

Eagle Mountain Corp
Form 10-Q
December 16, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-50140

EAGLE MOUNTAIN CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

47-5195512
(I.R.S. Employer Identification Number)

20333 Tomball PKY, Suite 204, Houston, Texas 77070
(Address of principal executive offices) (Zip code)

(281) 378-8028
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The Registrant had 333,405,926 shares of common stock outstanding as of December 2, 2015.

TABLE OF CONTENTS

	Page
PART FINANCIAL INFORMATION	
I	
Item 1.	Financial Statements (Unaudited) 3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 4
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 7
Item 4.	Controls and Procedures 8
PART OTHER INFORMATION	
II	
Item 1.	Legal Proceedings 9
Item 1A.	Risk Factors 9
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 9
Item 3.	Defaults Upon Senior Securities 9
Item 4.	Mine Safety Disclosures 9
Item 5.	Other Information 9
Item 6.	Exhibits 10
SIGNATURES 11	

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES

	Pages
Condensed Consolidated Balance Sheets (Unaudited)	F-1
Condensed Consolidated Statements of Operations (Unaudited)	F-2
Condensed Consolidated Statements of Cash Flows (Unaudited)	F-3
Notes to the Condensed Consolidated Financial Statements (Unaudited)	F-5 to F-14

[Table of Contents](#)

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	As of September 30, 2015 (Unaudited)	As of December 31, 2014 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 271,954	\$ -
Interest receivable	7,781	-
Prepaid expense	37,500	-
Other current assets	8,422	-
Total current assets	325,657	-
Note receivable	258,450	-
Deposit on property (Note 6)	260,000	-
Computers and electronics, net	9,433	-
Intangible assets (Note 6)	2,031,500	-
Assets from discontinued operations (Note 5)	560,128	128
Total other assets	3,119,511	-
TOTAL ASSETS	\$ 3,445,168	\$ 128
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,174,503	\$ -
Advances	254,713	-
Deferred revenue	350,000	-
Convertible notes, net	1,150,000	-
Loan payable	269,400	-
Liability for unissued shares	765,000	-
Total current liabilities	3,963,616	-
Liabilities from discontinued operations	959,623	448,055
Total liabilities	4,923,239	-
Stockholders' Equity (Deficit)		
Series B Convertible Preferred Stock		
Par value: \$0.001, 8,000,000 shares authorized, 8,000,000 and nil shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	-	-
Series C Convertible Preferred Stock		
Par value: \$0.001, 2,100,000 shares authorized, nil shares issued and outstanding as of September 30, 2015 and December 31, 2014	-	-
Series D Convertible Preferred Stock		
	-	-

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Par value: \$0.001, 640,000 shares authorized, nil shares issued and outstanding as of September 30, 2015 and December 31, 2014		
Series E Convertible Preferred Stock		
Par value: \$0.001, 8,000,000 shares authorized, 8,000,000 and nil shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	8,000	-
Common stock:		
Par value: \$0.001, 500,000,000 shares authorized, 271,055,926 shares issued and outstanding as of September 30, 2015 and December 31, 2014	271,056	2,205
Stock payable	99,040,000	-
Additional paid in capital	616,400,032	4,371,203
Exchange reserve	(1,776)	(1,776)
Minority interest in earnings of subsidiary	119,618	-
Accumulated deficit	(717,315,001)	(4,819,559)
Total stockholders' equity	(1,478,071)	(447,927)
Total liabilities and stockholders' equity	\$ 3,445,168	\$ 128

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

[Table of Contents](#)

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	\$ -	\$ -	\$ -	\$ -
Operating Expenses				
Depreciation	270	-	270	-
Exploration expenses	(1,449)	-	18,590	-
Professional fees	61,392	-	285,892	-
General and administrative expenses	1,304,473	-	1,469,638	-
Total operating expenses	1,364,686	-	1,774,390	-
Income (loss) from continuing operations	(1,364,686)	-	(1,774,390)	-
Other Income (expenses)				
Interest expenses	(1,102,777)	-	(1,175,863)	-
Interest income	2,474	-	2,843	-
Impairment of goodwill	-	-	(604,163,185)	-
Loss on debt settlement	-	-	(105,233,144)	-
Other Income (expenses)	(1,100,303)	-	(710,569,349)	-
Net Income (loss) from continuing operations	(2,464,989)	-	(712,343,739)	-
Net Income (loss) from discontinued operations	-	12,673,201	(151,703)	12,098,522
Net Income (loss)	\$ (2,464,989)	\$ 12,673,201	\$ (712,495,442)	\$ 12,098,522
Attributable to:				
Non-controlling interest	\$ (42,030)	\$ -	\$ (49,071)	\$ -
Shareholders of the Company	\$ (2,422,959)	\$ 12,673,201	\$ (712,446,371)	\$ 12,098,522
Net Loss Per Common Share – basic and diluted	\$ (0.02)	\$ 5.75	\$ (18.43)	\$ 5.49
Weighted average number of shares – basic and diluted	110,329,828	2,205,010	38,642,678	2,205,010

