

SYLIOS CORP



**December 31, 2017
Annual Report**

UNAUDITED ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

SYLIOS CORP

(Name of registrant in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

26-2317506

(I.R.S. Employer Identification No.)

244 2nd Ave. N., Suite 9, St. Petersburg, FL 33701

(Address of principal executive office)

(Zip Code)

735 Arlington Ave. N., Suite 308, St. Petersburg, FL 33701

(Former office address)

(Zip Code)

Issuer's telephone Number: **(727) 482-1505**

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: None.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of December 31, 2017, there were 10,946,819,212 shares of the registrant's common stock, par value \$0.001, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements other than statements of historical facts included in this unaudited Annual Report, including without limitation, statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial position, estimated working capital, business strategy, the plans and objectives of our management for future operations and those statements preceded by, followed by or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "target", "goal", "plans", "objective", "should", or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that the assumptions upon which the forward-looking statements are based will prove to be correct. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements, including, but not limited to, the availability and pricing of additional capital to finance operations, including the drilling of our initial gas wells, longer term drilling programs and additional leasehold acquisitions, the viability of the crude and shale gas fields in south central Kentucky and West Virginia, our ability to build and maintain a successful operations infrastructure and to effectively drill and develop producing wells, the successful negotiation and execution of cost-effective third-party crude and gas drilling and distribution agreements, the continued commitment of drill rig operators and future economic conditions and volatility in energy prices.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Overview

Sylios Corp (f/k/a US Natural Gas Corp) (“Sylios”, the “Company”, “we”, “us”, or “our”) was organized as a Florida Corporation on March 28, 2008 under the name of Adventure Energy, Inc.

Sylios Corp is a holding corporation, which through its subsidiaries, has operations engaged in the exploration and development of oil and natural gas properties. The Company maintains equity investments in our two spin-offs catering to the medical and recreational marijuana industry and blockchain technology.

Our operations are currently divided amongst three wholly owned subsidiaries, US Natural Gas Corp KY (“KY”), US Natural Gas Corp WV (“WV”) (formerly Wilon Resources, Inc.) and SLMI Options, LLC (“SLMI”). During the fiscal year ended 2017, the Company spun-off The Greater Cannabis Company, Inc. and AMDAQ Corp. In addition, the Company sold Bud Bank, Inc.

US Natural Gas Corp WV:

US Natural Gas Corp WV’s (“WV”) operations were based in Wayne County, West Virginia and primarily concentrated on the production of commercially viable natural gas. On July 31, 2014, the Company and Bayport International Holdings, Inc. (“Bayport”) closed on the Asset Purchase Agreement entered into between the companies on July 9, 2014. Included within the assets sold by the Company were certain leases covering mineral rights, oil and natural gas wells, certain right of ways and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. Upon completion of the transaction with Bayport, the Company had no remaining leases, wells or activity in West Virginia.

US Natural Gas Corp KY:

US Natural Gas Corp KY (“KY”), a wholly owned subsidiary, concentrates on oil producing activities mainly in South-Central Kentucky where the Company has approximately 1700 acres under lease. On average, KY maintains a 95% working interest and 83% net revenue interest in each well. To date, KY has 13 wells under bond of which 0 are in production.

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY entered into a Letter of Intent with TerraTech, Inc. (“TTECH”), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. The Company originally intended on spinning-off TTECH through a stock dividend during the fourth calendar quarter of 2017. Due to some delays with the AMDAQ Corp spin-off, management has elected to file for the spin-off during the third quarter of 2018. Please see **NOTE V-TERRATECH ACQUISITION** for further information.

On February 5, 2017, the Company, through its wholly owned subsidiary US Natural Gas Corp KY (“KY”), entered into a Joint Venture Agreement (the “Agreement”) with Keller Energy, LLC (collectively the “Parties”) for the acquisition of certain oil producing wells within the states of Kentucky and Tennessee. Under the terms of the Agreement, the Parties will acquire oil producing wells with each Party maintaining a 50% working interest. Upon Closing of the Agreement, KY was assigned a 50% working interest in the Eddie D. Smith #5 and the Amos Nicholas #15-3, both located in Pickett County, TN.

During 2015, the Company elected to concentrate on the purchase of royalty interest in producing wells in the states of Kentucky and Tennessee. The Company will not act in the capacity as Operator of these wells thus reducing its capital commitment needed for future operations.

On September 5, 2012, the Company entered into an Asset Purchase Agreement with Madison Brothers Investments, LLC for the sale

of certain oil producing assets located in Edmonson County, Kentucky. These assets have been previously referred to as the “Pine Grove Project” throughout the Company’s previous press releases and filings with the Securities and Exchange Commission. Under the terms, the Company is to convey via deed, assignment, and/or transfer, twenty-five equipped oil wells, two water injection wells, and five oil and gas leases. The 182 acres of mineral rights purchased by the Company in the Purchase transaction were sold to a non-affiliate third party in a separate transaction. The transaction was finalized and fully funded on September 13, 2012. Terms of the transactions were not disclosed.

In July 2011, the Company announced the initiation of a new natural gas development project in Whitley County, Kentucky. To date, the Company has acquired two wells capable of producing natural gas and is in discussions to acquire five to seven additional wells. The Company has reached an agreement with Magnum Hunter Production for the transmission of the Company’s produced natural gas to its sales point. The Company has elected to place any further development of these leaseholds until natural gas pricing improves.

WHITLEY COUNTY, KENTUCKY WELLS

WELL NAME	TOTAL DEPTH (a)	STATUS (b)	PRODUCT (c)
HOBERT WHITE #1	1303	SI	NG
MILTON HARMON #1	1758	SI	NG

SOUTH CENTRAL KENTUCKY OIL WELLS

WELL NAME	COUNTY	TOTAL DEPTH (a)	STATUS (b)	PRODUCT (c)
JAMES BRUMMETT #1	ADAIR	1562	SI	O
JAMES BRUMMETT #2	ADAIR	1439	SI	O
JASON CAMFIELD #1	ADAIR	750	SI	O
J.C. LASLEY #1	ADAIR	1620	SI	O
J.C. LASLEY #1A	ADAIR	1565	SI	O
J.C. LASLEY #2	ADAIR	1574	SI	O
J.C. LASLEY #5	ADAIR	1657	SI	O
COLBY SMITH #1	ADAIR	1680	SI	O
D&M FARMS #1	HART	2250	SI	O
RANDY HATCHER #1	ADAIR	1574	SI	O
TROY ISOM #1	MORGAN	1705	SI	NG

(a) - Total Depth as per completion report

(b) - Status

- i) PR - In Production
- ii) PL - Plugged
- iii) SI - Shut-In

(c) - Product

- i) O - Oil production
- ii) NG - Natural Gas production
- iii) O/NG - Both Oil & Natural Gas production

ROYALTIES HELD (as NON-OPERATOR)

WELL NAME	COUNTY	% ROYALTY	STATUS (b)	PRODUCT (c)
GREEN 7-3-TW	FENTRESS	15	PR	O
JAMES PHARIS K-1	CUMBERLAND	5	SI	O
NEWBERRY	OVERTON	5	PR	O
NICHOLAS	PICKETT	5	SI	O

Our business strategy is to economically increase reserves, production, and the sale of natural gas and oil from existing and acquired properties in the Appalachian Basin and elsewhere, in order to maximize shareholders' return over the long term. Our strategic location in Kentucky enables us to actively pursue the acquisition and development of producing properties in that area that will enhance our revenue base without proportional increases in overhead costs.

We expect to generate long-term reserve and production growth through drilling activities and further acquisitions. We believe that our management's experience and expertise will enable us to identify, evaluate, and develop natural gas projects.

We have acquired and intend to acquire additional producing oil and gas property rights where we believe significant additional value can be created. Our Management is primarily interested in developmental properties where some combination of these factors exist: (1) opportunities for long production life with stable production levels; (2) geological formations with multiple producing horizons; (3) substantial exploitation potential; and (4) relatively low capital investment production costs.

Please see **NOTE P – SUBSEQUENT EVENT** for further information on KY.

SLMI Options, LLC:

SLMI Options, LLC ("SLMI") is a wholly owned subsidiary that was acquired through a Lender acquisition Agreement with SLMI Holdings, LLC in September 2009. The sole purpose of the acquisition of SLMI was to hold three commercial notes issued by Wilon Resources, Inc., (formerly "Wilon Resources of Tennessee, Inc.") in the years 2005 through 2007. There has been no additional operational activity of SLMI.

Equity Holdings

AMDAQ Corp:

AMDAQ Corp ("Amdaq") (formerly E 2 Investments, LLC) was a wholly owned subsidiary of the Company until October 2, 2017, payment date for the spin-off.

The Company's business model from inception through August 31, 2017 concentrated on alternative investments including but not limited to:

- Buying and selling of domestic equities
- Purchase of third party debt issued by publicly traded entities
- Purchase of mineral rights
- Direct Stock Purchase participation with other publicly traded entities
- Consulting capacity
- Purchase of Royalty or Working Interests in Crude and Natural Gas Producing wells

On September 1, 2017, the Company acquired AMDAQ Ltd, a corporation formed under the Registrar of Companies for England and Wales, in order to diversify its business model to enter into the rapidly expanding sectors of blockchain technology and digital assets.

AMDAQ's multi-faceted business model will allow the company to take advantage of the significant emerging opportunities being developed utilizing blockchain technology. The opportunities we have identified to date cross many industries, which will help minimize our exposure to any single sector. We have associated ourselves with leading experts in the field of blockchain technologies, allowing for a broad overview of exciting applications being developed, which include direct investments in blockchain applications, the AMDAQ marketplace and our TIKR division.

The AMDAQ marketplace will provide the infrastructure for the administration of pre-existing and potential ownership of both tangible and intangible assets and its adaptable structural utility can be used in parallel to any equity fundraising mechanism.

AMDAQ will allow both the documented ownership and transfer of assets for which there is no established registration process and the sub-division of ownership interests in otherwise registered assets where transfer processes may be expensive/cumbersome and/or trigger taxes and other expenses.

Using the AMDAQ platform, assets can be titled in a Smart Contract with ownership interests evidenced by ownership of an associated Ethereum token. The Smart Contract will provide not only the rules as to transfer of ownership but also automated voting mechanisms for each specific situation that requires governance decisions. Please see more details under our operations tab.

Our TIKR division is AMDAQ's solution to the rapidly growing public shell graveyard. Over time, regulations, increasing costs and poor execution of a Company's business plan can lead to the ultimate death of many public companies. So, what happens to these companies that stay listed, but trade below a penny or even lower? In many instances, they stay at these levels until new management is brought in to clean up the Company's financials and debt levels. Please see more details under our operations tab.

For further information on the Company's operations and filings with the Securities and Exchange Commission, please visit its corporate website at www.amdaq.com. Please see **NOTE S- SPIN-OFFS** and **NOTE U- AMDAQ, LTD ACQUISITION** for further information for further information.

The Greater Cannabis Company, Inc.:

The Greater Cannabis Company, Inc. ("GCC") was spun-off in a stock dividend to shareholders in 2017. The Company remains its largest shareholder of common stock with 5,378,476 shares or approximately 18%. As of the date of this report, GCC is waiting for the Financial Industry Regulatory Authority to assign the Company a trading symbol and a quote date.

The Greater Cannabis Company, Inc. (f/k/a The Greater Cannabis Company, LLC) was formed in Florida on March 14, 2014. The Company's business plan is to concentrate on cannabis related investment and development opportunities through direct retail sales, investments in private and/or public entities, joint ventures, licensing agreements or acquisitions.

The Company's business segments are divided into four operating segments:

1. **E-commerce**— Through the Company's wholly owned subsidiary, GCC Superstore, LLC, the Company has established an online store whose merchandise includes pipes, vaporizers, grinders, hemp related products, CBD (Cannabidiol) related products and additional products focusing on the cannabis industry. The online store, GCC Superstore, was opened in June 2017 and can be found at www.gccsuperstore.com. At present, the GCC Superstore carries in excess of 1000 products from 20 suppliers and over 50 brands. The online store operates under a "drop-ship" model which affords it the benefit of less capital expenditure on inventory.

2. **Advertising**— With the development of the GCC Superstore, the Company will place directed advertising throughout the online store. Advertising will originate through Google AdSense or direct-advertising sales by the Company. The company will also use social media outlets such as Facebook, Twitter and Instagram in an effort to attract customers with product specific advertisements or posts.

3. **Licensing**— The Company is actively seeking licensing opportunities in the cannabis sector, for intellectual property, products and dispensary means. At present, the Company does not have any active licensing agreements. On July 31, 2014, the Company entered into a Licensing Agreement with Artemis Dispensing Technologies for the development and resell of an automated dispensing product. Under the collaboration and license agreement, Artemis was to be responsible for the development of a high end automated dispensing product. Upon launch and sales of the product, Artemis was to be responsible for the installation, training and customer support for the hardware and software. The Company was to be responsible for direct sales, addition of key distributors and sublicensing of specific territories within the U.S. The initial term of the Agreement expired December 31, 2016 and in the opinion of management the Agreement is no longer in effect.

4. **Direct Investments**— The Company may, at its election, directly invest in private entities within the cannabis sector either through stock purchase agreements, debentures, joint ventures or a hybrid of each. The Company's planned investments will focus on those entities whose near-term goals are to maximum shareholder value through the filing of an initial public offering or a corporate event that takes the entity from private to public.

For further information on the Company's operations and filings with the Securities and Exchange Commission, please visit its corporate website at www.greatercannabiscompany.com. Please see **NOTE S- SPIN-OFFS** for further information.

Bud Bank, LLC:

On April 21, 2017, the Company entered into a definitive Asset Acquisition Agreement (the "Agreement") with The Greater Cannabis Company, Inc. ("GCC"), whereby GCC acquired the Company's wholly owned subsidiary Bud Bank, Inc. ("Bud Bank"). Under the Agreement, GCC is obligated to pay the Company a royalty of 10% of net sales proceeds generated by Bud Bank through its operations up to a total of \$50,000 and thereafter for perpetuity pay a royalty of 3% of net sales proceeds generated by Bud Bank through its operations. The transaction closed on June 21, 2017 concurrent with the Company's filings with the State of Florida. The transaction closed on June 20, 2017. Please see **NOTE W- BUD BANK DISPOSITION** for further information.

Licenses:

We hold a Gathering Line Operators License in the state of Kentucky. Prior to the sale of our oil and gas assets in West Virginia and the simultaneous assignment of all shares of E 3 Petroleum Corp in the "Bayport" transaction, we held an "Operator" license in the state of West Virginia. Please see **NOTE R- DISPOSITION OF OIL AND GAS PROPERTIES** for further information.

Patents/Trademarks:

On July 11, 2014, the Company filed a trademark for the name "Bud Bank" with the United States Office Patent and Trademark Office ("USPTO"). On September 10, 2014, the USPTO submitted a refusal letter due to the Company stating, "Registration is refused because the applied-for mark, as used in connection with the goods and/or services identified in the application, is not in lawful use in commerce. Trademark Act Sections 1 and 45, 15 U.S.C. §§1051, 1127." The Company has not elected to resubmit a new application for trademark to date.

Research & Development

For the fiscal year 2017, our expenses were minimal for research and development. The majority of our development funds were utilized in the pre-development phase of the GCC Superstore, legal, accounting and other costs associated with the spin-off of The Greater Cannabis Company, Inc. We anticipate that future research and development expenses will increase during the second half of 2018. The majority of our development costs were related to website development costs for the GCC Superstore during 2017.

Compliance Expenses

Our company incurs annual expenses to comply with state and federal licensing requirements. We estimate these costs to be under \$2,000 per year. In the event we elect to drill any new wells in Kentucky, we anticipate annual expenditures of approximately \$25,000 per well related to environmental costs including water drainage and land development. It is difficult to estimate these environmental expenses while we are still a development stage company as they are largely dependent on many factors for each drilled well. See "Government Regulation" and "Environmental Regulation" below.

Natural Gas

U.S. dry natural gas production averaged 73.6 billion cubic feet per day (Bcf/d) in 2017. EIA forecasts dry natural gas production will average 80.5 Bcf/d in 2018, establishing a new record. EIA expects natural gas production will rise again by 2.9 Bcf/d in 2019 to 83.3 Bcf/d.

Growing U.S. natural gas production is expected to support increasing natural gas exports in the forecast. EIA forecasts net natural gas exports to increase from 0.4 Bcf/d in 2017 to an annual average of 2.0 Bcf/d in 2018 and 4.6 Bcf/d in 2019.

EIA estimates that natural gas inventories increased by 22 billion cubic feet (Bcf) in April, ending the month 27% below the five-year average for the end of April. If confirmed in the monthly data, the April 2018 injection would be the smallest April injection since 1983. Preliminary data indicate April temperatures were the coldest for that month in the past 21 years, which contributed to low injections. Based on EIA's forecast of rising production, natural gas inventories should increase by more than the five-year average rate of growth during current the injection season (April–October) to reach more than 3.5 trillion cubic feet on October 31, which would be 8% lower than the five-year average for the end of October.

EIA expects Henry Hub natural gas spot prices to average \$3.01/million British thermal units (MMBtu) in 2018 and \$3.11/MMBtu in 2019. NYMEX futures and options contract values for August 2018 delivery that traded during the five-day period ending May 3, 2018, suggest that a range of \$2.32/MMBtu to \$3.40/MMBtu encompasses the market expectation for August 2018 Henry Hub natural gas prices at the 95% confidence level.

Crude

Brent crude oil spot prices averaged \$72 per barrel (b) in April, an increase of \$6/b from the March level and the first time monthly Brent crude oil prices have averaged more than \$70/b since November 2014. EIA forecasts Brent spot prices will average \$71/b in 2018 and \$66/b in 2019, which are \$7/b and \$3/b higher, respectively, than in the April STEO. EIA expects West Texas Intermediate (WTI) crude oil prices to average \$5/b lower than Brent prices in both 2018 and 2019. NYMEX WTI futures and options contract values for August 2018 delivery traded during the five-day period ending May 3, 2018, suggest a range of \$54/b to \$84/b encompasses the market expectation for August 2018 WTI prices at the 95% confidence level.

For the 2018 April–September summer driving season, EIA forecasts U.S. regular gasoline retail prices to average \$2.90/gallon (gal), 17 cents/gal higher than in last month's STEO and up from an average of \$2.41/gal last summer. The higher forecast gasoline prices are primarily the result of higher forecast crude oil prices. For the year 2018, EIA expects U.S. regular gasoline retail prices to average \$2.79/gal. Monthly average gasoline prices are forecast to reach a summer peak of \$2.97/gal in June, before falling to \$2.86/gal in September.

EIA estimates that U.S. crude oil production averaged 10.5 million barrels per day (b/d) in April, up 120,000 b/d from the March level. EIA projects that U.S. crude oil production will average 10.7 million b/d in 2018, up from 9.4 million b/d in 2017, and will average 11.9 million b/d in 2019, 0.4 million b/d higher than forecast in the April STEO. In the current outlook, EIA forecasts U.S. crude oil production will end 2019 at more than 12 million b/d.

