Series A convertible, preferred, redeemable shares in the Company (the "Series A") with the redemption value of $1,000 per share. Over the twelve month period after their issuance, the Series A shares were convertible into a maximum of 1,300,000,000 ordinary shares of the Company.

7. Supplemental Disclosures of Cash Flow Information

Supplemental cash flow information	**Six Months Ended June 30, 2018**	**Six Months Ended June 30, 2017**
Cash paid for interest expense	$ 2,301	$ 2,175
Non-cash investing and financing activities		
Issuance of notes in lieu of interest payments	-	3,375,229
Change in accounts payable and accrued liabilities related to oil and gas properties	4,253,666	(30,087)
Change in accounts payable and accrued liabilities related to non-oil and gas properties	(1,985)	(6,413)
Redemption of preferred stock to common stock	(1,509,000)	-
Issuance of common stock shares	54,940	-
Issuance of common stock from debt conversion	-	26,681,491
Issuance of preferred stock from debt conversion	-	6,200,277
Non-Cash expense on debt conversion	-	999,723

8. Subsequent Events

In September 2018, it came to the Company's attention that on August 28, 29, 30, 2018, and September 3, 2018, YA II PN, Ltd. arbitrarily sold 82,077,412 ordinary shares in the Company that have not been authorised, issued and admitted to trading by the Company. On August 28, 2018 and September 3, 2018, the Company received conversion notices from YA II PN, Ltd. in respect of 241 of its Series A Preferred Convertible Shares each in lieu of respective cash payments for the months of August and September. Those conversion notices stipulated that the number of Ordinary Shares to be issued following conversion were 82,077,412 and 93,784,120 Ordinary Shares respectively. The Company immediately commenced an investigation into this matter and on September 12, 2018 the Company's legal advisers informed YA II PN, Ltd. that (i) the Company had serious concerns as to the validity of the conversion notices and the calculations contained therein and (ii) the Company does not consider that it would be appropriate to action any conversions in respect of the conversion notices pending further investigation. In response, later on the same day, the Company received a purported notice of default from YA II PN, Ltd. in respect of the conversion notices and demanded the redemption in cash of the outstanding 2,650 Preferred Shares at a liquidation amount of $2,650,000. The Company vigorously disputes the validity of both the conversion notices and the purported default notice, and is continuing to investigate YA II PN Ltd.'s actions in that regard, particularly the above sales and YA II PN, Ltd.'s any other possible unauthorized dealings in shares.

Events occurring after June 30, 2018 were evaluated through September 26, 2018, the date these financial statements were available to be issued, to ensure that any subsequent events meeting the criteria for recognition or disclosure were included.