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

Table of Contents

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss) before non-controlling interest	\$ (712,495,442)	\$ 12,098,522
Add: loss from discontinued operations	151,703	(12,098,522)
Adjustments to reconcile net income (loss) to cash used in operation		
Depreciation	270	-
Impairment of Goodwill	604,163,185	-
Amortization of debt discount	1,150,000	-
Loss on debt settlement	105,233,144	-
Changes in current assets and liabilities:		
Interest receivable	(2,843)	-
Prepaid expenses	(37,500)	-
Other receivable	(1,109)	-
Accounts payable and accrued expenses	(50,815)	-
Deferred revenue	350,000	-
Liability for unissued shares	765,000	-
Net cash provided (used) from continuing activities	(774,407)	-
Net cash provided (used) from discontinued activities	-	1,615,830
Net cash provided (used) from operating activities	(774,407)	1,615,830
Cash flows from investing activities:		
Cash and cash equivalents acquired from acquisitions of consolidated companies	132,064	-
Advances of funds to subsidiary before acquisition	(151,000)	-
Loan receivable	(175,000)	-
Computers and electronics	(9,703)	-
Net cash provided (used) from continuing activities	(203,639)	-
Net cash provided (used) from discontinued activities	-	11,738,454
Net cash provided (used) from investing activities	(203,639)	11,738,454
Cash flows from financing activities:		
Proceeds from subscription	100,000	-
Proceeds from convertible notes	1,150,000	-
Net cash provided (used) from continuing activities	1,250,000	-
Net cash provided (used) from discontinued activities	-	(13,585,403)
Net cash provided (used) from financing activities	1,250,000	(13,585,403)
Net cash flows	271,954	(231,119)
Cash and equivalents, beginning of period	-	231,119
Cash and equivalents, end of period	\$ 271,954	\$ -
Supplemental cash flow disclosures:		
Cash paid for interest	\$ -	\$ -

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Cash paid for income taxes	\$	-	\$	-
Supplemental non-cash investing activities:				
Non- cash net assets acquired, Assumption Agreement	\$	685,126	\$	-

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

[Table of Contents](#)

F-3

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1 Organization and Principal Activities

Eagle Mountain Corporation (“Eagle”) (formerly named as USmart Mobile Device Inc. (“USmart”)) and its subsidiaries are referred to herein collectively and on a consolidated basis as the “Company” or “we”, “us” or “our” or similar terminology.

The Company was incorporated under the laws of the State of Delaware on September 17, 2002 and previously known as ACL Semiconductors Inc. The Company acquired Atlantic Components Limited, a Hong Kong incorporated company (“Atlantic”) through a reverse-acquisition that was effective September 30, 2003. On September 28, 2012, the Company acquired Jussey Investments Limited, a company incorporated in British Virgin Islands (“Jussey”). The subsidiaries were held for disposal since March 31, 2014 and officially disposed on September 30, 2014, the Company disposed all of the equity interest held in ACL International Holdings Limited (“ACL Holdings”).

After the disposal, the Company was still engaged in the sales and distribution of smartphones, electronic products and components in Hong Kong Special Administrative Region (“Hong Kong”) and the People’s Republic of China (“China” or the “PRC”).

On April 24, 2015, the Company amended its Certificate of Incorporation to change its corporate name to Eagle Mountain Corporation. Subsequently, on June 5, 2015 the Company and Eagle Mountain Ltd., a Belize corporation (the “Assignor”), entered into an Assignment and Assumption Agreement (the “Assumption Agreement”), pursuant to which the Assignor assigned to the Company certain debts and assets, including (1) a controlling interest in Shale Oil International Inc. (OTC:PINK-SHLE), and its 100% owned subsidiary, Texas Shale Oil Inc., which collectively own a strategic oil and gas model (intellectual property) covering several thousand square miles of prospective oil and gas exploration and development acres in Louisiana, Texas and Mexico, as well as various related geophysical, geological, engineering and geochemical data sets; (2) an opportunity to participate in and finance a trans-oil pipeline project, and (3) an agreement for a strategic cooperation regarding an integrated energy project and an opportunity to purchase and refurbish a refinery. Mr. Ehud Amir, the Chairman of the Board of the Company’s Board of Directors, and the Company’s Chief Operating Officer, is the CEO of Assignor. Mr. Amir is also a co-founder of Texas Shale Oil Inc., a wholly owned subsidiary of the Company’s 85.39% controlled subsidiary, Shale Oil International Inc. In addition, Mr. Ronald Cormick, the Company’s Chief Executive Officer, is the President and Director of Texas Shale Oil Inc. and President and CEO of Shale Oil International Inc. Mr. Larry Eastland, a member of the Company’s Board of Directors, is also director and Chairman of Shale Oil International Inc.