EIA forecasts that total crude oil and petroleum product net imports will fall from an annual average of 3.7 million b/d in 2017 to an average of 2.6 million b/d in 2018 and to 1.5 million b/d in 2019, which would be the lowest level of net imports since 1958.

EIA estimates global petroleum and other liquid fuels inventories declined by 0.5 million b/d in 2017. In this forecast, global inventories grow by 0.2 million b/d in 2018 and by 0.6 million b/d in 2019.

1. https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf

Labor and Other Supplies

Oil and Natural Gas Operations: We contract all labor for the development of leasehold acreage in preparation for drilling, as well as the drilling and completion crews. Our employees monitor the wells on a daily basis, replace the completion components, repair the gathering system, and any other day-to-day maintenance.

Other Operational Activities: We contract all labor for website development and daily activities outside of management.

Principal Products or Services and Markets

The principal markets for the Company's crude oil are local refining companies. The principal markets for the Company's natural gas production are local utilities, private industry end-users, and gas marketing companies.

At present, crude oil produced by the Company in Kentucky is sold at or near the wells to Sunoco, Inc. or Barrett Oil Purchasing, Inc. Regal Petroleum is solely responsible for transportation to Sunoco's refineries for the oil they purchase. The Company may sell some or all of its production to one or more additional refineries in order to maximize revenues as purchases prices offered by the refineries fluctuate from time to time.

Drilling Equipment

The Company obtains drilling services as required from time to time from various companies as available and various drilling contractors in Kentucky.

Distribution Methods of Products or Services

Crude oil is normally delivered to refineries in Kentucky by tank truck and natural gas is distributed and transported by pipeline.

Commodity Price Volatility

Oil and natural gas prices are volatile and subject to a number of external factors. Prices are cyclical and fluctuate as a result of shifts in the balance between supply and demand for oil and natural gas, world and North American market forces, conflicts in Middle Eastern countries, inventory and storage levels, OPEC policy, weather patterns and other factors. OPEC supply curtailment, tensions in the Middle East, increased demand in China and low North American crude stocks have kept crude oil prices high. Natural gas prices are greatly influenced by market forces in North America since the primary source of supply is contained within the continent.

Market forces include the industry's ability to find new production and reserves to offset declining production, economic factors influencing industrial demand, weather patterns affecting heating demand and the price of oil for fuel switching.

Seasonality

The exploration for oil and natural gas reserves depends on access to areas where operations are to be conducted. Seasonal weather variations, including freeze-up and break-up affect access in certain circumstances. According to the American Petroleum Institute, more than 60 million U.S. households use natural gas for water heating, space heating, or cooking. In total, natural gas accounts for more than 50 percent of the fuel used to heat U.S. homes. Residential and commercial heating demand for natural gas is highly weather-sensitive, making weather the biggest driver of natural gas demand in the short term. As a result, natural gas demand is highly "seasonal" in nature, with significant "peaks" in the winter heating season.

Seasonality and the natural gas in storage also play a prominent role in natural gas prices. Because natural gas consumption is seasonal but production is not, natural gas inventories are built during the summer for use in the winter. This seasonality leads to higher winter prices and lower summer prices. In addition, inventories above the seasonal average depress prices, and inventories below the seasonal average boost prices.

Governmental Regulation

Operations are or will be subject to various types of regulation at the federal, state and local levels. Such regulation includes requiring permits for the drilling of wells; maintaining bonding requirements in order to drill or operate wells; implementing spill prevention plans; submitting notification and receiving permits relating to the presence, use and release of certain materials incidental to oil and gas operations; and regulating the location of wells, the method of drilling and casing wells, the use, transportation, storage and disposal of fluids and materials used in connection with drilling and production activities, surface usage and the restoration of properties upon which wells have been drilled, the plugging and abandoning of wells and the transporting of production.

Operations are or will also be subject to various conservation matters, including the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in a unit, and the unitization or pooling of oil and gas properties.

In this regard, 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 establish maximum rates of production from oil and gas wells, generally limit the venting or flaring of 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 may be able to produce from the wells and to limit the number of wells or the locations at which we may be able to drill.

Business is affected by numerous laws and regulations, including energy, environmental, conservation, tax and other laws and regulations relating to the oil and gas industry. We plan to develop internal procedures and policies to ensure that operations are conducted in full and substantial environmental regulatory compliance.

Failure to comply with any laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of injunctive relief or both. Moreover, changes in any of these laws and regulations could have a material adverse effect on business. In view of the many uncertainties with respect to current and future laws and regulations, including their applicability to us, we cannot predict the overall effect of such laws and regulations on future operations.

We believe that operations comply in all material respects with applicable laws and regulations and that the existence and enforcement of such laws and regulations have no more restrictive an effect on operations than on other similar companies in the energy industry. We do not anticipate any material capital expenditures to comply with federal and state environmental requirements.

Environmental Regulation

The oil and gas industry is extensively regulated by federal, state and local authorities. The scope and applicability of legislation is constantly monitored for change and expansion. Numerous agencies, both federal and state, have issued rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for noncompliance. To date, these mandates have had no material effect on our capital expenditures, earnings or competitive position.

Legislation and implementing regulations adopted or proposed to be adopted by the Environmental Protection Agency and by comparable state agencies, directly and indirectly, affect our operations. We are required to operate in compliance with certain air quality standards, water pollution limitations, solid waste regulations and other controls related to the discharging of materials into, and otherwise protecting the environment. These regulations also relate to the rights of adjoining property owners and to the drilling and production operations and activities in connection with the storage and transportation of natural gas and oil.

We may be required to prepare and present to federal, state or local authority's data pertaining to the effect or impact that any proposed operations may have upon the environment. Requirements imposed by such authorities could be costly, time-consuming and could delay continuation of production or exploration activities. Further, the cooperation of other persons or entities may be required for us to comply with all environmental regulations. It is conceivable that future legislation or regulations may significantly increase environmental protection requirements and, as a consequence, our activities may be more closely regulated which could significantly increase operating costs. However, management is unable to predict the cost of future compliance with environmental legislation. As of the date hereof, management believes that we are in compliance with all present environmental regulations. Further, we believe that our oil and gas explorations do not pose a threat of introducing hazardous substances into the environment. If such event should occur, we could be liable under certain environmental protection statutes and laws.

We presently do not carry insurance for environmental liability. Our exploration and development operations are subject to various

types of regulation at the federal, state and local levels. Such regulation includes the requirement of permits for the drilling of wells, the regulation of the location and density of wells, limitations on the methods of casing wells, requirements for surface use and restoration of properties upon which wells are drilled and governing the abandonment and plugging of wells. Exploration and production are also subject to property rights and other laws governing the correlative rights of surface and subsurface owners.

We are subject to the requirements of the Occupational Safety and Health Act, as well as other state and local labor laws, rules and regulations. The cost of compliance with the health and safety requirements is not expected to have a material impact on our aggregate production expenses. Nevertheless, we are unable to predict the ultimate cost of compliance.

Competition

We are in direct competition with numerous oil and natural gas companies, drilling and income programs and partnerships exploring various areas of the Appalachian Basin and elsewhere competing for customers. Several of our competitors are large, well-known oil and gas and/or energy companies, but no single entity dominates the industry. Many of our competitors possess greater financial and personnel resources, sometimes enabling them to identify and acquire more economically desirable energy producing properties and drilling prospects than us. We are more of a regional operator, and have the traditional competitive strengths of one, including recently established contacts and in-depth knowledge of the local geography. Additionally, there is increasing competition from other fuel choices to supply the energy needs of consumers and industry. Management believes that there exists a viable market place for smaller producers of natural gas and oil and for operators of smaller natural gas transmission systems.

Cannabis Market Growth and Current Trends

Over the past few years, there have been a series of events that have help further shape the development of the cannabis and mobile technology industries:

- On August 29, 2013, Deputy Attorney General James Cole issued a memo (the “Cole Memo”) in response to certain states passing measures to legalize the medical and adult-use of cannabis. The Cole Memo does not alter the Department of Justice's authority to enforce Federal law, including Federal laws relating to cannabis, regardless of state law, but does recommend that U.S. Attorneys focus their time and resources on certain priorities, rather than businesses legally operating under state law. These guidelines focus on ensuring that cannabis does not cross state lines, keeping dispensaries away from schools and public facilities, and strict-enforcement of state laws by regulatory agencies, among other priorities.
- On January 1, 2014, the first sales of cannabis for adult-use permissible under state law took place in Colorado. This event resulted in significant media coverage for the industry. Since that time, three other states and the District of Columbia have made adult-use permissible under their state law and several states have ballot proposals pending at upcoming elections.
- On February 14, 2014, the Departments of Justice and Treasury issued a joint memo allowing banks and financial institutions to accept deposits from dispensaries operating legally under state law. In most cases, dispensaries had been forced to operate on a cash basis, presenting significant security and accounting issues. This was a major step in legitimizing and accepting the cannabis industry on a national level. Further, the passing of the Rohrabacher Farr Amendment (defined below) in 2014 and 2015 indicates some level of support in Congress for medicinal cannabis, even if its actual effect is still undetermined. See additional discussion on government regulations in the “Government Regulation” section below.

See additional discussion on government regulations in the “Government Regulation” section below.

Current States With Laws Permitting the Medical or Adult Use of Cannabis

As of January 23, 2018, 29 states and the District of Columbia have passed laws allowing some degree of medical use of cannabis, while eight of those states and the District of Columbia have also legalized the adult-use of cannabis. The states which have enacted such laws are listed below:

State	Year Passed
1. Alaska*	1998
2. Arizona	2010
3. Arkansas	2016
4. California*	1996
5. Colorado*	2000
6. Connecticut	2012
7. District of Columbia*	2010
8. Delaware	2011

9. Florida	2016
10. Hawaii	2000
11. Illinois	2013
12. Maine*	1999
13. Maryland	2014
14. Massachusetts*	2012
15. Michigan	2008
16. Minnesota	2014
17. Montana	2004
18. Nevada*	2000
19. New Hampshire	2013
20. New Jersey	2010
21. New Mexico	2007
22. New York	2014
23. North Dakota	2016
24. Ohio	2016
25. Oregon*	1998
26. Pennsylvania	2016
27. Rhode Island	2006
28. Vermont	2004
29. Washington*	1998
30. West Virginia	2017

* State has enacted laws permitting the adult use of cannabis, in addition to medical use.

Public Support for Legalization Increasing

A Gallup poll conducted in October 2013 found that 58% of the American people supported legalizing the adult-use of cannabis, an increase of 22% from 2005. This is the first time in American history the majority of registered voters support the full legalization of cannabis for adult-use. Moreover, 67% of participants aged 35 and below voted in support of recreational adult-use, setting the trend for years to come.

A 2016 ArcView Market Research report predicts an additional 14 states will legalize the adult-use of cannabis and two states will legalize medical-use within the next five years. If public support for cannabis legalization continues to increase, we believe it is likely that Federal policies towards marijuana will be reformed. The combination of additional states legalizing adult-use under state law, expansion of medical-use provisions in states where it is currently permitted under state law and increased public awareness is projected to cause marijuana sales permitted under state law to grow from \$1.43 billion in 2013 to \$10.2 billion in 2018, according to ArcView Market Research.

The Greater Cannabis Company, Inc.'s business model is designed to scale as marijuana legalization continues to spread. Every state that legalizes the medicinal or adult-use of cannabis expands the number of licensed businesses in the industry, increasing our potential customer base and potential revenues.

Market Conditions that Could Limit Our Business

Cannabis is a Schedule I Controlled Substance under Federal law and, as such, there are several factors that could limit our market and our business. They include, but are not limited to:

- The Federal government and many private employers prohibit drug use of any kind, including cannabis, even where it is permissible under state law. Random drug screenings and potential enforcement of these employment provisions significantly reduce the size of the potential cannabis market;
- Enforcement of Federal law prohibiting cannabis occurs randomly and often without notice. This could scare many potential investors away from cannabis-related investments and makes it difficult to make accurate market predictions;
- There is no guarantee that additional states will pass measures to legalize cannabis under state law. In many states, public support of legalization initiatives is within the margin of error of pass or fail. This is especially true when a supermajority is needed to pass measures, like in Florida where a state constitutional amendment permitting medical cannabis has been proposed but requires 60% approval to pass. Changes in voters' attitudes and turnout have the potential to slow or stop the cannabis legalization movement and potentially reverse recent cannabis legalization victories;

- There has been some resistance and negativity as a result of recent cannabis legalization at the state level, especially as it relates to drugged driving. The lack of clearly defined and enforced laws at the state level has the potential to sway public opinion against marijuana legalization; and
- Even if the Federal government does not enforce the Federal law prohibiting cannabis, the legality of the state laws regarding the legalization of cannabis are being challenged through lawsuits. Oklahoma and Nebraska recently sued Colorado over the legalization of cannabis, and other lawsuits have been brought by private groups and local law enforcement officials. If these lawsuits are successful, state laws permitting cannabis sales may be overturned and significantly reduce the size of the potential cannabis market and affect our business.

Employees

As of the date of this Report, we had one full time employee that serves in the role of President, Vice President, and Treasurer. our sole officer and director also serve as the President and Chairman of the Board of The Greater Cannabis Company, Inc., our former wholly owned subsidiary. We plan to expand our management team within the next 12 months to include certain officers for our currently active subsidiaries and any new subsidiaries or operational activities management deems necessary. We consider our relations with our employees and consultants to be in good standing.

Report to Shareholders

On April 16, 2012, the Company filed a Form 15 with the Securities and Exchange Commission to immediately end the Company's requirements as a fully reporting entity. The Company's common stock will continue to be quoted on the OTC Markets ("Pinksheets"). Upon filing the Company's financial information, the Company's status on the OTC Markets will be deemed as "Current Information". In the event the Company fails to file its financial information with the OTC Markets, it may be deemed as "Limited Information or "STOP". Our current financial filings and other reports can be found at www.otcmarkets.com.

Prior to filing the Form 15, the Company was subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, we filed annual, quarterly and other reports and information with the Securities and Exchange Commission. The public may read and copy these reports, statements, or other information we file at the SEC's public reference room at 100 F Street, NE., Washington, DC 20549 on official business days during the hours of 10 a.m. to 3 p.m. State that the public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission at (<http://www.sec.gov>).

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below as well as other information provided to you in this document, including information in the section of this document entitled "Forward Looking Statements." The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently believes are immaterial may also impair the Company's business operations. If any of the following risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected, the value of the Company common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO THE BUSINESS AND FINANCIAL CONDITION

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease ongoing business operations.

We are in the "developmental" stage of business and have yet to commence any substantive commercial operations. We have limited history of revenues from operations. We have yet to generate positive earnings and there can be no assurance that we will ever operate profitably. We have a limited operating history and must be considered in the developmental stage. Success is significantly dependent on a successful drilling, completion and production program. Operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the developmental stage and potential investors should be aware of the difficulties normally encountered by enterprises in this stage. If the business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in the Company.

As properties are in the exploration stage, there can be no assurance that we will establish commercial discoveries on the properties.

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few properties that are explored are ultimately developed into producing oil and/or gas wells. The majority of our Kentucky properties are in the exploration stage, where we currently have 9 wells in production. Failure to make commercial discoveries on any of these properties would prevent our company from earning revenue and could lead to the failure of our business.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to grow effectively.

Our performance largely depends on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Our continued ability to compete effectively depends on our ability to attract new technology developers and to retain and motivate our existing contractors. Failure to attract and retain qualified personnel could result in a slower and less efficient development of our company.

We will need significant additional capital, which we may be unable to obtain.

Our capital requirements will be significant. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to continue our operations, and there can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain additional financing, our exploration activities will be curtailed. To date, the majority of expenses have been paid directly by the President, Vice-President, or through outside financing. If either party elects to cease paying operating expenses, or the Company is unsuccessful in obtaining additional outside financing, the Company may not be able to continue its existence.

Our independent auditors have expressed doubt about our ability to continue as a going concern, and the amounts recorded in our financial statements may require adjustments if the assumption that the entity is a going concern proves untrue, which may hinder our ability to obtain future financing.

Our independent auditors stated that our financial statements were prepared assuming that we would continue as a going concern. As a result of the going concern qualification, we may find it much more difficult to obtain financing in the future, if required. Further, any financing we do obtain may be on less favorable terms. Moreover, if the Company should fail to continue as a going concern, there is a risk of total loss of any monies invested in the Company, and it is also possible that, in such event, our shares would be of little or no value.

Failure to properly manage our potential growth would be detrimental to our business.

Any growth in our operations will place a significant strain on our resources and increase demands on our management and on our operational and administrative systems, controls and other resources. There can be no assurance that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. We may fail to adequately manage our anticipated future growth. We will also need to continue to attract, retain and integrate personnel in all aspects of our operations. Failure to manage our growth effectively could hurt our business.

Risks related to our oil and natural gas operations:

We are a new entrant into the oil and gas exploration and development industry without profitable operating history.

Since inception, activities have been limited to organizational efforts, obtaining working capital and acquiring and developing a very limited number of properties. As a result, there is limited information regarding property related production potential or revenue generation potential. As a result, future revenues may be limited or non-existent.

The business of oil and gas exploration and development is subject to many risks. The potential profitability of oil and natural gas properties if economic quantities are found is dependent upon many factors and risks beyond our control, including, but not limited to: (i) unanticipated ground conditions; (ii) geological problems; (iii) drilling and other processing problems; (iv) the occurrence of unusual weather or operating conditions and other force majeure events; (v) lower than expected reserve quantities; (vi) accidents; (vii) delays in the receipt of or failure to receive necessary government permits; (viii) delays in transportation; (ix) labor disputes; (x) government permit restrictions and regulation restrictions; (xi) unavailability of materials and equipment; and (xii) the failure of equipment or drilling to operate in accordance with specifications or expectations.

Drilling operations may not be successful which would harm our ability to operate.

There can be no assurance that future drilling activities will be successful, and we cannot be sure that overall drilling success rate or production operations within a particular area will ever come to fruition and, if it does, will not decline over time. We may not recover all or any portion of the capital investment in the wells or the underlying leaseholds. Unsuccessful drilling activities would have a material adverse effect upon results of operations and financial condition. The cost of drilling, completing, and operating wells is often uncertain, and a number of factors can delay or prevent drilling operations including: (i) unexpected drilling conditions; (ii) pressure or irregularities in geological formations; (iii) equipment failures or accidents; (iv) adverse weather conditions; and (v) shortages or delays in availability of drilling rigs and delivery of equipment. If we are unable to successfully drill for oil and natural gas, we will not have revenue and in turn, the company could fail.

Production initiatives may not prove successful which could have a material adverse effect upon our operations.

The shales from which we intend to produce natural gas frequently contain water, which may hamper the ability to produce gas in commercial quantities. The amount of natural gas that can be commercially produced depends upon the rock and shale formation quality, the original free gas content of the shales, the thickness of the shales, the reservoir pressure, the rate at which gas is released from the shales, and the existence of any natural fractures through which the gas can flow to the well bore. However, shale rock formations frequently contain water that must be removed in order for the gas to detach from the shales and flow to the well bore. The ability to remove and dispose of sufficient quantities of water from the shales will determine whether or not we can produce gas in commercial quantities.