As a result of entering into the Assignment and Assumption Agreement, the Company changed its business focus and discontinued its operation in the sales and distribution of smartphones, electronic products and components. The Company now operates in the natural resources, EPC (Engineering, Procurement, and Construction) and oil & gas sector.

On July 17, 2015 the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware to effect the increase in authorized shares of common stock and a reverse stock split. Upon filing of the Certificate of Amendment, the Company’s authorized common stock was increased to 500,000,000 shares and every eighteen shares of the Company’s issued and outstanding common stock was automatically converted into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split was applied to all shares of the Company’s common stock outstanding immediately prior to July 17, 2015, as well as the number of shares of common stock available for issuance under the Company’s equity incentive plans. In addition, the reverse stock split will effect a reduction in the number of shares of common stock issuable upon the conversion of shares of preferred stock or upon the exercise of stock options or warrants outstanding immediately prior to the effectiveness of the

reverse stock split. No fractional shares were issued as a result of the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share had their fractional shares rounded up to the nearest whole number.

The aforementioned Assumption Agreement resulted in a change of control in the Company under the terms of the certificates of designation for each of the Series B, C and D preferred stock, each series automatically converted into shares of the Company's common stock upon the amendment to the Company's certificate of incorporation becoming effective as set out above. As a result the holders of 638,509 shares of Class D and 2,050,000 shares of Class C preferred stock, converted those shares into 268,850,900 shares of our common stock effective July 17, 2015. These shares were issued on August 24, 2015. The holder of 8,000,000 shares of Class B preferred stock surrendered 40,000,000 shares of common stock upon conversion, which shares were exchanged for 8,000,000 shares of Series E preferred stock.

[Table of Contents](#)

F-4

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 2 Summary of Significant Accounting Policies

Principal of Consolidation

These consolidated financial statements include the accounts of Eagle Mountain Corp. and its 85.39% controlled subsidiary, Shale Oil International Inc. (OTC:PINK-SHLE), and its 100% owned subsidiary, Texas Shale Oil Inc. All intercompany balances and transactions have been eliminated in consolidation.

Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, debt discounts and common stock issued for assets, services or in settlement of obligations.

Cash and Cash Equivalents

For purposes of reporting within the statements of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiary acquired of during the year are included in the income statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with those used by the Company. All intra-company transactions, balances, income and expenses are eliminated on consolidation. Minority interest in the net assets of consolidated subsidiary are identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share of changes in equity are allocated against the interests of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

All business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. At September 30, 2015, we had no recorded goodwill. The interest of minority

shareholders in the acquisition is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

[Table of Contents](#)

F-5

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 2 Summary of Significant Accounting Policies (continued)

Oil and gas properties

We use the successful efforts method of accounting for oil and gas properties. Under that method:

- a. Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are charged to expense when incurred since they do not result in the acquisition of assets.
- b. Costs incurred to drill exploratory wells and exploratory-type stratigraphic test wells that do not find proved reserves are charged to expense when it is determined that the wells have not found proved reserves.
- c. Costs incurred to acquire properties and drill development-type stratigraphic test wells, successful exploratory wells, and successful exploratory-type stratigraphic wells are capitalized.
- d. Capitalized costs of wells and related equipment are amortized, depleted, or depreciated using the unit-of-production method.
- e. Costs of unproved properties are assessed periodically to determine if an impairment loss should be recognized.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. During the six month period ended September 30, 2015, there was no impairment of long-lived assets.

Intangible assets

Identifiable intangible assets are recognized when the Company controls the assets, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be reliably measured. The economic or useful life of an intangible asset is based on an estimate made by management and is subject to change under certain market conditions.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, payables, and due to related party. The carrying amount of cash, receivables and payables approximates fair value because of the short-term nature of these items. The carrying amount of the notes payable approximates fair value as the individual borrowings bear interest at market interest rates.

Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification (“ASC”) Topic 740, Income Taxes, which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

Loss per Common Share

Basic loss per share includes no dilution and is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

[Table of Contents](#)

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 2 Summary of Significant Accounting Policies (continued)

Loss per Common Share (cont'd)

The Company had the following potential common stock equivalents at September 30, 2015:

Series E Convertible Preferred Stock	40,000,000
Convertible notes	21,330,810
Stock payable, common shares	51,000,000

Since the Company reported a net loss at December 31, 2014 and September 30, 2015, respectively, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

Revenue Recognition

The Company's revenue recognition policies are in compliance with FASB ASC 605 Revenue Recognition (formerly SEC Staff Accounting Bulletin (SAB) 104). Revenue is recognized when services are rendered to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Reclassification

Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation.

Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 Going Concern

The Company has incurred net losses since inception and had a working capital deficit of \$3,637,959 at September 30, 2015. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans.

[Table of Contents](#)

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
 Notes to the Condensed Consolidated Financial Statements
 (Unaudited)

Note 4 Acquisition, Change of Business

On June 5, 2015, Eagle Mountain Corporation (the “Company”) executed an assignment and assumption agreement (the “Assumption Agreement”) with Eagle Mountain Ltd., a Belize corporation (the “Assignor”). Pursuant to the Assumption Agreement, the Company acquired certain assets including; letters of intent, agreements and other assets and assumed debts in the aggregate amount of \$1,327,017 from the Assignor, which amount was subsequently released in exchange for 538,509 shares of a newly designated class of Series D Convertible Preferred Stock (Note 8). As consideration for the Assumption Agreement, the Company issued the Assignor and/or its assignees 8,000,000 shares of a newly designated Series B Convertible Preferred Stock, 2,050,000 shares of a newly designated Series C Convertible Preferred Stock, 100,000 shares of a newly designed Series D Convertible Preferred Stock and 50,000,000 shares of common stock (which remains payable).

The list of assets include:

1. A Consultancy Agreement, dated April 18, 2015, pursuant to which the Assignor will provide consulting services with respect to the strategic partners, prospective user, as well as potential financiers and investors for a trans-oil pipeline project.
2. A Memorandum of Understanding pursuant to which the parties agree to have a strategic cooperation regarding an integrated energy project.
3. A Letter of Intent to purchase and refurbish a refinery, dated February 26, 2015, by and between the Assignor and a petroleum company.
4. 85.39% Controlling ownership of Shale Oil International Inc. (OTC:PINK-SHLE), and its 100% owned subsidiary, Texas Shale Oil Inc., which collectively own a strategic oil and gas model (intellectual property) covering several thousand square miles of prospective oil and gas exploration and development acres in Louisiana, Texas and Mexico, as well as various related geophysical, geological, engineering and geochemical data sets;

The Company does not have valuation data for above list items 1 to item 3, and as a result, we have assigned no fair market value to these assets.

The transaction has been valued at \$603,534,000, based on fair market value of the acquirer’s stock, which is issuable upon conversion of several classes of Preferred Stock as set out above and the issuance of a total of 50,000,000 shares of common stock which remains payable at the date hereof. The value of 85.39% of the net underlying assets of Assignor was approximately \$697,832.

The allocation of the purchase price totaling \$697,832, is as follows. For purposes of the allocation, Management has considered book value and fair value to be the same and has treated all assets and liabilities at cost:

At May 31, 2015	Book value	Fair value adjustments	Fair value
	\$	\$	\$
Net assets acquired			
Cash	132,064	-	132,064

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Interest receivable	4,938	-	4,938
Other receivable	7,313	-	7,313
Note receivable	83,450	-	83,450
Deposit on property	260,000	-	260,000
Intangible assets	2,031,500	-	2,031,500
Accounts payable and accrued liabilities	(1,061,544)	-	(1,061,544)
Advances	(220,131)	-	(220,131)
Loan payable	(269,400)	-	(269,400)
Advances from Eagle Mountain Corp	(151,000)	-	(151,000)
Total	817,190	-	817,190
Minority interest			(119,358)
Total consideration			697,832

[Table of Contents](#)

F-8

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 4 Acquisition (continued)

Satisfied:	\$
Add:	
Issuance of various classes of preferred convertible shares of Eagle Mountain Corp. based on quoted market value of common stock issuable as at transaction date.	603,534,000
Assumed convertible notes	1,327,017
Total:	604,861,017
Goodwill	604,163,185

Upon review, the Company has fully impaired the Goodwill on the transaction date.