There is no guarantee that the potential drilling locations we have or acquire in the future will ever produce natural gas, which could have a material adverse effect upon the results of operations.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities which could have a material adverse effect upon our operations.

Prospects are in various stages of preliminary evaluation and assessment and we have not reached the point where we will decide to drill at all on the subject prospects. The use of seismic data, historical drilling logs, offsetting well information, and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling and testing whether natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities or quality to recover drilling or completion costs or to be economically viable. In sum, the cost of drilling, completing and operating any wells is often uncertain and new wells may not be productive.

If production results from operations, we are dependent upon transportation and storage services provided by third parties.

We will be dependent on the transportation and storage services offered by various interstate and intrastate pipeline companies for the delivery and sale of gas supplies. Both the performance of transportation and storage services by interstate pipelines and the rates charged for such services are subject to the jurisdiction of the Federal Energy Regulatory Commission or state regulatory agencies. An inability to obtain transportation and/or storage services at competitive rates could hinder processing and marketing operations and/or affect sales margins.

The potential profitability of oil and gas ventures depends upon factors beyond the control of our company.

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect financial performance.

Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic in the event that water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. The marketability of oil and gas which may be acquired or discovered will be affected by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulations. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

The oil and gas industry is highly competitive and there is no assurance that we will be successful in acquiring new leases.

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which have substantially greater technical, financial and operational resources and staffs. Accordingly, there is a high degree of competition for desirable oil and gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed. With the increased competition for mineral rights leases, we cannot say with certainty that we will be able to expand beyond the current 17,000 acres we currently hold. If we are unable to acquire further leaseholds, our drilling activities will be restricted to the acreage we currently maintain, which will in turn limit our growth and revenue.

Oil and gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.

Oil and gas operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal, state or local authorities may be changed and any such changes may have material adverse effects on activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages which we may elect not to insure against due to prohibitive premium costs and other reasons. To date we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in future and this may affect our ability to expand or maintain operations.

Exploration activities are subject to certain environmental regulations which may prevent or delay the commencement or continuance of operations.

In general, exploration activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Compliance with these laws and regulations has not had a material effect on operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry.

We believe that our operations comply, in all material respects, with all applicable environmental regulations. Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on financial position.

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or which we may elect not to insure. Incurring any such liability may have a material adverse effect on financial position and operations.

Any change to government regulation/administrative practices may have a negative impact on the ability to operate and profitability.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States or any other jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter the ability of our company to carry on our business.

The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate profitably.

Risks related to our holdings in the cannabis industry:

Our success is dependent on additional states legalizing medical marijuana and on localities passing legislation to allow

dispensaries.

Continued development of the medical marijuana market is dependent upon continued legislative authorization of marijuana at the state level for medical purposes and on local governments authorizing a sufficient number of dispensaries. Any number of factors could slow or halt the progress. Furthermore, progress, while encouraging, is not assured, and the process normally encounters setbacks before achieving success. While there may be ample public support for legislative proposal, key support must be created in the legislative committee or a bill may never advance to a vote. Numerous factors impact the legislative process. Any one of these factors could slow or halt the progress and adoption of marijuana for medical purposes, which would limit the market for our products and negatively impact our business and revenues.

The alternative medicine industry faces strong opposition.

It is believed by many that well-funded, significant businesses may have a strong economic opposition to the medical marijuana industry as currently formed. We believe that the pharmaceutical industry clearly does not want to cede control of any compound that could become a strong selling drug. For example, medical marijuana will likely adversely impact the existing market for Marinol, the current “marijuana pill” sold by mainstream pharmaceutical companies. Furthermore, the medical marijuana industry could face a material threat from the pharmaceutical industry should marijuana displace other drugs or simply encroach upon the pharmaceutical industry’s market share for compounds such as marijuana and its component parts. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry makes in halting or rolling back the medical marijuana movement could have a detrimental impact on the market for our products and thus on our business, operations and financial condition.

Marijuana remains illegal under federal law.

Marijuana remains illegal under federal law. It is a schedule-I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers’ Coop.* and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana preempts state laws that legalize its use for medicinal purposes. Presently, despite federal law, many states are maintaining existing laws and passing new ones in this area. This may be because the Obama Administration has made a policy decision to allow states to implement these laws and not prosecute anyone operating in accordance with applicable state law.

Regardless of the Obama Administration’s policy decision, the federal government may at any time choose to enforce the federal law, and, in the past, it has investigated medical marijuana businesses in the various states in which we do business. Moreover, we face another presidential election cycle in 2016, and a new administration could introduce a less favorable policy. A change in the federal attitude towards enforcement could cripple the industry.

Although we do not market, sell, or produce marijuana or marijuana related products, there is a risk that we could be deemed to facilitate the selling or distribution of marijuana in violation of the federal Controlled Substances Act, or be deemed to be aiding or abetting, or being an accessory to, a violation of the Controlled Substances Act. Additionally, even if the Federal government does not prove a violation of the Controlled Substances Act, the federal government may seize, through civil asset forfeiture proceedings, certain Company assets, such as equipment, real estate, moneys and proceeds if the government can prove a substantial connection between these assets and marijuana distribution or cultivation.

Adverse actions taken by the federal government may lead to delays on our business operations, disruptions to our revenue streams, losses of substantial assets, and substantial litigation expenses. Furthermore, the medical marijuana industry is our primary target market, and if this industry were unable to operate, we would lose the majority of our potential clients, which would have a negative impact on our business, operations and financial condition.

We and people and businesses that we do business with may have difficulty accessing the service of banks, which may make it difficult for them to purchase our products and services.

As discussed above, the use of marijuana is illegal under federal law. Therefore, there is a compelling argument that banks cannot accept for deposit funds from the drug trade and therefore cannot do business with our clients that traffic in marijuana, and clinic operators often have trouble finding a bank willing to accept their business. On February 14, 2014, the U.S. Department of the Treasury Financial Crimes Enforcement Network (“FinCEN”) released guidance to banks “clarifying Bank

Secrecy Act (“BSA”) expectations for financial institutions seeking to provide services to marijuana-related businesses.” In addition, U.S. Rep. Jared Polis (D-CO) has stated he will seek an amendment to banking regulations and laws in order to allow banks to transact business with state-authorized medical marijuana businesses. While these are positive developments, there can be no assurance this

legislation will be successful, or that, even with the FinCEN guidance, banks will decide to do business with medical marijuana retailers, or that, in the absence of actual legislation, state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under federal law. The inability of potential clients in our target markets to open accounts and otherwise use the services of banks may make it difficult for such potential clients to purchase our products and services and could materially harm our business.

Our business is dependent upon continued market acceptance by consumers.

We are substantially dependent on continued market acceptance of our dispensary machines and vaporizer products by consumers. Although we believe that the use of dispensing machines and vaporizers in the United States is gaining better consumer acceptance, we cannot predict the future growth rate and size of this market.

RISKS RELATED TO COMMON STOCK

There is currently a limited public market for our Common Stock. Failure to develop or maintain a trading market could negatively affect its value and make it difficult or impossible for you to sell your shares.

There has been a limited public market for our Common Stock and an active public market for our Common Stock may not develop. Failure to develop or maintain an active trading market could make it difficult for you to sell your shares or recover any part of your investment in us. Even if a market for our Common Stock does develop, the market price of our Common Stock may be highly volatile. In addition to the uncertainties relating to future operating performance and the profitability of operations, factors such as variations in interim financial results or various, as yet unpredictable, factors, many of which are beyond our control, may have a negative effect on the market price of our Common Stock.

If we fail to remain current on our reporting requirements with OTC Markets, our status may be downgraded from “Current Information Tier” to that of OTC Pink with a “STOP” sign signaling that we are not filing the required public disclosures. If this were to happen, it may limit the ability of broker-dealers to sell our securities in the secondary market.

Companies listed on the OTC Markets, such as us, must file Annual Financial Statements and subsequent Quarterly Reports, in order to maintain price quotation privileges under the “Current Information Tier” of the OTC Markets. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market if we fail to meet the reporting requirements of the OTC Markets. In addition, if we fail to file the required financial reports we may be unable to get relisted on the OTC Markets, which may have an adverse material effect on the Company. Please see "ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION, Recent Developments, for an explanation of the change in trading platform from the OTC Bulletin Board and OTCQB to only the OTC Markets (“Pinksheets”).

We do not expect to pay dividends in the future; any return on investment may be limited to the value of our common stock.

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of our board of directors. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

Authorization of preferred stock.

Our Certificate of Incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock with designations, rights and preferences determined from time to time by its Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the holders of the common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

On September 4, 2009, the Company entered into a Lender Acquisition Agreement (the “Agreement”) with SLMI Holdings LLC (“Holdings”) and SLMI Options, LLC (“Options”). Pursuant to the Agreement, the Company acquired all of the outstanding ownership units (the “Ownership Units”) of Options from Holdings. As part of the agreement, the Company agreed to issue to Holdings 1,000,000 shares of Series A Preferred Stock of the Company, which shares shall be convertible into 10,000,000 shares of common stock upon the occurrence of an event of default under the Agreement. The Holders of the Series A Preferred shall have the

right to one vote for each one share of Series A Preferred stock owned. The Agreement provides that in the event of a default, the Holders of the Series A Preferred Stock shall have the right to appoint 3 additional members to the Company's Board of Directors. In addition, the holders of the Series A Preferred Stock shall have the right to appoint an observer to the Company's Board of Directors who will act as tie breaking vote upon the occurrence of an event of default and the subsequent increase in the size of the Board to six members. The Company also agreed to issue 300,000 shares of Series B Preferred Stock to Holdings in consideration for the issuance of a promissory note in the principal amount of \$300,000 which is due on the fifth anniversary of the Agreement and which is secured by the Series B Preferred Stock. The Series B Preferred Stock is convertible into 3,000,000 shares of common stock of the Company. As of December 31, 2017, there are 1,000,000 and 0 shares issued and outstanding of Series A and Series B Preferred stock, respectively.

On April 18, 2011, the Board approved the designation of an additional Series of Preferred Stock titled Series C Preferred Stock. Of the 5.0 million Preferred shares authorized, 1.0 million shall be designated as Series C. As of December 31, 2017, there are 0 shares of Series C Preferred Stock outstanding.

On November 14, 2017, the Board approved the designation of an additional Series of Preferred Stock titled Series D Preferred Stock. Of the 5.0 million Preferred shares authorized 500,000 shall be designated as Series D Preferred Stock. As of December 31, 2017, there are 100 shares of Series D Preferred Stock outstanding.

Please *see* **NOTE L – STOCKHOLDERS' EQUITY** for further information.

Our common stock is subject to the U.S. "Penny Stock" Rules and investors who purchase our common stock may have difficulty re-selling their shares as the liquidity of the market for our common stock may be adversely affected by the impact of the "Penny Stock" Rules.

Our stock is subject to U.S. "Penny Stock" rules, which may make the stock more difficult to trade on the open market. Our common shares are currently listed on the OTC ("Pinksheets") but there is no current regular trading in our common stock. A "penny stock" is generally defined by regulations of the U.S. Securities and Exchange Commission ("SEC") as an equity security with a market price of less than US\$5.00 per share. However, an equity security with a market price under US\$5.00 will not be considered a penny stock if it fits within any of the following exceptions:

- (i) the equity security is listed on NASDAQ or a national securities exchange;
- (ii) the issuer of the equity security has been in continuous operation for less than three years, and either has (a) net tangible assets of at least US\$5,000,000, or (b) average annual revenue of at least US\$6,000,000; or
- (iii) the issuer of the equity security has been in continuous operation for more than three years, and has net tangible assets of at least US\$2,000,000.

Our common stock does not currently fit into any of the above exceptions.

If an investor buys or sells a penny stock, SEC regulations require that the investor receive, prior to the transaction, a disclosure explaining the penny stock market and associated risks. Furthermore, trading in our common stock will be subject to Rule 15c-9 of the Exchange Act, which relates to non-NASDAQ and non-exchange listed securities. Under this rule, broker/dealers who recommend our securities to persons other than established customers and accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale. Securities are exempt from this rule if their market price is at least \$5.00 per share. Since our common stock is currently deemed penny stock regulations, it may tend to reduce market liquidity of our common stock, because they limit the broker/dealers' ability to trade, and a purchaser's ability to sell, the stock in the secondary market.

Future Issuance of Additional Shares of the Company's Common Stock Could Cause Dilution of Ownership Interest and Adversely Affect Stock Price.

The Company may in the future issue previously authorized and unissued securities, resulting in the dilution of the ownership interest of its current stockholders. The Company is currently authorized to issue a total of 11 billion shares of common stock with such rights as determined by the Board of Directors. Of that amount, approximately 10.9 billion shares have been issued. The potential issuance of the approximately .1 billion remaining authorized but unissued shares of common stock may create downward pressure on the trading price of the Company's common stock.

The Company may also issue additional shares of its common stock or other securities that are convertible into or exercisable for common stock for raising capital or other business purposes. Future sales of substantial amounts of common stock, or the perception that sales could occur, could have a material adverse effect on the price of the Company's common stock.

Existing stockholders will experience significant dilution from our sale of shares under potential Securities Purchase Agreements.

The sale of shares pursuant to any Securities Purchase Agreements executed by the Company in the future will have a dilutive impact on our stockholders. As a result, the market price of our common stock could decline significantly, as we sell shares pursuant to the Securities Purchase Agreement. In addition, for any particular advance, we will need to issue a greater number of shares of common stock under the Securities Purchase Agreement as our stock price declines. If our stock price is lower, then our existing stockholders would experience greater dilution.

The Company May Issue Shares of Preferred Stock with Greater Rights than Common Stock.

The Company's charter authorizes the Board of Directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from holders of the Company's common stock. Any preferred stock that is issued may rank ahead of the Company's common stock in terms of dividends, priority and liquidation premiums and may have greater voting rights than the Company's common stock.

Being a Public Company Significantly Increases the Company's Administrative Costs.

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and listing requirements subsequently adopted by the NYSE Amex in response to Sarbanes-Oxley, have required changes in corporate governance practices, internal control policies and audit committee practices of public companies. Although the Company is a relatively small public company, these rules, regulations, and requirements for the most part apply to the same extent as they apply to all major publicly traded companies. As a result, they have significantly increased the Company's legal, financial, compliance and administrative costs, and have made certain other activities more time consuming and costly, as well as requiring substantial time and attention of our senior management. The Company expects its continued compliance with these and future rules and regulations to continue to require significant resources. These rules and regulations also may make it more difficult and more expensive for the Company to obtain director and officer liability insurance in the future and could make it more difficult for it to attract and retain qualified members for the Company's Board of Directors, particularly to serve on its audit committee.

ITEM 2. DESCRIPTION OF PROPERTY

Leases for Company Headquarters

Our corporate office is located in a leased office space at 244 2nd Ave. N., Suite 9, St. Petersburg, Florida. We entered into a one-year lease for this property on May 1, 2017 and extended the lease for an additional year on May 1, 2018. The monthly rent is \$428. We believe that our existing facilities are suitable and adequate to meet our current business requirements for the near term.

Leased Acreage for Drilling Program

The Company maintains leases on mineral rights on approximately 1,700 acres in South Central Kentucky.

The Company has no present plans to add to this acreage.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be a defendant and plaintiff in various legal proceedings arising in the normal course of our business. We are currently not a party to any material pending legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings. In addition, management is not aware of any known litigation or liabilities involving the operators of our properties that could affect our operations. Should any liabilities be incurred in the future, they will be accrued based on management's best estimate of the potential loss. As such, there is no adverse effect on our consolidated financial position, results of operations or cash flow at this time. Furthermore, management of the Company does not believe that there are any proceedings to which any director, officer, or affiliate of the Company, any owner of record of the beneficially or more than five percent of the common stock of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company.

On May 1, 2018, Beaufort Capital Partners, LLC ("Plaintiff") filed a complaint against the Company ("Defendant") with the Supreme Court of New York, County of New York, alleging that the Defendant failed to pay principal, interest and other amounts due and owing pursuant to certain agreements between Plaintiff and Defendant, including but not limited to those certain Senior Secured Convertible Notes dated October 19, 2016 and other related instruments in the amount of \$197,128.64.

ITEM 4. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

OTC Bulletin Board Considerations

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the OTC ("Pinksheets") under the trading symbol "UNGS". The following table sets forth the high and low bid prices for our common stock for the periods noted, as reported by the National Daily Quotation Service and the OTCQB. Quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. Our stock began trading on April 3, 2009.

Fiscal Year 2017	High	Low
First Quarter	\$ 0.0003	\$ 0.0001
Second Quarter	\$ 0.0002	\$ 0.0001
Third Quarter	\$ 0.0002	\$ 0.0001
Fourth Quarter	\$ 0.0001	\$ 0.0001

Holders

As of December 31, 2017, the approximate number of stockholders of record of the Common Stock of the Company was 287. The number of individual shareholders is higher than the number reflected, but due to our DTC eligibility status we do not receive a breakdown of individual shareholders at broker dealers. For example, our shareholder record may reflect 500,000 shares held by Broker X, but these 500,000 shares may be held by 10 different shareholders at Broker X. Our shareholder number reflects only the one shareholder, Broker X. The Company anticipates that when it files to become a reporting entity with the Securities and Exchange Commission, it will apply for DTC eligibility. If the Company is successful in its DTC eligibility approval attempt, shareholder records will reflect a more accurate number of shareholders.

Dividend Policy

The Company has never declared or paid any cash dividends on its common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

Equity Compensation Plan(s) Information

None.

Recent Sales of Unregistered Securities

See NOTE K- COMMON STOCK ISSUANCES/WARRANTS

All of the above offerings and sales were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of the Company or executive officers of the Company, and transfer was restricted by the Company in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

Issuer Purchases of Equity Securities

None during 2017.

The Company reacquired 586,799,722 shares of its issued and outstanding common stock which were returned to the Company's transfer agent to be retired during the calendar year ended December 31, 2015.

On May 21, 2015, the Board of Directors of the Company voted, at the request of Management, and approved an increase and extension to the January 1, 2011 Stock Repurchase Plan. The Company was previously authorized to repurchase up to Two Hundred Fifty Thousand No/100 Dollars (\$250,000) of its common stock in the open market or in privately negotiated transactions. The Company is now authorized to repurchase up to Five Hundred Thousand and NO/100 Dollars (\$500,000) for a period of two years from the date of the May 21, 2015 resolution. The repurchase program will be funded by the Company's available cash and may be commenced or suspended at any time or from time to time. The plan will continue as long as periodic management reviews determine it to be fiscally feasible and may be discontinued at any time.

As of the date of this report, the Company's buyback plan has terminated.

ITEM 5. SELECTED FINANCIAL DATA

Not applicable.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes that appear in this annual report.

Overview

We began operations on March 28, 2008 concentrating in the oil and natural gas industry focusing on exploration, development, and production. We operate oil and gas wells in which we own the majority of the working interest and are presently re-working and completing oil wells on our current leaseholds in Kentucky. We maintain leaseholds covering approximately 1,700 acres in South Central Kentucky and are presently expanding our leasehold interests. Our first revenue from production was generated in July 2009. We have incurred a net loss of \$1,105,920 for the fiscal year ended December 31, 2017.

Our Kentucky properties, operated by our wholly owned subsidiary US Natural Gas Corp KY ("KY"), are focused in the South Central region of the state encompassing the counties of Allen, Monroe, Metcalfe, Green, Hart, Adair, Edmonson and Barren. We currently have the majority Working Interest in 13 oil wells of which 0 are currently in production.

We also maintain the majority Working Interest in 3 previously producing natural gas wells in Kentucky. One well located in Eastern Kentucky is currently shut-in due to issues with the receiving transmission pipeline. We anticipate that if we elect to expand our operations in this region, we can satisfactorily resolve this issue and place this well back into production. We have reached an agreement with Magnum Hunter for the transmission of natural gas produced from our two natural gas producing wells located in Whitley County, Kentucky. We maintain a majority working interest in each of these wells. Prior to placing these wells into production, we will need to complete the laying of a 1 ¼" extension of our gathering system to a tap into Magnum Hunter's line.

We expect to generate long-term reserve and production growth through drilling activities, re-entry and completion projects, and further acquisitions. We believe that our management's experience and expertise will enable it to identify, evaluate, and develop our oil and natural gas projects.

We continue to seek to identify oil and natural gas wells for possible acquisition. However, there can be no assurance that we will be able to enter into agreements for the acquisition of these oil wells upon terms that are satisfactory to the Company.

We expect to generate long-term reserve and production growth through drilling activities, re-entry and completion projects, and further acquisitions. We believe that our management's experience and expertise will enable us to identify, evaluate, and develop oil and natural gas projects.

Since the Company's formation in 2008, we have formed or acquired five additional subsidiaries, four of which are operational:

1. Formed in July 2009, **AMDAQ Corp** (f/k/a E 2 Investments, LLC) was a wholly owned subsidiary which managed the Company's alternative investments through a variety of avenues; such as equities, corporate debt, purchase of third party debt and the acquisition of mineral rights. AMDAQ Corp was partially spun-off to the Company's shareholders in 2017. The Company maintains an equity stake in Amdaq Corp. Please see **NOTE S- SPIN OFFS** for further information.

2. Formed in March 2014, **The Greater Cannabis Company, Inc. ("GCC")** was the Company's operating subsidiary for its recently launched operations in the medical and recreational marijuana market. GCC operates an online store under the name, GCC Superstore, which sells cannabis related items. GCC was partially spun-off to the Company's shareholders in 2017. The Company maintains an

equity stake in GCC. Please *see* **NOTE S- SPIN OFFS** for further information.

3. Formed in July 2014, **Bud Bank, LLC** ("BB") was formed as the operational subsidiary for the licensing agreement entered into between The Greater Cannabis Company, Inc. and Artemis Dispensing Technologies. On April 21, 2017, the Company sold BB in an asset Purchase Agreement with The Greater Cannabis Company, Inc. The Company will receive future royalty payments from the operations of BB. Please *see* **NOTE- W BUD BANK DISPOSITION** for further information.

4. Acquired in September 2009, **SLMI Options, LLC** was acquired with the sole purpose to hold three commercial notes issued by Wilon Resources, Inc., (formerly "Wilon Resources of Tennessee, Inc.") in the years 2005 through 2007. No other operational activity has occurred in this subsidiary. Please *see* **NOTE O- LENDER ACQUISITION AGREEMENT** for further information.

5. In August 2009, the Company formed **US Natural Gas Corp WV** (f/k/a Wilon Resources, Inc.) in the state of Tennessee. On February 9, 2010, Wilon Resources, Inc. ("Wilon") merged with and into Wilon Resources of Tennessee, Inc. ("WRT"), a publicly owned Tennessee Corporation. All of the stock of Wilon owned by the Company was acquired by WRT for consideration equal to 1,000 shares of WRT for every one share of Wilon held by the Company. Subsequent to the merger, Wilon approved the use of the name Wilon Resources, Inc. by WRT.

Recent Developments

On January 3, 2017, the Company filed a Reinstatement with the State of Florida and a change of Registered Agent.

On January 5, 2017, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 9,000,000,000 to 11,000,000,000. No changes were made to the Company's Preferred share structure.

On January 9, 2017, the Company's Board of Directors voted to file Articles of Organization to form a new entity, GCC Superstore, LLC. The Articles of Organization were filed with the State of Florida on January 13, 2017 with a requested effective date of January 9, 2017. The new entity will become a wholly owned subsidiary of The Greater Cannabis Company, Inc. and will remain as such post spin-off.

On January 12, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, The Greater Cannabis Company, LLC, to bring the Company current with the State of Florida.

On January 18, 2017, the Company filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, The Greater Cannabis Company, Inc., through a stock dividend.

On February 22, 2017, the Company entered into an Anti-Dilution Agreement with The Greater Cannabis Company, Inc., whereby the Company has the right to participate in future financing transactions with The Greater Cannabis Company, Inc. to avoid dilution of its ownership. The Company is not required to participate and if it elects not to, its ownership stake will be reduced.

On February 5, 2017, the Company, through its wholly owned subsidiary US Natural Gas Corp KY ("KY"), entered into a Joint Venture Agreement (the "Agreement") with Keller Energy, LLC (collectively the "Parties") for the acquisition of certain oil producing wells within the states of Kentucky and Tennessee. Under the terms of the Agreement, the Parties will acquire oil producing wells with each Party maintaining a 50% working interest. Upon Closing of the Agreement, KY was assigned a 50% working interest in the Eddie D. Smith #5 and the Amos Nicholas #15-3, both located in Pickett County, TN.

On March 7, 2017, the Company received notification from FINRA that they had received the necessary documentation to process the corporate action requested by the Company and its transfer agent, Pacific Stock Transfer. The Payment Date was revised to March 10, 2017. Therefore, effective as of March 10, 2017, The Greater Cannabis Company, Inc. was no longer a wholly owned subsidiary of the Company. The Company was issued 5,378,476 shares of common stock of The Greater Cannabis Company, Inc., which equates to a 19.99% ownership stake.

On March 22, 2017, the Company entered into a Collateral Agreement with SLMI Energy Holdings, LLC ("SLMI"), the Company's senior secured debt holder, which released The Greater Cannabis Company, Inc. from any guarantee of the liabilities due to SLMI.

On April 21, 2017, the Company entered into a definitive Asset Acquisition Agreement (the "Agreement") with The Greater Cannabis Company, Inc. ("GCC"), whereby GCC will acquire the Company's wholly owned subsidiary Bud Bank, LLC ("Bud Bank"). Under the Agreement, GCC is obligated to pay the Company a royalty of 10% of net sales proceeds generated by Bud Bank through its operations up to a total of \$50,000 and thereafter for perpetuity pay a royalty of 3% of net sales proceeds generated by Bud Bank

through its operations. The transaction closed on June 21, 2017 concurrent with the Company's filings with the State of Florida. The transaction closed on June 20, 2017.

On June 19, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, Bud Bank, LLC to bring the Company current with the State of Florida. In addition, the Company filed a Notice of Conversion and Articles of Incorporation for Bud Bank to effectively convert Bud Bank from a Florida limited liability company to a Florida for-profit corporation. The name of the new entity is Bud Bank, Inc.

On June 25, 2017, the Company's Board of Directors approved the spin-off of the Company's wholly owned subsidiary, E 2 Investments, LLC. The Company will look for a suitable acquisition candidate for E 2 Investments, LLC.

On August 21, 2017, the Company's wholly owned subsidiary E 2 Investments, LLC ("E2")(hereinafter the "Company") entered into a Letter of Intent with AMDAQ LTD ("AMDAQ"), a corporation formed under the Registrar of Companies for England and Wales. Under the terms of the LOI, the Company was to file documents with the State of Florida to convert the Company from a limited liability company to a Florida for-profit corporation, file Articles of Incorporation and a name change to AMDAQ Corp. Each of the required filings was completed on August 25, 2017 and is now effective with the State of Florida. The Company issued 15,000,000 shares of common stock in exchange for AMDAQ'S 100 ordinary issued and outstanding shares at Closing. In addition, the Company received 1,000,000 AMDAQ tokens which represents all of the AMDAQ mined Ethereum tokens. The Company and AMDAQ entered into definitive documents on August 28, 2017 and the Closing occurred on September 1, 2017. Please *see* **NOTE U-AMDAQ, LTD ACQUISITION** for further information.

On August 24, 2017, the Board approved the filings for the spin-off of its wholly owned subsidiary, E 2 Investments, LLC ("E2"). On August 25, 2017, the Company filed a Reinstatement, Notice of Conversion and Articles of Incorporation for E2 with the State of Florida. Under the Articles of Incorporation, E 2 shall be authorized to issue two classes of stock. The first being Common stock of which it shall be authorized to issue 250 million shares. The second being Preferred stock of which it shall be authorized to issue 5 million shares. The Record date for the spin-off of AMDAQ is set at September 15, 2017. Shareholders of record of Sylios Corp on the close of September 15, 2017 will receive 1 share of common stock of AMDAQ Corp for every 750 shares of common stock of Sylios Corp owned. The Payment date is set at October 2, 2017. Please *see* **NOTE S- SPIN-OFFS** for further information.

On September 1, 2017, the Company filed an Issuer Company-Related Action Form with the Financial Industry Regulatory Authority (hereinafter "FINRA") for the spin-off of AMDAQ to the Company's shareholders. Upon an approval from FINRA, the Company will file a Registration Statement with the Securities and Exchange Commission on Form S-1 to register the shares issued to the Company's shareholders as well as a percentage issued to the previous LTD shareholders. On September 29, 2017, Sylios received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent, Pacific Stock Transfer. The Record Date for the spin-off was September 15, 2017 with a Payment Date of October 2, 2017.

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY ("KY")(hereinafter the "Company") entered into a Letter of Intent with TerraTech, Inc. ("TTECH"), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. During the 4th Quarter of 2017, Sylios Corp will file to spin-off TTECH through a stock dividend. Please *see* **NOTE V-TERRATECH ACQUISITION** for further information.

On November 14, 2017, the Company's Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series D Preferred Stock." Please *see* **NOTE L – STOCKHOLDERS' EQUITY** for further information.

Going Concern

The Company had revenues of \$- for the period ended December 31, 2017 and negative working capital aggregating \$2,191,643. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital

resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The Company intends to overcome the circumstances that impact its ability to remain a going concern through a combination of the commencement of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company anticipates raising additional funds through public or private financing, strategic relationships or other arrangements in the near future to support its business operations; however, the Company may not have commitments from third parties for a sufficient amount of additional capital. The Company cannot be certain that any such financing will be available on acceptable terms, or at all, and its failure to raise capital when needed could limit its ability to continue its operations. The Company's ability to obtain additional funding will determine its ability to continue as a going concern. Failure to secure additional financing in a timely manner and on favorable terms would have a material adverse effect on the Company's financial performance, results of operations and stock price and require it to curtail or cease operations, sell off its assets, seek protection from its creditors through bankruptcy proceedings, or otherwise. Furthermore, additional equity financing may be dilutive to the holders of the Company's common stock, and debt financing, if available, may involve restrictive covenants, and strategic relationships, if necessary to raise additional funds, and may require that the Company relinquish valuable rights.

Results of Operations

This discussion should be read in conjunction with our financial statements included elsewhere in this report.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017 COMPARED TO THE YEAR ENDED DECEMBER 31, 2016

Revenues for the year ended December 31, 2017 and December 31, 2016 were \$- and \$27,244, respectively. Over the next twelve months, the Company expects to generate additional revenue through its oil operations in Kentucky as wells as through the equity securities it holds in The Greater Cannabis Company, Inc. and AMDAQ Corp. There can be no guarantee that the Company will be able to generate any revenue from the sale of the securities issued to it in the spin-off of The Greater Cannabis Company, Inc. or AMDAQ Corp.

Operating Expenses for the year ended December 31, 2017 and December 31, 2016 were \$702,063 and \$358,067, respectively. The Company anticipates that its operating expenses will increase over the next twelve months for all operating subsidiaries as it continues to purchase additional royalties in oil producing wells and the costs incurred with the Terra Tech acquisition

Net Loss for the year ended December 31, 2017 and 2016 was \$1,105,920 and \$283,185, respectively.

Liquidity and Capital Resources

At December 31, 2017 and December 31, 2016 cash and cash equivalents totaled \$2 and \$119,712, respectively.

For the year ended December 31, 2017 and 2016, cash provided by (used) operating activities was \$(155,591) and \$15,168, respectively.

For the year ended December 31, 2017 and 2016, cash provided (used) from investing activities was \$(38,469) and \$11,036, respectively.

For the year ended December 31, 2017 and 2016, cash provided by financing activities was \$74,350 and \$73,435, respectively.

Recent Financings

For the year ended December 31, 2017 and 2016, the Company received \$0 and \$27,500, respectively in private financing from accredited investors. These funds were utilized for the daily operating of the Company.

For a detailed list of financings, refer to **NOTE I- NOTES PAYABLE**, **NOTE K- COMMON STOCK ISSUANCE AND WARRANTS** and **NOTE H- CONVERTIBLE DEBENTURE PAYABLE** These notes are located within the Notes to the Consolidated Financial Statements.

Off Balance Sheet Arrangements

None.

Critical Accounting Estimates

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

Effect of Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

Application of Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of property, plant and equipment, intangible assets, deferred tax assets and fair value computation using the Black Scholes option-pricing model. We base our estimates on historical experience and on various other assumptions, such as the trading value of our common stock and estimated future undiscounted cash flows, that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Use of Estimates

In accordance with accounting principles generally accepted in the United States, management utilizes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates and assumptions relate to recording net revenue, collectability of accounts receivable, useful lives and impairment of tangible and intangible assets, accruals, income taxes, inventory realization, stock-based compensation expense and other factors. Management believes it has exercised reasonable judgment in deriving these estimates. Therefore, a change in conditions could affect these estimates.

ITEM 7. FINANCIAL STATEMENTS.

All financial information required by this Item is attached hereto at the end of this report beginning on page 35 and is hereby incorporated by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On July 15, 2009, our Board of Directors dismissed Drakeford and Drakeford, LLC (“Drakeford”) as the Company’s independent registered public accounting firm. The Board’s decision to dismiss Drakeford was based upon the revocation of the registration of Drakeford by the Public Company Accounting Oversight Board.

During the fiscal year ended December 31, 2008, Drakeford’s reports on the Company’s financial statements did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles except, Drakeford’s audit reports for the year ended December 31, 2008 stated that several factors raised substantial doubt about the Company’s ability to continue as a going concern and that the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During the fiscal year ended December 31, 2008 and the subsequent interim period through July 15, 2009, (i) there were no disagreements between the Company and Drakeford on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of Drakeford would have caused Drakeford to make reference to the matter in its reports on the Company's financial statements; and (ii) there were no reportable events as the term described in Item 304(a)(1)(iv) of Regulation S-K.

On August 20, 2009, the Company provided Drakeford with a copy of the disclosures it is making in response to Item 4.01 on this Form 8-K/A and requested that Drakeford furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. A copy of the letter, dated August 20, 2009, is filed as Exhibit 16.1 (which is incorporated by reference herein) to the Company's Form 8-K filed with the SEC on August 20, 2009.

Following the dismissal of Drakeford, the Board retained Paula Morelli, CPA, P.C. as its independent registered public accounting firm. Subsequently, on January 11, 2010, the Board dismissed Paula Morelli, CPA, P.C.. On January 12, 2010, the accounting firm of Michael T. Studer, CPA, P.C. was engaged as the Company's new independent registered public accounting firm. The Board approved of the dismissal of Paula Morelli, CPA P.C. and the engagement of Michael T. Studer, CPA, P.C. as its independent auditor.

During the Company's two most recent fiscal years and through January 11, 2010, there were no disagreements with Paula Morelli, CPA P.C. whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Paula Morelli, CPA, P.C.'s satisfaction, would have caused it to make reference to the subject matter of the disagreement in connection with any report on the Company's financial statements.

Paula Morelli, CPA P.C. had been engaged as the Company's independent registered public accounting firm since July 28, 2009 and had performed review procedures in connection with our unaudited financial statements included in our reports on Form 10-Q for the quarterly periods ended June 30, 2009 and September 30, 2009, but never audited any of the Company's financial statements.

The Company has requested that Paula Morelli, CPA, P.C. furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. The letter was attached as an exhibit to the Company's Form 8-K filed on January 14, 2010.

On January 12, 2010, the Company engaged Michael T. Studer, CPA, P.C. as its independent accountant. During the two most recent fiscal years and the interim periods preceding the engagement and through January 12, 2010, the Company did not consult Michael T. Studer, CPA, P.C. regarding any of the matters set forth in Item 304(a)(2) of Regulation S-K.

On April 12, 2010, the Company retained Louis Gutberlet, CPA of LGG & Associates, PC as the Company's new independent registered public accounting firm. The Board approved of the dismissal of Michael T. Studer, CPA, P.C. and the engagement of Louis Gutberlet, CPA of LGG & Associates, PC as its independent auditor. Michael T. Studer, CPA, P.C. had been engaged as the Company's independent registered public accounting firm since January 12, 2010 and had performed a review of the Company's 2008 audited financials.

During the Company's two most recent fiscal years and through April 12, 2010, there were no disagreements with Michael T. Studer, CPA, P.C. whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Michael T. Studer, CPA, P.C.'s satisfaction, would have caused it to make reference to the subject matter of the disagreement in connection with any report on the Company's financial statements.

On April 16, 2012, the Company filed a Form 15 with the Securities and Exchange Commission to immediately end the Company's requirements as a fully reporting entity. Subsequently, the Company no longer required the services of its auditor, LGG & Associates, PC.

On June 12, 2014, the Company engaged Enrique Nowogrodzki, CPA and CPA Services Corp as its independent accountant. During the two most recent fiscal years and the interim periods preceding the engagement and through June 12, 2014, the Company did not consult Enrique Nowogrodzki, CPA and CPA Services Corp regarding any of the matters set forth in Item 304(a)(2) of Regulation S-K. On September 30, 2014, the Company and its accountant mutually agreed to terminate their relationship.

ITEM 8A. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer, and other members of management team have evaluated the effectiveness of the Company's disclosure controls and procedures.

Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were adequate and effective to provide

reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

Managements Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting refers to the process designed by, or under the supervision of the Company's Chief Executive Officer and Treasurer, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness into future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Treasurer, the Company's management conducted an evaluation of the effectiveness of the Company internal control over financial reporting as of December 31, 2017. In making this assessment, the Company's management used the criteria set forth in the framework in "Internal Control- Integrated- Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the evaluation conducted under the framework in "Internal Control- Integrated Framework," issued by COSO the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

During 2010, the Company changed accounting systems to one that offered stronger access and validation controls than those included in the previous accounting system. There have been no other changes to the Company's system of internal control over financial reporting during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's system of controls over financial reporting.

As part of a continuing effort to improve the Company's business processes, Management is evaluating its internal controls and may update certain controls to accommodate any modifications to its business processes or accounting procedures.

ITEM 8B. OTHER INFORMATION.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

The following table sets forth information about our executive officers, key employees and directors as of December 31, 2017. The board of directors elects our executive officers annually. A majority vote of the directors who are in office is required to fill vacancies. Each director will serve until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Name	Age	Position	Date of Election Or Appointment as a Director
Wayne Anderson	52	President, Vice-President, Treasurer and Chairman	April 2015

Wayne Anderson, President and Chairman

Wayne Anderson has served as the President and Chairman of the Board of US Natural Gas since the incorporation of the company, under the name of Adventure Energy, Inc., in March 2008. Prior to founding Adventure Energy, Wayne Anderson acted as the Managing Member and a founding partner of Around the Clock Trading & Capital Management, LLC, an investment management company, and the General Partner of Around the Clock Partners, LP from January 2000 through 2008. Through the fund Around the Clock Partners, LP, Mr. Anderson has made significant key investments within the natural resources sector.

Mr. Anderson has been a vital source in negotiating and executing transactions for several small to mid-sized companies. From June 1997 through December 1999, Mr. Anderson was a proprietary equities trader. Mr. Anderson practiced as a Podiatric physician from May 1993 through June 1997. Mr. Anderson studied biology at the University of Georgia from 1984 to 1987 and then attended the Temple University School of Podiatric Medicine (formerly the Pennsylvania College of Podiatric Medicine) where he received a doctorate of podiatric medicine (DPM) in 1991.

Until such time that the Greater Cannabis Company, Inc. retains its trading symbol and quote date, Mr. Anderson also serves as its President, Secretary, Chief Financial Officer and Chairman of the Board.

Committees of the Board of Directors

We have not established any committees, including an Audit Committee, a Compensation Committee, a Nominating Committee, or any committee performing a similar function. The functions of those committees are being undertaken by the entire board as a whole.

Family Relationships

None.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics, which is attached as an exhibit to the 2008 Annual Report on Form 10-K.

ITEM 10. EXECUTIVE COMPENSATION.

Overview

The following is a discussion of our program for compensating our named executive officers and directors. Currently, we do not have a compensation committee, and as such, our Board of Directors is responsible for determining the compensation of our named executive officers.

Compensation Program Objectives and Philosophy

The primary goals of our policy of executive compensation are to attract and retain the most talented and dedicated executives possible, to assure that our executives are compensated effectively in a manner consistent with our strategy and competitive practice and to align executives' compensation with the achievement of our short- and long-term business objectives.

The board of directors considers a variety of factors in determining compensation of executives, including their particular background and circumstances, such as their training and prior relevant work experience, their success in attracting and retaining savvy and technically proficient managers and employees, increasing our revenues, broadening our product line offerings, managing our costs and otherwise helping to lead our Company through a period of rapid growth.

In the near future, we expect that our board of directors will form a compensation committee charged with the oversight of executive compensation plans, policies and programs of our Company and with the full authority to determine and approve the compensation of our chief executive officer and make recommendations with respect to the compensation of our other executive officers. We expect that our compensation committee will continue to follow the general approach to executive compensation that we have followed to date, rewarding superior individual and company performance with commensurate cash compensation.

Elements of Compensation

Our compensation program for the named executive officers consists primarily of base salary and equity compensation. There is no retirement plan, long-term incentive plan or other such plans. The base salary we provide is intended to equitably compensate the named executive officers based upon their level of responsibility, complexity and importance of role, leadership and growth potential, and experience.

Base Salary

Our named executive officers receive base salaries commensurate with their roles and responsibilities. Base salaries and subsequent adjustments, if any, are reviewed and approved by our board of directors annually, based on an informal review of relevant market data and each executive's performance for the prior year, as well as each executive's experience, expertise and position. The base salaries paid to our named executive officers in 2017 are reflected in the Summary Compensation Table below.

Summary Compensation Table

Name and Principal Position	Year	Salary-Paid or accrued	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value & Non-Qualified Deferred Compensation on Earnings	All Other Compensation	Total
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		(a)	(b)	(c)	(d)(5)			(e)	
Wayne Anderson, President, Treasurer, Secretary, Chairman	2017	221,767	0	0	0	0	0	0	221,767
	2016	221,767	0	0	0	0	0	0	221,767
	2015	221,767	0	0	20,000	0	0	0	241,767
	2014	221,767	0	0	0	0	0	0	221,767
(4)(2)	2013	209,017	0	0	0	0	0	0	209,017
(1)(3)	2012	197,000	0	0	35,000	0	0	10,000	242,000
	2011	111,507	0	0	0	0	0	1,200	112,707
	2010	115,000	0	0	0	0	0	541	115,541
(5)	2009	90,000	50,000	500,000	125,000	0	0	7,500	722,500

- (1) Effective upon the execution of the employment agreement dated April 1, 2012, Mr. Wayne Anderson served in the capacity as President, Treasurer, and Secretary. In consideration of Mr. Anderson's execution and delivery of this agreement, the Company shall issue to Mr. Anderson options to purchase 100,000,000 shares of the Company's common stock at varying

strike prices over the three-year agreement term. Pursuant to the agreement, Mr. Anderson will receive an annual compensation of \$197,000 in year one. After the first year during the employment term, the annual salary for each successive year will be increased by the lesser of 10% or the percentage increase, if any, in the CPI for each year just completed measured for the entire twelve-month period, plus three percent.

- (2) Effective upon the execution of the employment agreement dated April 1, 2015, Mr. Wayne Anderson served in the capacity as President, Treasurer, and Secretary. In consideration of Mr. Anderson's execution and delivery of this agreement, the Company shall issue to Mr. Anderson options to purchase 100,000,000 shares of the Company's common stock at varying strike prices over the three-year agreement term. Pursuant to the agreement, Mr. Anderson will receive an annual compensation of \$221,767 for each of the three years of the employment agreement.
- (3) Effective upon the execution of the employment agreement dated April 1, 2009, Mr. Wayne Anderson served in the capacity as President, Treasurer, and Secretary. Effective July 15, 2010, Mr. Anderson no longer served in the capacity of treasurer.
- (4) Beginning in June 2013, Mr. Anderson served in the role as President, Vice-President, Treasurer and Secretary.
- (5) The values shown in this column represent the aggregate grant date fair value of equity-based awards granted during the fiscal year, in accordance with ASC 718, "Share Based-Payment". The fair value of the stock options at the date of grant was estimated using the Black-Scholes option-pricing model, based on the assumptions described in the Notes to Financial Statements included in this Annual Report.
 - (a) Accrued salary and salary paid. Please see **NOTE Q- ACCRUED COMPENSATION** for further information.
 - (b) Accrued bonus to employee for execution of employment agreement
 - (c) Delivery of common stock to employee for execution of employment agreements. Mr. Wayne Anderson received Two Million shares of the Company's common stock and Mr. Jim Anderson received One Million shares of the Company's common stock.
 - (d) Options issued to employee for execution of employment agreement. More details on Options noted under Employment Agreements section below.
 - (e) Equity compensation received as a Director of the Company

We have no plans in place and have never maintained any plans that provide for the payment of retirement benefits or benefits that will be paid primarily following retirement including, but not limited to, tax qualified deferred benefit plans, supplemental executive retirement plans, tax-qualified deferred contribution plans and nonqualified deferred contribution plans.

Except as indicated below, we have no contracts, agreements, plans or arrangements, whether written or unwritten, that provide for payments to the named executive officers listed above.

2017 Outstanding Equity Awards at Fiscal Year-End

Option Awards

Name	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price	Option Expiration
	Exercisable	Unexercisable	(\$)	Date
Wayne Anderson President, Secretary, Treasurer and Chairman	100,000,000	(1)	-	0.0002 04/01/20

- (1) These options vest immediately upon execution of employment agreement dated April 1, 2015

COMPENSATION OF DIRECTORS

Director Compensation for year ending December 31, 2017

Directors receive the equivalent of \$2,500 of shares of the Company's common stock for each quarter they serve on the Board. The number of shares is calculated on the closing stock price on the last trading day of each quarter. Prior to entry into the Board of Directors Service Agreement dated January 5, 2011, each director received 5,000 shares of common stock for their services per quarter. The Board modified director compensation on January 5, 2011 and entered into a Director Service Agreement at the time.

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the year ended December 31, 2017.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensatio n (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Wayne Anderson	\$	\$ 10,000	--	--	--	--	\$ -

(1) The Directors were not paid any cash compensation or issued stock as per the terms of the Board of Directors Service Agreement dated January 5, 2011 for serving on the Board of Directors. During the third quarter of 2018, The Company intends on issuing shares of its common stock to compensate each Director for each quarter served during the calendar years 2014, 2015, 2016 and 2017. As of December 31, 2017, Mr. Anderson is due \$40,000 in stock for serving on the Board for the years 2014, 2015, 2016 and 2017. Please see **NOTE Q- ACCRUED COMPENSATION** for further information.

Employment Agreements with Named Executive Officers

On April 1, 2015, the Company executed an employment agreement with Wayne Anderson to serve in the role as President, Treasurer, and Secretary of the Company upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term of three (3) years, commencing on April 1, 2015, and terminating on March 31, 2018, unless earlier terminated as provided in the Agreement. The Agreement included options to Mr. Anderson to purchase 100,000,000 shares of common stock at an average price of \$.0002 per share. Mr. Anderson will receive an annual compensation of \$221,767 for each of the three years of the Agreement.

The Company shall pay Mr. Anderson a monthly stipend of \$1,000 to cover automobile expenses. Mr. Anderson is entitled to participate in any and all benefit plans, from time to time, in effect for the Company's employees, along with vacation, sick and holiday pay in accordance with policies established and in effect from time to time. In the event that the employment agreement is ended due to Mr. Anderson's death, incapacity or termination, the Company shall pay any accrued and unpaid salary for a one year period from the date of the event plus any performance bonus that would be payable for the one year period and unreimbursed business expenses.

Equity Compensation, Pension or Retirement Plans

No retirement, pension, profit sharing, stock option or insurance programs or other similar programs have been adopted by the Company for the benefit of its employees.

Options/SARS Grants During Last Fiscal Year

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The number of shares of common stock beneficially owned by each person is determined under the rules of the Commission and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which such person has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within sixty (60) days after the date hereof, through the exercise of any stock option, warrant or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares.

The table also shows the number of shares beneficially owned as of June 30, 2018 by each of our individual directors and executive officers, by our nominee directors and executive officers and by all our current directors and executive officers as a group.

Name of Beneficial Owner (1)	Common Stock Beneficially Owned	% of Common Stock
Wayne Anderson (2)(3)(4)	6,359,508,208	36.77%
Officers and Directors as a Group	6,359,508,208	36.77%

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants, or convertible debt currently exercisable or convertible, or exercisable or convertible within 60 days of June 30, 2018 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person. Percentages are based on a total of shares of common stock outstanding on June 30, 2018, and the shares issuable upon the exercise of options, warrants exercisable, and debt convertible on or within 60 days of June 30, 2018.

(2) Common stock beneficially owned and % of common stock are listed as pre-reverse split figures. The number of common shares outstanding used in computing the percentages is 10,946,819,212.

(3) The address for each Beneficial Owner shown above is 244 2nd Ave N., Suite 9, St. Petersburg, FL 33701.

(4) The shares shown under the "Common Stock Beneficially Owned" by Mr. Anderson included: 9,507,678 shares of common stock held in his name, 530 shares held in the name of a family member, 6,250,000,000 shares to be issued to Mr. Anderson in the event he were to convert all 100 shares of Series D Preferred stock held in his name and 100,000,000 million shares to be issued to Mr. Anderson upon the exercise of the warrant issued to him as per the terms of the 2015 Employee Agreement.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Notes receivable, stockholder, due on demand with an interest rate of 4% totals \$197,138 and \$158,669 at December 31, 2017 and December 31, 2016, respectively. Interest receivable on the notes totals \$- and \$- at December 31, 2017 and December 31, 2016, respectively.

Included within accounts payable and accrued expenses are wages due officers and shareholders of \$506,393 and \$791,626 as of December 31, 2017 and December 31, 2016, respectively.

Included within accounts payable and accrued expenses is compensation due directors of \$40,000 and \$30,000 as of December 31, 2017 and December 31, 2016, respectively.

ITEM 13. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billable to us by our audit firm for the year ending December 31, 2017 for the audit and reviews of our annual and quarterly consolidated financial statements totaled \$-.

Audit-Related Fees

We did not incur any assurance and audit-related fees in connection with the audit of the financial statements of the Company for the year ended December 31, 2017, other than as set forth in “Audit Fees” above.

Tax Fees

The aggregate fees billable to us by our CPA firm for the year ending December 31, 2017 for federal and state tax preparation totaled less than \$-.

All Other Fees

The aggregate fees billable to us by our audit firm for the year ending December 31, 2017 totaled \$-.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The Board of Directors acts as the audit committee, and consults with respect to audit policy, choice of auditors, and approval of out of the ordinary financial transactions.

ITEM 14. EXHIBITS.

All Exhibits previously filed with the Securities and Exchange Commission under the name US Natural Gas Corp can be found at: <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

All Financial Filings posted on OTC Markets from June 2012 through the present can be found at: <http://www.otcm Markets.com/stock/UNGS/filings>.

SIGNATURES

Sylios Corp

Date: July 10, 2018

By: /s/ Wayne Anderson
Wayne Anderson
President, Vice-President and Director (Principal
Executive Officer and Principal Financial Officer)

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SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED BALANCE SHEET
UNAUDITED

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2	\$ 119,712
Marketable equity securities	-	31,181
Notes receivable, current	-	360,000
Notes receivable, stockholder	197,138	158,669
	<u>197,140</u>	<u>669,562</u>
Total current assets	<u>197,140</u>	<u>669,562</u>
PROPERTY AND EQUIPMENT		
Oil and gas properties and equipment, net	129,026	263,292
OTHER ASSETS		
Notes receivable, net of current portion	68,899	300,000
Licensing Agreement	-	250,000
Equity in Spun-off Subsidiaries	1,349,997	
Miscellaneous	74,375	74,375
	<u>\$ 1,819,437</u>	<u>\$ 1,557,229</u>
TOTAL ASSETS	<u>\$ 1,819,437</u>	<u>\$ 1,557,229</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 633,301	\$ 885,931
Notes payable, current	1,060,428	1,321,289
Loans payable, other	137,104	-
Convertible debentures payable	557,950	442,364
	<u>2,388,783</u>	<u>2,649,584</u>
Total current liabilities	<u>2,388,783</u>	<u>2,649,584</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock:		
Series A	1,000	1,000
Series B	-	-
Series C	-	-
Series D	1	-
Common stock	10,946,818	7,831,939
Additional paid in capital	(547,801)	938,150
Retained Deficit	(10,967,732)	(9,861,812)
Treasury stock, at cost	(1,632)	(1,632)
	<u>(569,346)</u>	<u>(1,092,355)</u>
Total stockholders' (deficit)	<u>(569,346)</u>	<u>(1,092,355)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 1,819,437</u>	<u>\$ 1,557,229</u>

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2017 and 2016
UNAUDITED

	<u>2017</u>	<u>2016</u>
Revenue earned		
Oil and gas production sales	\$ -	\$ -
Well Management Fees	-	5,000
Royalty	-	22,244
Other	-	-
Total revenue earned	-	27,244
Cost of operations	-	-
Gross profit	<u>-</u>	<u>27,244</u>
Operating Expenses		
Selling, general and administrative	631,774	345,010
Stock issued for legal, consulting and other services	-	2,000
Depreciation, depletion and amortization	70,289	11,057
Total operating expenses	<u>702,063</u>	<u>358,067</u>
Loss from operations	<u>(702,063)</u>	<u>(330,823)</u>
Other Income (expenses)		
Write-off of notes and other investments	(385,003)	-
Net gain from sale of oil and gas properties and equipment	20,000	59,150
Net loss on sale of oil and gas properties and equipment	-	-
Interest expense	(38,854)	(11,512)
Loss before provision for income taxes	<u>(1,105,920)</u>	<u>(283,185)</u>
Provision for income taxes	-	-
Net loss	<u>\$ (1,105,920)</u>	<u>\$ (283,185)</u>
Basic loss per common share	\$ (0.00)	\$ (0.00)
Diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding - basic	8,339,013,278	6,739,995,555
Weighted average common shares outstanding - diluted (see Note A)	-	-

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
UNAUDITED

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Net loss	\$ (1,105,920)	\$ (283,185)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	70,289	11,057
Issuance of stock for consulting and other services	-	2,000
Issuance of stock for accounts payable and accrued expenses	19,532	83,384
Net change in investments and spin-offs	358,100	-
Issuance of stock for debt and note conversions	-	168,246
Issuance of stock for interest	38,854	-
Write-off of notes and other investments	685,003	-
Changes in operating assets and liabilities:		
Marketable Equity Securities	31,181	(157)
Accounts payable and accrued expenses	(252,630)	33,823
Net cash flows from operating activities	(155,591)	15,168
INVESTING ACTIVITIES:		
Purchase of Royalty Interest	-	(39,375)
Collections on notes receivable, stockholders	-	50,411
Lending on notes receivable, stockholder	(38,469)	-
Net cash flows from investing activities	(38,469)	11,036
FINANCING ACTIVITIES:		
Borrowings from Notes Payable	-	48,000
Payments on Notes Payable	-	(2,065)
Borrowings from convertible debentures	74,350	27,500
Net cash flows from financing activities	74,350	73,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,710)	99,639
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	119,712	20,073
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2\$	119,712

SYLIOS CORP
(Formerly US Natural Gas Corp)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
UNAUDITED

	<u>2017</u>	<u>2016</u>
Supplemental Disclosures of Cash Flow Information:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 11,512
Issuance of common stock for reduction of convertible debenture	\$ 27,414	\$ 69,000
Issuance of common stock in A/R other	\$ -	\$ -
Issuance of common stock for reduction of accounts payable and accrued expenses	\$ 19,532	\$ 197,250
Issuance of common stock for reduction of notes payable	\$ 38,516	\$ -
Issuance of common stock for interest on convertible debentures	36,620	-
Issuance of common stock for investment	5,378	-

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

SYLIOS CORP
(Formerly US Natural Gas Corp)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 (Unaudited)

NOTE A – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sylios Corp (f/k/a US Natural Gas Corp) (“Sylios”, the “Company”, “we”, “us”, or “our”) was organized as a Florida Corporation on March 28, 2008 under the name of Adventure Energy, Inc.

Sylios Corp is a holding corporation, which through its subsidiaries, has operations engaged in the exploration and development oil and natural gas properties, investments in equities and corporate debt and the development of products utilized for the medical and recreational marijuana industry.

Our operations are currently divided amongst four wholly owned subsidiaries, US Natural Gas Corp KY (“KY”), US Natural Gas Corp WV (“WV”) (formerly Wilon Resources, Inc.), E 2 Investments, LLC (“E2”) and SLMI Options, LLC (“SLMI”).

On July 20, 2009, the Company formed E 2 Investments, LLC (“E 2”) to actively make equity investments in private and publically owned companies and to acquire energy related holdings.

On August 25, 2009, the Company formed Wilon Resources, Inc. in the state of Tennessee. On February 9, 2010, Wilon Resources, Inc. (“Wilon”) merged with and into Wilon Resources of Tennessee, Inc. (“WRT”), a publically owned Tennessee Corporation. All of the stock of Wilon owned by the Company was acquired by WRT for consideration equal to 1,000 shares of WRT for every one share of Wilon held by the Company. Subsequent to the merger, Wilon approved the use of the name Wilon Resources, Inc. by WRT.

On September 4, 2009, the Company entered into a lender acquisition agreement with SLMI Holdings, LLC, a Nevada Limited Liability Company. Through this agreement, the Company acquired SLMI Options, LLC. The sole purpose of this acquisition of SLMI Options, LLC is to hold three commercial notes issued by Wilon Resources, Inc., (formerly “Wilon Resources of Tennessee, Inc.”) in the years 2005 through 2007.

On February 1, 2010, the Company formed US Natural Gas Corp in the state of Florida. Subsequently, on March 22, 2010 the Company changed the name to US Natural Gas Corp KY. With this name change, all assets held in the state of Kentucky were transferred from US Natural Gas Corp to US Natural Gas Corp KY.

On February 2, 2010, the Company formed E 3 Petroleum Corp (“E 3”) in the state of Florida. E 3 acts as the operator and bonding entity for the Company’s wells in the states of Kentucky and West Virginia.

On March 19, 2010, the shareholders of Adventure Energy, Inc. (now Sylios Corp) approved an amendment to its Articles of Incorporation changing the name of the Company to US Natural Gas Corp, and an amendment deleting Article 8 thereof to eliminate reference to a non-existent Shareholders' Restrictive Agreement. Wilon simultaneously completed a name change to US Natural Gas Corp WV. On April 13, 2010, the Company received approval from FINRA recognizing the name change and approving a corresponding change of the Company's trading symbol from “ADVE” to “UNGS”.

On March 19, 2010, the Company's shareholders approved with 16,611,138 votes “for” and zero votes “against” to an exchange of shares between the Company and Wilon Resources, Inc. (“Wilon”), whereby the Company acquired all of the outstanding shares of Wilon. For each share of common stock of Wilon exchanged, the Company issued one share of the Company's common stock plus one warrant to purchase one additional share of common stock of the Company at an exercise price of \$.25 (25 cents) per share to be exercisable for a period of 5 years from the date of issue. Wilon's shareholders approved the share exchange with 27,843,109 votes “for” and zero votes “against”.

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On June 3, 2010, the Financial Industry Regulatory Authority (FINRA) made the final approval of the share exchange. The Company accounted for the acquisition of Wilon using the purchase method on June 3, 2010.

On January 11, 2011, the Board of Directors of B.T.U. Pipeline, Inc. ("BTU"), a wholly owned subsidiary of the Company, elected to dissolve the corporation. BTU was organized under the state of Tennessee and was acquired in the Wilon Resources, Inc. acquisition in 2010. BTU's sole purpose of existence was to serve as the bonding company and operator of the Company's West Virginia natural gas wells. Any remaining assets of BTU were assigned to US Natural Gas Corp WV on January 11, 2011 and appropriate documentation filed with the County Clerk of Wayne County, West Virginia. The Articles of Dissolution and Articles of Termination were filed with the State of Tennessee Department of State on March 4, 2011 after the Company's Certificate of Tax Clearance was received from the Tennessee Department of Revenue. The corporation was effectively terminated and dissolved on March 15, 2011 with the Tennessee Secretary of State.

On April 16, 2012, the Company filed a Form 15 with the Securities and Exchange Commission to immediately end the Company's requirements as a fully reporting entity. The Company's common stock will continue to be quoted on the OTC Markets ("Pinksheets"). Upon filing the Company's financial information, the Company's status on the OTC Markets will be deemed as "Current Information Tier". In the event the Company fails to file its financial reports with the OTC Markets, it may be deemed as "Limited Information" or a "STOP" will be placed against our Company quotation informing investors of our failure to file the required financial reports.

On July 19, 2013, the Company filed an Amendment to its articles of Incorporation reducing the Authorized number of common shares from 9,000,000,000 to 2,000,000,000 and to effectively reduce the number of common shares outstanding through a 1:300 reverse stock split.

On August 12, 2013, the Company effectively completed a 1:300 reverse stock split of its common stock.

On March 13, 2014, the Company formed The Greater Cannabis Company, LLC ("GCC") in the state of Florida. GCC will act as the Company's operating subsidiary for its new operation in the medical and recreational marijuana market. On July 19, 2013, the Company filed an Amendment to its Articles of Incorporation reducing the Authorized number of common shares from 9,000,000,000 to 2,000,000,000 and to effectively reduce the number of common shares outstanding through a 1:300 reverse stock split.

On April 14, 2014, the Company filed an Amendment to its Articles of Incorporation with the State of Florida Division of Corporations for a name change from US Natural Gas Corp to Sylios Corp. On April 25, 2014, the Company filed the appropriate documentation with the Financial Industry Regulatory Authority ("FINRA") to effectively change the name of the publicly traded entity from US Natural Gas Corp to Sylios Corp. The name change was effective on June 20, 2014. The Company's new Cusip number associated with the name change is 871324 109.

On July 2, 2014, the Company formed Bud Bank, LLC ("BB") in the state of Florida. BB will act as the Company's operating subsidiary dedicated solely to the Company's cannabis dispensing product.

On July 9, 2014, the Company entered into two separate Consulting Agreements with Greenscape Laboratories, Inc., whereby the companies would provide one another with services related to strategic board level advisory, financial advisory, business development and acquisition and joint ventures advisory. The term of each agreement is 12 months.

On July 9, 2014, the Company entered into definitive agreements with Bayport International Holdings, Inc. for the disposition of certain assets currently operated by the Company's operating subsidiaries within the states of West Virginia. Included within the assets are certain leases covering mineral rights, oil and natural gas wells and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. On July 31, 2014, the transaction closed.

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On July 11, 2014, the Company filed a trademark for the name "Bud Bank" with the United States Office Patent and Trademark Office.

On July 31, 2014, the Company and Bayport International Holdings, Inc. ("Bayport") closed on the Asset Purchase Agreement entered into between the companies on July 9, 2014. Included within the assets sold by the Company were certain leases covering mineral rights, oil and natural gas wells, certain right of ways and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. The Company will file the required Bill of Sales, Assignments and Deeds with the designated County Clerks for the transaction. At Closing, Bayport remitted the required funds as per the Asset Purchase Agreement and issued to the Company three Notes with varying maturity dates.

On July 31, 2014, the Company entered into a Licensing Agreement with Artemis Dispensing Technologies ("Artemis") for the development and resell of its automated dispensing product. Under the collaboration and license agreement, Artemis will be responsible for the development of a high end automated dispensing product. Upon launch and sales of the product, Artemis will be responsible for the installation, training and customer support for the hardware and software. The Company will be responsible for direct sales, addition of key distributors and sub-licensing of specific territories within the U.S. Under the terms of the agreement, the Company will pay to Artemis a one-time licensing fee in the amount of \$500,000.00 broken into tranches and based on development parameters. Artemis will also receive a percentage of transaction fees generated on a monthly basis per unit. The Company will receive revenue generated directly from sales either through its website or sales staff, a royalty from sales generated through third party vendors/distributors or a percentage of any sub-licenses sold. In addition, the Company shall have the first right of refusal to purchase a license for the use of the same technology in other countries.

On August 21, 2014, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 2,000,000,000 to 5,000,000,000. No changes were made to the Company's Preferred share structure.

On November 24, 2014, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 5,000,000,000 to 9,000,000,000. No changes were made to the Company's Preferred share structure.

On August 1, 2015, the Company and Artemis Dispensing Technologies ("Artemis") agreed to amend the terms of the licensing agreement entered into by both parties on July 31, 2014. Under the amended terms, the Company's compensation to Artemis has been reduced, the term of the agreement extended through 2018 and the per unit cost to the Company decreased. Further details of the amended terms will be provided upon execution of the definitive documents.

On September 30, 2015, the Company's Board of Directors voted to implement a reverse stock split of the Company's common stock and to reduce the number of Authorized shares of common stock.

On October 29, 2015, the Company's Board of Directors voted to rescind the proposed reverse stock split of the Company's common stock and reduction in the number of Authorized shares of common stock.

On October 30, 2015, the Company notified the Financial Industry Regulatory Authority ("FINRA") of its decision to rescind the proposed reverse stock split of the Company's common stock and reduction in the number of Authorized shares of common stock.

On October 30, 2015, the Company filed an Amendment to its Articles of Incorporation, to become effective on October 30, 2015, to effectively rescind the previously filed Amendment dated October 1, 2015 whereby the Company's common stock was reversed on a 1:500 ratio and the number of shares of Authorized common stock was

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reduced from 9 Billion to 4 Billion. Upon the effectiveness of the October 30, 2015 Amendment, shareholders will hold the same number of shares as prior to the filing of the October 1, 2015 Amendment, effectively no reverse split. The number of shares of Authorized common stock shall remain at 9 Billion.

On February 22, 2016, the Company engaged Pacific Stock Transfer to act in the capacity as its Transfer Agent.

In March 2016, the Company opened a new division focusing on the purchase of new and used oilfield equipment. The Company's new division will look to purchase new and used oilfield equipment from those Operators and Supply shops either going out of business or looking to move supply at distressed prices. The Company will focus on the states of Kentucky, Tennessee and West Virginia for the near term. Through an agreement with a financing entity, the Company will be allotted capital to purchase and store or purchase and flip the acquired equipment.

On December 14, 2016, Sylios Corp (the "Company") filed a Current Report with OTC Markets stating that it would file an Amended and Restated Articles of Incorporation for its wholly owned subsidiary, The Greater Cannabis Company, LLC (the "Subsidiary"). The Board of Directors voted on December 16, 2016 to forgo this corporate action and has elected to file a Notice of Conversion for the Subsidiary.

On December 16, 2016, the Company's Board of Directors voted to file a Notice of Conversion for its wholly owned subsidiary, The Greater Cannabis Company, LLC. The Notice was filed with the State of Florida Division of Corporations on January 13, 2017 to convert The Greater Cannabis Company, LLC from a limited liability company to a Florida for-profit corporation. The company name, The Greater Cannabis Company, LLC, was changed to The Greater Cannabis Company, Inc. Included within the filing, The Greater Cannabis Company, Inc. filed its Articles of Incorporation and authorized 500 million shares of Common stock and 10 million shares of Preferred stock. Please *see* **NOTE T- GCC SPIN-OFF** for further information. On January 5, 2017, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 9,000,000,000 to 11,000,000,000. No changes were made to the Company's Preferred share structure.

On January 3, 2017, the Company filed a Reinstatement with the State of Florida and a change of Registered Agent.

On January 5, 2017, the Company filed an Amendment to its Articles of Incorporation increasing the Authorized number of common shares from 9,000,000,000 to 11,000,000,000. No changes were made to the Company's Preferred share structure.

On January 9, 2017, the Company's Board of Directors voted to file Articles of Organization to form a new entity, GCC Superstore, LLC. The Articles of Organization were filed with the State of Florida on January 13, 2017 with a requested effective date of January 9, 2017. The new entity will become a wholly owned subsidiary of The Greater Cannabis Company, Inc. and will remain as such post spin-off.

On January 12, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, The Greater Cannabis Company, LLC, to bring the Company current with the State of Florida.

On January 18, 2017, the Company filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, The Greater Cannabis Company, Inc., through a stock dividend.

On February 22, 2017, the Company entered into an Anti-Dilution Agreement with The Greater Cannabis Company, Inc., whereby the Company has the right to participate in future financing transactions with The Greater Cannabis Company, Inc. to avoid dilution of its ownership. The Company is not required to participate and if it elects not to, its ownership stake will be reduced.

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On February 5, 2017, the Company, through its wholly owned subsidiary US Natural Gas Corp KY (“KY”), entered into a Joint Venture Agreement (the “Agreement”) with Keller Energy, LLC (collectively the “Parties”) for the acquisition of certain oil producing wells within the states of Kentucky and Tennessee. Under the terms of the Agreement, the Parties will acquire oil producing wells with each Party maintaining a 50% working interest. Upon Closing of the Agreement, KY was assigned a 50% working interest in the Eddie D. Smith #5 and the Amos Nicholas #15-3, both located in Pickett County, TN.

On March 7, 2017, the Company received notification from FINRA that they had received the necessary documentation to process the corporate action requested by the Company and its transfer agent, Pacific Stock Transfer. The Payment Date was revised to March 10, 2017. Therefore, effective as of March 10, 2017, The Greater Cannabis Company, Inc. was no longer a wholly owned subsidiary of the Company. The Company was issued 5,378,476 shares of common stock of The Greater Cannabis Company, Inc., which equates to a 19.99% ownership stake.

On March 22, 2017, the Company entered into a Collateral Agreement with SLMI Energy Holdings, LLC (“SLMI”), the Company's senior secured debt holder, which released The Greater Cannabis Company, Inc. from any guarantee of the liabilities due to SLMI.

On April 21, 2017, the Company entered into a definitive Asset Acquisition Agreement (the "Agreement") with The Greater Cannabis Company, Inc. ("GCC"), whereby GCC will acquire the Company's wholly owned subsidiary Bud Bank, LLC ("Bud Bank"). Under the Agreement, GCC is obligated to pay the Company a royalty of 10% of net sales proceeds generated by Bud Bank through its operations up to a total of \$50,000 and thereafter for perpetuity pay a royalty of 3% of net sales proceeds generated by Bud Bank through its operations. The transaction closed on June 21, 2017 concurrent with the Company's filings with the State of Florida. The transaction closed on June 20, 2017.

On June 19, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, Bud Bank, LLC to bring the Company current with the State of Florida. In addition, the Company filed a Notice of Conversion and Articles of Incorporation for Bud Bank to effectively convert Bud Bank from a Florida limited liability company to a Florida for-profit corporation. The name of the new entity is Bud Bank, Inc.

On June 25, 2017, the Company's Board of Directors approved the spin-off of the Company's wholly owned subsidiary, E 2 Investments, LLC. The Company will look for a suitable acquisition candidate for E 2 Investments, LLC.

On August 21, 2017, the Company's wholly owned subsidiary E 2 Investments, LLC ("E2")(hereinafter the "Company") entered into a Letter of Intent with AMDAQ LTD ("AMDAQ"), a corporation formed under the Registrar of Companies for England and Wales. Under the terms of the LOI, the Company was to file documents with the State of Florida to convert the Company from a limited liability company to a Florida for-profit corporation, file Articles of Incorporation and a name change to AMDAQ Corp. Each of the required filings was completed on August 25, 2017 and is now effective with the State of Florida. The Company issued 15,000,000 shares of common stock in exchange for AMDAQ'S 100 ordinary issued and outstanding shares at Closing. In addition, the Company received 1,000,000 AMDAQ tokens which represents all of the AMDAQ mined Ethereum tokens. The Company and AMDAQ entered into definitive documents on August 28, 2017 and the Closing occurred on September 1, 2017. Please see **NOTE U- AMDAQ, LTD ACQUISITION** for further information.

On August 24, 2017, the Board approved the filings for the spin-off of its wholly owned subsidiary, E 2 Investments, LLC ("E2"). On August 25, 2017, the Company filed a Reinstatement, Notice of Conversion and Articles of Incorporation for E2 with the State of Florida. Under the Articles of Incorporation, E 2 shall be authorized to issue two classes of stock. The first being Common stock of which it shall be authorized to issue 250 million shares. The second being Preferred stock of which it shall be authorized to issue 5 million shares. The Record date for the spin-

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off of AMDAQ is set at September 15, 2017. Shareholders of record of Sylios Corp on the close of September 15, 2017 will receive 1 share of common stock of AMDAQ Corp for every 750 shares of common stock of Sylios Corp owned. The Payment date is set at October 2, 2017. Please *see* **NOTE S- SPIN-OFFS** for further information.

On September 1, 2017, the Company filed an Issuer Company-Related Action Form with the Financial Industry Regulatory Authority (hereinafter "FINRA") for the spin-off of AMDAQ to the Company's shareholders. Upon an approval from FINRA, the Company will file a Registration Statement with the Securities and Exchange Commission on Form S-1 to register the shares issued to the Company's shareholders as well as a percentage issued to the previous LTD shareholders. On September 29, 2017, Sylios received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent, Pacific Stock Transfer. The Record Date for the spin-off was September 15, 2017 with a Payment Date of October 2, 2017.

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY ("KY")(hereinafter the "Company") entered into a Letter of Intent with TerraTech, Inc. ("TTECH"), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. During the 4th Quarter of 2017, Sylios Corp will file to spin-off TTECH through a stock dividend. Please *see* **NOTE V- TERRATECH ACQUISITION** for further information.

On November 14, 2017, the Company's Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series D Preferred Stock." Please *see* **NOTE L – STOCKHOLDERS' EQUITY** for further information.

Principles of Consolidation

The consolidated financial statements include the accounts of Sylios Corp, and all of its wholly owned subsidiaries, US Natural Gas Corp WV, US Natural Gas Corp KY and SLMI Options, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying interim unaudited financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial statements and in the opinion of management contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, the Company's consolidated financial position as of December 31, 2017, and the results of its operations for the twelve months ended December 31, 2017 and 2016 and cash flows for the twelve months ended December 31, 2017 and 2016. These results have been determined on the basis of accounting principles generally accepted in the United States of America and have been applied consistently as those used in the preparation of the Company's 2017 Unaudited Annual Report filed with OTC Markets.

Cash and Cash Equivalents

The Company considers all liquid debt securities with an original maturity of 90 days or less that are readily convertible into cash to be cash equivalents.

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Marketable Equity Securities

Marketable equity securities are stated at lower of cost or market value with unrealized gains and losses included in operations. The Company has classified its marketable equity securities as trading securities.

Recently Enacted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective. The new standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and is to be applied retrospectively, with early application not permitted. The new standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued ASU 2014-08 Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This guidance changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement user with more information about the assets, liabilities, income, and expenses of discontinued operations. This guidance is effective in the first quarter of 2015 for public companies with calendar year ends. The Company does not expect this to impact its operating results, financial position, or cash flows.

Key revisions include: (a) changes to the pricing used to estimate reserves utilizing a 12-month average price rather than a single day spot price which eliminates the ability to utilize subsequent prices to the end of a reporting period when the full cost ceiling was exceeded and subsequent pricing exceeds pricing at the end of a reporting period; (b) the ability to include nontraditional resources in reserves; (c) the use of new technology for determining reserves; and (d) permitting disclosure of probable and possible reserves. The SEC requires companies to comply with the amended disclosure requirements for registration statements filed after January 1, 2010, and for annual reports on Form 10-K for fiscal years ending on or after December 15, 2009. ASU 2010-03 is effective for annual periods ending on or after December 31, 2009. Adoption of Topic 932 did not have a material impact on the Company’s results of operations or financial position. In April 2010, the FASB issued ASU 2010-14, Accounting for Extractive Activities-Oil & Gas: Amendments to Paragraph 932-10-S99-1. This ASU amends terminology as defined in Topic 932-10-S99-1.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. (See Note B - Acquisition of Wilon Resources, Inc.)

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Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consists primarily of trade accounts receivable from a variety of local, national and international oil and natural gas companies. Such credit risk is considered by management to be limited due to the financial resources of those oil and natural gas companies.

Risk Factors

The Company operates in an environment with many financial risks including, but not limited to, the ability to acquire additional economically recoverable gas reserves, the continued ability to market drilling programs, the inherent risks of the search for, development of and production of gas, the ability to sell natural gas at prices which will provide attractive rates of return, the volatility and seasonality of gas production and prices, and the highly competitive nature of the industry as well as worldwide economic conditions.

Fair Value of Financial Instruments

The Company defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the Company's financial statements include cash and cash equivalents, short-term investments, accounts receivable, other receivables, other assets, accounts payable, notes payable and due to affiliates. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the short maturity and characteristics of those instruments. The carrying value of debt approximates fair value as terms approximate those currently available for similar debt instruments.

Oil and Gas Properties

The Company has adopted the successful efforts method of accounting for gas producing activities. Under the successful efforts method, costs to acquire mineral interests in gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip developmental wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, costs of developmental wells on properties the Company has no further interest in, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. Unproved gas properties that are significant are periodically assessed for impairment of value, if any, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproven properties are expensed when surrendered or expired.

When a property is determined to contain proved reserves, the capitalized costs of such properties are transferred from unproved properties to proved properties and are amortized by the unit-of-production method based upon estimated proved developed reserves. To the extent that capitalized costs of groups of proved properties having similar characteristics exceed the estimated future net cash flows, the excess, if any, of capitalized costs are written down to the present value of such amounts. Estimated future net cash flows are determined based primarily upon the estimated future proved reserves related to the Company's current proved properties and, to a lesser extent, certain future net cash flows related to operating and related fees due the Company related to its management of various partnerships. The Company follows U.S. GAAP in Accounting for Impairments.

On sale or abandonment of an entire interest in an unproved property, gain or loss is recognized, taking into consideration the amount of any recorded impairment. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained. (See Note S- Disposition of Oil and Gas Properties).

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Revenue Recognition

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with U.S. GAAP.

Income Taxes

Income taxes are accounted for under the assets and liability method. Current income taxes are provided in accordance with the laws of the respective taxing authorities. Deferred income taxes are provided for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed based on the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share is computed based on the weighted average number of common shares and dilutive securities (such as stock options, warrants, and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share and are excluded from the calculation.

At December 31, 2017, diluted weighted average common shares outstanding exclude 100,000,000 shares issuable on exercise of the 100,000,000 warrants outstanding at December 31, 2017.

NOTE B - GOING CONCERN

The Company is a development stage enterprise and although it has commenced planned principal business operations, there are insignificant revenues there from. The Company has incurred losses of \$10,967,732 for the period March 28, 2008 (inception) through December 31, 2017 and has negative working capital balance aggregating \$2,191,643. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year, or thereafter, will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and therefore would have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

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The Company intends to overcome the circumstances that affect its ability to remain a going concern through a combination of the commencement of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company anticipates raising additional funds through public or private financing, strategic relationships or other arrangements in the near future to support its business operations; however, the Company may not have commitments from third parties for a sufficient amount of additional capital. The Company cannot be certain that any such financing will be available on acceptable terms, or at all, and its failure to raise capital when needed could limit its ability to continue its operations. The Company's ability to obtain additional

funding will determine its ability to continue as a going concern. Failure to secure additional financing in a timely manner and on favorable terms would have a material adverse effect on the Company's financial performance, results of operations and stock price and require it to curtail or cease operations, sell off its assets, seek protection from its creditors through bankruptcy proceedings, or otherwise. Furthermore, additional equity financing may be dilutive to the holders of the Company's common stock, and debt financing, if available, may involve restrictive covenants, and strategic relationships, if necessary to raise additional funds, and may require that the Company relinquish valuable rights.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE C - MARKETABLE EQUITY SECURITIES

At December 31, 2017 and December 31, 2016, marketable equity securities consisted of equity securities held with a cost and fair market value of \$- and \$31,181, respectively.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Computer Software	20,000	20,000
Field Equipment	10,880	10,880
Transportation Equipment	8,200	8,200
Oil and Gas Properties	440,416	312,360
Accumulated depreciation and depletion	(350,470)	(88,120)
Net property and equipment	<u>\$ 129,026</u>	<u>\$ 263,292</u>

The Company uses the straight-line method of depreciation for computer software and field and transportation equipment with an estimated useful life ranging from three to twenty years. The Company uses the straight-line method of depletion for oil and gas properties with an estimated useful life ranging from seven to twenty-five years.

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NOTE E - NOTES RECEIVABLE

Notes receivable consist of the following at:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Note receivable, interest at 4%, total due by 7/31/15, monthly installments	-	60,000
Note receivable, interest at 4%, due 7/31/15, convertible note	-	50,000
Note receivable, interest at 4%, due 7/31/15, convertible note	-	250,000
Note receivable due to E 2 Investments, LLC	-	300,000
Note receivable from The Greater Cannabis Company, Inc.	68,899	-
Less current portion	(68,899)	(360,000)
Notes receivable long-term	<u>\$ -</u>	<u>\$ 300,000</u>

The Notes dated 7/31/2015, issued to the Company under the terms of the Asset Purchase Agreement entered into between the Company and Bayport International Holdings, Inc. dated July 9, 2014, were written off due to the Company's inability to collect the principal remaining. The Note due to E 2 Investments was issued as per the terms of the issuance of the Company's Series B Preferred stock. The shares of Series B Preferred stock are no longer outstanding and thus the Note was written off.

NOTE F - MISCELLANEOUS

Miscellaneous assets consist of the following at:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Royalty Interest	49,375	49,375
Operating bonds	25,000	25,000
Total Other Assets	<u>\$ 74,375</u>	<u>74,375</u>

Loan commitment fee is amortized over the life of the agreement using a straight-line method.

NOTE G – LOANS PAYABLE-OTHER

Loans payable with no interest to potential investors aggregated \$- and \$- at December 31, 2017 and December 31, 2016, respectively.

NOTE H - CONVERTIBLE DEBENTURE PAYABLE

Convertible debentures payable total \$557,950 and \$442,364 at December 31, 2017 and December 31, 2016, respectively.

Convertible debentures payable consist of the following:

On March 7, 2017, the Company entered into a Promissory Note (“Promissory Note”) with Darling Investments, LLC in the amount of Ten Thousand Dollars (\$10,000). The Promissory Note was fully funded on March 7, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at December 31, 2017 is \$10,000.

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NOTE H - CONVERTIBLE DEBENTURE PAYABLE (continued)

On February 13, 2017, the Company entered into a Promissory Note (“Promissory Note”) with Darling Capital, LLC in the amount of Ten Thousand Dollars (\$10,000). The Promissory Note was fully funded on February 13, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of nine (9) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at December 31, 2017 is \$10,000.

On January 27, 2017, the Company entered into a Promissory Note (“Promissory Note”) with Darling Capital, LLC in the amount of Seven Thousand Five Hundred Dollars (\$7,500). The Promissory Note was fully funded on January 28, 2017. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 25 (twenty-five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of nine (9) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at December 31, 2017 is \$7,500.

On January 27, 2017, the Company entered into a Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of Fifty-Five Thousand Dollars (\$55,000). The Promissory Note was partially funded in the amount of Seventeen Thousand Two Hundred Fifty Dollars (\$17,250) on January 27, 2017, partially funded in the amount of Seventeen Thousand Two Hundred Fifty Dollars (\$17,250) on February 23, 2017, and partially funded in the amount of Six Thousand Nine Hundred Dollars (\$6,900) on March 8, 2017. The Promissory Note was partially funded in the amount of Thirteen Thousand Six Hundred Dollars (\$13,600) on April 6, 2017. Effective upon this last funding tranche, the Promissory Note was funded in full. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at December 31, 2017 is \$55,000.

On October 19, 2016, the Company and Beaufort Capital Partners, LLC entered into an Exchange Agreement whereby the Holder (“Beaufort”) and the Company agreed to exchange seven (7) Notes previously issued by the Company and held by Beaufort. The Notes under the Exchange Agreement are shown within **NOTE H- CONVERTIBLE DEBENTURE PAYABLE** under their original issue date.

On October 19, 2016, the Company entered into a Promissory Note (“Promissory Note”) with Beaufort Capital, LLC, (“Beaufort”) in the amount of Twenty-Seven Thousand Five Hundred Dollars (\$27,500). The Promissory Note was fully funded on October 19, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year. The balance owed at December 31, 2017 is \$27,500.

On July 11, 2016, the Company entered into a Promissory Note (“Promissory Note”) with Mountain Properties, Inc., (“Mountain”) in the amount of Four Thousand Dollars (\$4,000). The Promissory Note was fully funded on July 11, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the 5-day moving bid average. The Convertible Note has a term of six (6) months and accrues interest at a rate equal to fifteen percent (15%) per year. The balance owed at December 31, 2017 is \$4,000.

On May 27, 2016, the Company entered into a Promissory Note (“Promissory Note”) with Mountain Properties, Inc., (“Mountain”) in the amount of Four Thousand Dollars (\$4,000). The Promissory Note was fully funded on May

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NOTE H - CONVERTIBLE DEBENTURE PAYABLE (continued)

31, 2016. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the 5-day moving bid average. The Convertible Note has a term of six (6) months and accrues interest at a rate equal to fifteen percent (15%) per year. The balance owed at December 31, 2017 is \$4,000.

On September 28, 2015, the Company entered into a Promissory Note (“Promissory Note”) with Beaufort Capital, LLC, (“Beaufort”) in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on September 28, 2015. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year. The balance owed at December 31, 2017 is \$15,000.

On August 21, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of One Hundred Twelve Thousand Five Hundred Dollars (\$112,500). The Promissory Note was fully funded on July 7, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at December 31, 2017 is \$112,500.

On July 25, 2014, the Company entered into a Promissory Note (“Promissory Note”) with WHC Capital, LLC, (“WHC”) in the amount of Thirty-Three Thousand Dollars (\$33,000). The Promissory Note was fully funded on July 28, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 15 (fifteen) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The Promissory Note was purchased by Beaufort Capital Partners, LLC in a Debt Securities Assignment and Purchase Agreement dated September 29, 2015. The balance owed at December 31, 2017 is \$33,000.

On July 3, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of Fifty Thousand Dollars (\$50,000). The Promissory Note was fully funded on July 7, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at December 31, 2017 is \$50,000.

On June 3, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of Twenty-Eight Thousand Five Hundred Dollars (\$28,500). The Promissory Note was fully funded on June 3, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at December 31, 2017 is \$28,500.

On May 8, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Beaufort Capital, LLC, (“Beaufort”) in the amount of Twenty Thousand Dollars (\$20,000). The Promissory Note was fully funded on May 8, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity

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NOTE H - CONVERTIBLE DEBENTURE PAYABLE (continued)

at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2017 is \$20,000.

On April 25, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of Twenty-Eight Thousand Five Hundred Dollars (\$28,500). The Promissory Note was fully funded on April 25, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. The balance owed at December 31, 2017 is \$1,325.

On April 11, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Beaufort Capital, LLC, (“Beaufort”) in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on April 11, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2017 is \$15,000.

On April 2, 2014, the Company entered into a Promissory Note (“Promissory Note”) with Beaufort Capital, LLC, (“Beaufort”) in the amount of Fifteen Thousand Dollars (\$15,000). The Promissory Note was fully funded on April 2, 2014. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 20 (twenty) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2017 is \$4,350.

On September 16, 2013, the Company entered into a Convertible Promissory Note (“Promissory Note”) with Tangiers Investment Group, LLC, (“Tangiers”) in the amount of Twenty Thousand Dollars (\$20,000). The Convertible Note was fully funded on September 18, 2013. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 10 (ten) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to ten percent (10%) per year. During the third quarter of 2014, the principal on the convertible debenture was reduced through the issuance of common stock of the Company. The balance owed at December 31, 2017 is \$2,134.

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NOTE I - NOTES PAYABLE

Notes payable consist of the following at:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Note payable to SLM Energy Holdings, LLC, interest at 1% per annum, due in 2011	\$ 100,000	\$ 100,000
Note payable to SLM Energy Holdings, LLC, interest at 3% per annum, past due	790,000	780,000
Notes payable MTEL, interest at 100% through maturity date, interest at maximum rate		
allowable by law thereafter, past due	100,00	122,525
Note payable, interest at 3%, due on demand	18,750	91,764
Notes payable Valvasone Trust for consulting services, varying interest rates, due on demand	47,678	77,000
Note payable Mt. Atlas, interest at 20%, due April 17, 2018, past due	4,000	-
Note payable for Licensing Agreement	-	150,000
Less current portion	(1,060,428)	(1,321,289)
Notes payable long term	<u>\$ -</u>	<u>\$ -</u>

NOTE J - INCOME TAXES

The Company accounts for income taxes using the asset and liability method described in SFAS No. 109, "Accounting For Income Taxes", the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax basis of the Company's assets and liabilities at the enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation allowance at December 31, 2017 and December 31, 2016.

The provision (benefit) for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities.

The provision (benefit) for income taxes consists of the following at:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Federal income taxes:		
Current	\$ (122,089)	\$ (20,796)
Deferred	122,089	20,796
State income taxes:		
Current	\$ (21,545)	\$ (3,565)
Deferred	21,545	3,565
	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

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NOTE J - INCOME TAXES (continued)

Significant components of the Company's deferred tax assets and liabilities calculated at an estimated effective tax rate of 35% are as follows:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Noncurrent deferred tax assets (liabilities):		
Accrued wages deducted for financial purposes not deducted for tax purposes	\$ 172,174	\$ 277,069
Other non-cash wages not deducted for tax purposes	75,400	-
Capital losses deducted for financial purposes carried over to future years for tax purposes	-	-
Well costs deducted for financial purposes capitalized for tax purposes	-	-
Excess depletion on oil and gas properties taken for tax purposes over financial purposes	-	-
Excess depreciation on oil and gas properties taken for tax purposes over financial purposes	-	-
Excess loss on sale of investments taken for tax purposes over financial purposes	130,901	-
NOL from the acquisition of Wilon Resources (subject to potential I.R.C. Section 382 limitations)	601,000	601,000
NOL remaining not attributable to timing differences (expiring in years through 2020)	<u>1,840,392</u>	<u>1,840,392</u>
Deferred noncurrent tax asset, net	2,819,867	2,718,461
Valuation allowance	<u>(2,819,867)</u>	<u>(2,718,461)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE K - COMMON STOCK ISSUANCES/WARRANTS

For the twelve months ended December 31, 2017, the Company had the following unregistered sale/issuance of its securities:

In January 2017, the Company issued 87,500,000 shares of common stock to its Officer for accrued wages.

In January 2017, the Company issued 300,000,000 shares of common stock at \$.0001 per share to a Consultant as compensation for prior consulting services.

In January 2017, the Company issued 166,666,667 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 695,749,184 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 452,880,500 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 208,750,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

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NOTE K - COMMON STOCK ISSUANCES/WARRANTS (continued)

In January 2017, the Company issued 458,333,333 shares of common stock to an accredited investor as payment towards a convertible debenture.

In January 2017, the Company issued 561,750,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

In February 2017, the Company issued 283,250,000 shares of common stock to an accredited investor as payment towards a convertible debenture.

Warrants outstanding at December 31, 2017 and December 31, 2016 are 100,000,000 and 131,382,045, respectively. Each warrant enables the holder to acquire one share of the Company's common stock at a specified exercise price for a term of three to five years. Warrants outstanding at December 31, 2017 have vesting dates through January 2018 and expiration dates through April 2020.

There were 0 warrants issued for the twelve months ending December 31, 2017. There were 0 warrants exercised or canceled for the twelve months ending December 31, 2017.

On May 21, 2015, the Board of Directors of the Company voted, at the request of Management, and approved an increase and extension to the January 1, 2011 Stock Repurchase Plan. The Company was previously authorized to repurchase up to Two Hundred Fifty Thousand No/100 Dollars (\$250,000) of its common stock in the open market or in privately negotiated transactions. The Company is now authorized to repurchase up to Five Hundred Thousand and NO/100 Dollars (\$500,000) for a period of two years from the date of the May 21, 2015 resolution. The repurchase program will be funded by the Company's available cash and may be commenced or suspended at any time or from time to time. The plan will continue as long as periodic management reviews determine it to be fiscally feasible and may be discontinued at any time.

During 2017, the Company reacquired 0 shares of its issued and outstanding common stock.

Please see **NOTE N - COMMITMENTS AND CONTINGENCIES** for further information.

NOTE L – STOCKHOLDERS' EQUITY

On November 14, 2017, the Company's Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series D Preferred Stock." The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series D Preferred Stock shall be as hereinafter described. The holders of Series D Preferred Stock shall not be entitled to receive dividends.

The holders of Series D Preferred Stock shall not be entitled to vote on any matters submitted to a vote of the Shareholders of the Company. If at least one share of Series D Preferred Stock is issued and outstanding, then the total aggregate issued shares of Series D Preferred Stock at any given time, regardless of their number, shall have voting rights equal to four times the sum of: i) the total number of shares of Common Stock which are issued and outstanding at the time of voting, plus ii) the total number of shares of Series A, plus Series B, plus Series C Preferred Stocks which are issued and outstanding at the time of voting. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series D Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock upon the following formula:

Calculation- Each individual share of Series D Preferred Stock shall be convertible into the number of shares of Common Stock equal to:

[5000]

divided by:

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NOTE L – STOCKHOLDERS' EQUITY (continued)

[.80 times the lowest closing price of the Company's common stock for the immediate five-day period prior to the receipt of the Notice of Conversion remitted to the Company by the Series D Preferred stock holder]

The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series D Preferred Stock (the "Series D Preferred Stock") with a stated value of \$0.001 per share. The number of authorized shares constituting the Series D Preferred Stock was Five Hundred Thousand (500,000) shares. At December 31, 2017 and December 31, 2016, there are 100 and 0 shares issued and outstanding, respectively.

On April 14, 2011, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series C Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series C Preferred Stock shall be as hereinafter described. The holders of Series C Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series C Preferred shares are outstanding. The holders of Series C Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series C Preferred Stock held on a forty votes per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series C Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock at the rate of forty shares of common stock for each share of series C Preferred Stock. The Board of directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series C Preferred Stock (the "Series C Preferred Stock") with a stated value of \$0.001 per share. The number of authorized shares constituting the Series C Preferred Stock was One Million (1,000,000) shares. At December 31, 2017 and December 31, 2016, there are 0 and 0 shares issued and outstanding, respectively.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series A Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series A Preferred Stock shall be as hereinafter described. The holders of Series A Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series A Preferred shares are outstanding.

The holders of Series A Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series A Preferred Stock held on a one per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of any Series A Preferred Stock shall be entitled to convert such shares in to fully paid and non-assessable shares of common stock at the rate of 7.8 shares of common stock for each share of Series A Preferred Stock only if the Company has failed to satisfy all financial obligations by the designated time inclusive of the cure period. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series A Preferred Stock (the "Series A Preferred Stock") with a stated value of \$0.001 per share. The number of authorized shares constituting the Series A Preferred Stock was Three Million (3,000,000) shares. At December 31, 2017 and December 31, 2016, there are 1,000,000 shares issued and outstanding.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series B Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series B Preferred Stock shall be as hereinafter described. The holders of Series B Preferred Stock shall not be entitled to receive dividends. The holders of Series B Preferred Stock shall not be entitled to vote on any matters submitted to a vote of the Shareholders of the Company. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series B Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of

common stock at the rate of ten shares of common stock for each share of series B Preferred Stock. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred

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NOTE L – STOCKHOLDERS' EQUITY (continued)

stock designated as Series B Preferred Stock (the “Series B Preferred Stock”) with a stated value of \$0.001 per share. The number of authorized shares constituting the Series B Preferred Stock was Three Hundred Thousand (300,000) shares. At December 31, 2017 and December 31, 2016, there are 0 and 0 shares issued and outstanding, respectively.

The number of common shares authorized with a stated value of \$0.001 per share at December 31, 2017 and December 31, 2016 is 11,000,000,000 and 9,000,000,000, respectively. At December 31, 2017 and December 31, 2016, there are 10,946,819,212 and 7,831,939,528 shares of common stock issued and outstanding, respectively.

NOTE M – RELATED PARTY TRANSACTIONS

Notes receivable, stockholders, totals \$197,140 and \$158,669 at December 31, 2017 and December 31, 2016, respectively. Interest receivable on the notes total \$- and \$- at December 31, 2017 and December 31, 2016, respectively.

Included within accounts payable and accrued expenses are wages due officers and shareholders of \$506,393 and \$791,626 as of December 31, 2017 and December 31, 2016, respectively.

NOTE N -COMMITMENTS AND CONTINGENCIES

On May 1, 2017, the Company entered into a lease to rent office space located at 244 2nd Ave N, Suite 9, St. Petersburg, FL 33701. The lease is for a term of one year and has a monthly rental rate of \$428.00. The Company's future rental obligation at December 31, 2017 is \$1,712.

On April 1, 2015, the Company executed an employment agreement with Wayne Anderson to serve in the role as President, Treasurer, and Secretary of the Company upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term of three (3) years, commencing on April 1, 2015, and terminating on March 31, 2018, unless earlier terminated as provided in the Agreement. The Agreement included options to Mr. Anderson to purchase 100,000,000 shares of common stock at an average price of \$.0002 per share. Mr. Anderson will receive an annual compensation of \$221,767 for each of the three years of the Agreement.

On January 5, 2011, the Company executed a Board of Directors Service Agreement with Wayne Anderson. Under the terms of the Agreement, commencing January 5, 2011 the Company is to pay Mr. Anderson the equivalent of \$2,500 per quarter in common stock for which Mr. Anderson serves on the Board of Directors. For the year ended December 31, 2017, the Company expensed \$10,000 (including \$10,000 stock based) under the Agreement, which is included in “Accounts Payable and Accrued Expenses” in the Consolidated Balance Sheet at December 31, 2017.

NOTE O- LENDER ACQUISITION AGREEMENT

A lender acquisition agreement was entered into on September 4, 2009 by Sylios Corp and SLMI Holdings, LLC. Through the agreement, Sylios Corp acquired SLMI Options, LLC, a Nevada Limited Liability Company. SLMI Options, LLC is the secured lender of the three commercial notes defined below.

This Agreement is made with respect to loans made by SLMI Holdings, LLC to Harry Thompson (“Thompson”), Harlis Trust (“Trust”), Wilon Resources Inc. (“Wilon”) and/or Wilon Gathering System Inc. Sylios Corp agrees to pay the following consideration herewith in return for conveyance of the Lender Units.

\$500,000 in financing given May 6, 2005 for construction of a natural gas gathering system in Kentucky (the “Gathering System Loan”), \$300,000 mortgage on the Wilon business offices given October 13, 2005 (the “Office Loan”), \$175,000 in financing given on October 24, 2006 to finance 176 acres of land in West Virginia and to finance the placement of a natural gas treatment station (the “WV Loan”); these loans include that certain Amendment to

Loan Agreements dated August 2, 2006, that certain Receipt for Shares Pledged as Collateral dated December 8, 2007 and that certain Second Amendment to Loan Agreements dated January 27, 2009 (with 7.8 million Wilon shares

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NOTE O- LENDER ACQUISITION AGREEMENT (continued)

attached and pledged as additional collateral). Further, the Borrowers and SLMI have agreed to special terms for assignment of loan rights by SLMI and subsequent holders of the loans pursuant to that Acknowledgment by Borrowers delivered Jan. 5, 2009. At December 31, 2010 the notes receivable balance was eliminated through consolidation.

\$1,000,000 in financing was made payable by secured promissory note. By December 31, 2010, Sylios Corp shall have paid at least \$250,000 in cash toward the Secured Note. By December 31, 2011, Sylios Corp shall have paid at least \$250,000 more. By December 31, 2012, Sylios Corp shall have paid at least \$250,000 more. All unpaid principal and interest shall be due no later than December 31, 2013. To the extent, Sylios Corp tenders proceeds from dispositions of real estate collateral on the SLMI Loans (which dispositions shall require the written consent of Owner), said payments shall be applied toward the Secured Note, but they shall not reduce the minimum installments required for years 2010 through 2012. From January 2010 to December 2013, a minimum monthly cash installment of \$4,000 shall be paid by Sylios Corp on the Secured Note until it is paid in full. Additional Security and Collateral for the Secured Note and the covenants hereunder: At December 31, 2017 and December 31, 2016 the notes payable balances were \$790,000 and \$780,000, respectively. Please see **NOTE I- NOTES PAYABLE** for further information. Please see **NOTE P- SUBSEQUENT EVENTS** for further information.

NOTE P – SUBSEQUENT EVENTS

On July 9, 2018, the Company was notified that The Greater Cannabis Company, Inc. received notification that it would begin being quoted under the symbol “GCAN” on July 10, 2018.

On June 6, 2018, the Company entered into a Renewal Note with SLMI Energy Holdings, LLC in the amount of One Hundred Twenty Thousand and no/100 Dollars (\$120,000). The Renewal Note renews a promissory note issued by the Company to SLMI Holdings, LLC dated November 12, 2009 in the amount of One Hundred Thousand and no/100 Dollars (\$100,000) plus an additional Twenty Thousand and no/100 Dollars (\$20,000) leant by SLMI Energy Holdings, LLC to the Company on the same date of the Renewal Note.

On May 10, 2018, the Company’s subsidiary, US Natural Gas Corp KY (“KY”), entered into an Asset Purchase Agreement with Soligent Technologies, Inc. (“SGTN”) for the sale of 13 previously producing crude wells, approximately 1700 acres of leaseholds, tank batteries and gathering systems (collectively the “assets”) all located in multiple counties throughout the State of Kentucky.

Under the terms of the Agreement, SGTN will acquire the assets for consideration of One Hundred Forty Thousand and no/100 Dollars (\$140,000). At Closing, SGTN assigned KY a royalty for payment out of production, whereby KY shall receive thirty percent (30%) of the gross proceeds of production from the acquired assets. In addition, KY shall receive ten percent (10%) of the monthly gross proceeds of production from any new drilled wells on the acquired leases. KY shall receive payments from production until such time that KY has received a total of One Hundred Forty Thousand and no/100 Dollars (\$140,000).

On May 1, 2018, Beaufort Capital Partners, LLC (“Plaintiff”) filed a complaint against the Company (“Defendant”) with the Supreme Court of New York, County of New York, alleging that the Defendant failed to pay principal, interest and other amounts due and owing pursuant to certain agreements between Plaintiff and Defendant, including but not limited to those certain Senior Secured Convertible Notes dated October 19, 2016 and other related instruments in the amount of \$197,128.64.

On May 1, 2018, the Company filed an Issuer Company-Related Action Notification Form with the Financial Industry Regulatory Authority (“FINRA”) for the Company's approved 1:4000 reverse stock split.

On April 17, 2018, shareholders holding a majority of the "voting shares" of the Company's stock approved the filing of an Amendment of the Company's Articles of Incorporation to reduce the number of authorized shares of common

stock from 11,000,000,000 to 750,000,000 and to complete a 1:4000 reverse stock split.

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NOTE P – SUBSEQUENT EVENTS (continued)

On April 16, 2018, the Company's Board of Directors approved the filing of an Amendment to its Articles of Incorporation reducing the number of shares of common stock authorized to 750 million and completing a 1:4000 reverse stock split of its common stock.

On April 1, 2018, the Company executed an employment agreement with Wayne Anderson to serve in the role as President, Treasurer, and Secretary of the Company upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term of three (3) years, commencing on April 1, 2018, and terminating on March 31, 2021, unless earlier terminated as provided in the Agreement. The Agreement included options to Mr. Anderson to purchase 100,000,000 shares of common stock at an average price of \$.0001 per share. Mr. Anderson will receive an annual compensation of \$270,000 for each of the three years of the Agreement.

On January 2, 2018, the Company executed a new Board of Directors Service Agreement with Wayne Anderson. Under the terms of the Agreement, commencing January 2, 2018 the Company is to pay Mr. Anderson \$10,000 per quarter for which Mr. Anderson serves on the Board of Directors. In addition to cash compensation, the Company is to issue Mr. Anderson 10,000 shares of its common stock for each quarter served.

NOTE Q- ACCRUED COMPENSATION

Accrued compensation consists of the following at December 31, 2017:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Accrued officer's compensation	\$ 506,393	\$ 791,626
Accrued director's compensation	40,000	30,000
Accrued payroll taxes	0	0
Total	<u>\$ 546,393</u>	<u>791,626</u>

On December 31, 2017, the Company issued to Mr. Anderson 100 shares of the Company's newly designated Series D Preferred Stock. By issuing the Series D Preferred Stock, accrued officers' compensation was reduced by \$500,000. Please see **NOTE L – STOCKHOLDERS' EQUITY** for further information.

During calendar 2016, Mr. Anderson returned 739,698,055 shares of the Company's common stock which were previously issued to Mr. Anderson for accrued wages from 2013. The shares were returned to the Company to be used for future corporate business transactions. Accrued officers' compensation increased by the same amount it was reduced when the shares of common stock were issued. The December 31, 2016 number also includes all accrued wages for 2016 and past years.

Please see **NOTE N -COMMITMENTS AND CONTINGENCIES** for further information pertaining to the accrued director's compensation.

NOTE R- DISPOSITION OF OIL AND GAS PROPERTIES

On July 31, 2014, the Company and Bayport International Holdings, Inc. ("Bayport") closed on the Asset Purchase Agreement entered into between the companies on July 9, 2014. Included within the assets sold by the Company were certain leases covering mineral rights, oil and natural gas wells, certain right of ways and ancillary facilities constructed by the Company for the delivery of natural gas in West Virginia. In addition, the Company assigned all shares of E 3 Petroleum Corp to Bayport making it a wholly owned subsidiary of Bayport. The Company will file the required Bill of Sales, Assignments and Deeds with the designated County Clerks for the transaction.

At Closing, Bayport remitted the required funds as per the Asset Purchase Agreement and issued to the Company three Notes with varying maturity dates. Please *see* **Note E- NOTES RECEIVABLE** for further information.

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NOTE S- SPIN-OFFS

The Greater Cannabis Company

During December 2016, the Company began the process of effecting a corporate action to spin-off a majority of its wholly owned subsidiary, The Greater Cannabis Company, LLC ("GCC"). The Board elected to spin-off 80.01% of GCC to Sylios shareholders while retaining 19.99%. Shareholders of Sylios Corp as of the Record Date, February 3, 2017, would receive 1 share of GCC common stock for each 500 shares of Sylios common stock owned.

On December 16, 2016, Sylios Corp's Board of Directors voted to file a Notice of Conversion for its wholly owned subsidiary, The Greater Cannabis Company, LLC. The Notice was filed with the State of Florida Division of Corporations on January 13, 2017 to convert The Greater Cannabis Company, LLC from a limited liability company to a Florida for-profit corporation. The company name, The Greater Cannabis Company, LLC, was changed to The Greater Cannabis Company, Inc. Included within the filing, The Greater Cannabis Company, Inc. filed its Articles of Incorporation and authorized 500 million shares of Common stock and 10 million shares of Preferred stock.

On January 12, 2017, the Company filed a Reinstatement with the State of Florida for its subsidiary, The Greater Cannabis Company, LLC, to bring the Company current with the State of Florida.

In January 18, 2017, the Company filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, The Greater Cannabis Company, Inc., through a stock dividend.

On March 7, 2017, Sylios Corp received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent, Pacific Stock Transfer. The Payment Date was revised to March 10, 2017.

On June 20, 2017, The Greater Cannabis Company, Inc. filed an S-1 Registration Statement with the Securities and Exchange Commission that was deemed effective on August 31, 2017.

On August 4, 2017, a Form 211 was submitted with the Financial Industry Regulatory Authority ("FINRA") on behalf of the Greater Cannabis Company.

AMDAQ Corp

On August 24, 2017, the Board approved the filings for the spin-off of its wholly owned subsidiary, E 2 Investments, LLC ("E2"). On August 25, 2017, the Company filed a Reinstatement, Notice of Conversion and Articles of Incorporation for E2 with the State of Florida. Under the Articles of Incorporation, E 2 shall be authorized to issue two classes of stock. The first being Common stock of which it shall be authorized to issue 250 million shares. The second being Preferred stock of which it shall be authorized to issue 5 million shares. The Record date for the spin-off of AMDAQ is set at September 15, 2017. Shareholders of record of Sylios Corp on the close of September 15, 2017 will receive 1 share of common stock of AMDAQ Corp for every 750 shares of common stock of Sylios Corp owned.

On September 1, 2017, Sylios Corp ("Sylios") filed a corporate action with the Financial Industry Regulatory Authority ("FINRA") to effect a partial spin-off of its wholly owned subsidiary, AMDAQ Corp, through a stock dividend. On September 29, 2017, Sylios received notification from FINRA that they had received the necessary documentation to process the corporate action requested by Sylios and its transfer agent, Pacific Stock Transfer. The Record Date for the spin-off was September 15, 2017 with a Payment Date of October 2, 2017. For additional information, please see the Company's website at www.amdaq.com/dividend.html.

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NOTE T- ARTEMIS LICENSING AGREEMENT

Under the terms of the Agreement, the Company was to pay Artemis a licensing fee of \$500,000 payable as follows: (1) \$100,000 upon execution of the Agreement (which was paid to Artemis in August 2014), (2) \$100,000 in 60 days, (3) \$100,000 upon Artemis' delivery of a functioning prototype, and (4) \$200,000 after delivery of the prototype. Due to a lack of funds, the Company failed to pay the \$100,000 due within 60 days of the July 31, 2014 Agreement date. Artemis failed to deliver any prototype of the dispensing product to the Company. The initial term of the Agreement expired December 31, 2016 and in the opinion of management the Agreement is no longer in effect.

On December 31, 2016 (expiration date of the initial term of the Agreement), the Company reduced the carrying value of the Artemis Licensing Agreement capitalized costs from \$100,000 to \$0 and recognized an expense provision for nonrecoverability of Artemis License Agreement costs of \$100,000.

NOTE U- AMDAQ, LTD ACQUISITION

On August 21, 2017, the Company's wholly owned subsidiary E 2 Investments, LLC ("E2")(hereinafter the "Company") entered into a Letter of Intent with AMDAQ LTD ("AMDAQ"), a corporation formed under the Registrar of Companies for England and Wales. Under the terms of the LOI, the Company was to file documents with the State of Florida to convert the Company from a limited liability company to a Florida for-profit corporation, file Articles of Incorporation and a name change to AMDAQ Corp. Each of the required filings was completed on August 25, 2017 and is now effective with the State of Florida. The Company issued 15,000,000 shares of common stock in exchange for AMDAQ'S 100 ordinary issued and outstanding shares at Closing. In addition, the Company received 1,000,000 AMDAQ tokens which represents all of the AMDAQ mined Ethereum tokens. The Company and AMDAQ entered into definitive documents on August 28, 2017 and the Closing occurred on September 1, 2017.

NOTE V- TERRATECH ACQUISITION

On September 12, 2017, the Company's wholly owned subsidiary US Natural Gas Corp KY ("KY")(hereinafter the "Company") entered into a Letter of Intent with TerraTech, Inc. ("TTECH"), a corporation formed under the laws of the State of Texas. Under the terms of the LOI, the Company will acquire TTECH through an Agreement and Plan of Share Exchange. KY will file Amended and restated Articles of Incorporation with the State of Florida to increase the number of Authorized shares of common stock to 500,000,000 and authorize the issuance of 5,000,000 shares of Preferred stock. The Company will issue 330 shares of its common stock for each share of common stock outstanding for TTECH. Currently, TTECH has 100,000 shares of common stock outstanding, thus the Company will be required to issue 33,000,000 shares of its common stock to the holders on TTECH'S common stock. KY and TTECH entered into an Agreement and Plan of Share Exchange dated September 22, 2017 and the Closing occurred on September 28, 2017. TTECH became a partially owned subsidiary of Sylios Corp. Steven Terrell, the founder of TTECH, will remain the sole officer and director. During the 4th Quarter of 2017, Sylios Corp will file to spin-off TTECH through a stock dividend

NOTE W- BUD BANK DISPOSITION

On April 21, 2017, the Company entered into a definitive Asset Acquisition Agreement (the "Agreement") with The Greater Cannabis Company, Inc. ("GCC"), whereby GCC will acquire the Company's wholly owned subsidiary Bud Bank, LLC ("Bud Bank"). Under the Agreement, GCC is obligated to pay the Company a royalty of 10% of net sales proceeds generated by Bud Bank through its operations up to a total of \$50,000 and thereafter for perpetuity pay a royalty of 3% of net sales proceeds generated by Bud Bank through its operations. The transaction closed on June 21, 2017 concurrent with the Company's filings with the State of Florida. The transaction closed on June 20, 2017.

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NOTE X- EQUITY IN SPIN-OFFS

The Company holds 5,378,476 shares of The Greater Cannabis Company, Inc. (“GCAN”) and 2,956,650 shares of AMDAQ Corp, which were issued to the Company in the spin-off of each. The Company has valued The Greater Cannabis Company shares at \$0.25, which is the same arbitrary value the shares were priced at in The Great Cannabis Company’s S-1 Registration Statement. Each quarter, the Company will mark up or mark down the asset based on the closing price of the equity on the last trading date of the quarter. The Company gives no valuation to the AMDAQ shares at this time within its financials. Upon the quote of the security, the Company will then include this asset within its financials. The asset valuation is shown on the Company’s balance sheet under “Other Assets” as “Equity in Spun-off Subsidiaries.”