Note 5 Discontinued Operations

On June 5, 2015, Eagle Mountain Corporation (the “Company”) executed an assignment and assumption agreement (the “Assumption Agreement”) with Eagle Mountain Ltd., a Belize corporation (the “Assignor”). Pursuant to the Assumption Agreement, the Company acquired certain agreements and assets and assumed debts in the aggregate amount of \$1,327,017 from the Assignor. In consideration, the Company issued the Assignor and/or its assignees 8,000,000 shares of a newly designated Series B Convertible Preferred Stock, 2,050,000 shares of a newly designated Series C Convertible Preferred Stock, 100,000 shares of a newly designated Series D Convertible Preferred Stock and 50,000,000 shares of common stock (which remains payable at September 30, 2015).

Upon the closing, the Company changed its business from the sales and distribution of smartphones, electronic products and components to operations in the natural resources, EPC (Engineering, Procurement, and Construction) and oil & gas sector. The major classes of assets and liabilities from discontinued operations as of September 30, 2015 and December 31, 2014 included in the consolidated balance sheets, are as gathered from the records transferred to the Company, unaudited, and subject to further verification, are reported below as follows:

	As of September 30, 2015 (Unaudited)	As of December 31, 2014 (Audited)
ASSETS		
Current assets		
Accounts receivable	\$ 560,000	\$ -
Other current assets	128	128
Total current assets	560,128	128
TOTAL ASSETS	\$ 560,128	\$ 128
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 847,090	\$ 335,522

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Due to shareholders	112,533	112,533
Total current liabilities	959,623	448,055
Total liabilities	959,623	448,055

[Table of Contents](#)

F-9

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 5 Discontinued Operations (cont'd)

The results of the discontinued operations are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net sales	\$ -	\$ -	\$ 560,000	\$ 1,013,241
Costs of sales	-	-	480,000	1,113,533
Gross profit (loss)	-	-	80,000	(100,292)
 Operating Expenses				
Selling and distribution costs	-	-	49,280	118,365
General and administrative expenses	-	-	182,423	409,106
Income (loss) from operation	-	-	231,703	(627,763)
Other income (expenses)	-	12,673,201	-	12,726,285
Income (loss) from discontinued operations	-	12,673,201	(151,703)	12,098,522

Note 6 Other Assets

(a) Sale and Purchase Agreement with Pryme Oil and Gas LLC

On May 23, 2014 the Company's 85.39% controlled subsidiary, Shale Oil International Inc. entered into a Sale and Purchase agreement with Pryme Oil and Gas LLC, a Texas corporation, (the "Seller") where under the Company's subsidiary, as "Purchaser", will acquire 100% of the Seller's working interests and net revenue interests in the oil and gas leases and areas of mutual interest held by Seller in the AVOYELLES & ST. LANDRY PARISHES, LOUISIANA, known as the Tuner Bayou Acreage (the "Acreage"). In addition the Purchaser shall acquire the Seller's working interest in the personal property, equipment and fixtures on the Acreage, as well as any available seismic, geologic, geophysical, geochemical, engineering, financial, prior drilling and production histories, legal and cultural information, reports, studies and data accumulated by Seller in the acquisition and development of the Acreage. In consideration for the acquisition, the Purchaser shall assume certain debts of the Seller, not to exceed \$1,400,000, shall pay the Seller's proportionate share of the installation of an artificial lift system on the Rosewood Plantation 21-H well (the "Workover") within 30 days of the execution of the agreement, not to exceed \$260,000, and shall agree to drill at least one Chalk well within 4 months of the completion of the aforementioned Workover. As at September 30, 2015 and August 31, 2014 the Company's subsidiary has remitted deposits of \$260,000 towards the required Workover fees.

Under the terms of the agreement, should the transaction fail to close for any reason, the \$260,000 advance by the Company's subsidiary may be converted into an unrestricted block of stock in Prime Energy Limited in equivalent value to the cash proceeds advanced, determined using a VWAP share price. As at the date of this report the transaction has not yet closed due to a change in economic conditions and certain legal matters which are being

addressed by Pryme, however the Company and Pryme continue to work towards completion of the agreement as contemplated above.

[Table of Contents](#)

F-10

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 6 Other Assets (continued)

(b) Intangible Assets

Intangible assets totaling \$2,031,500 reflected on the Company's balance sheet represent certain acquired geologic, geophysical, geochemical and engineering data, land acquisition costs and certain associated technical expenses recorded at cost and held by the Company's 85.39% controlled subsidiary, Shale Oil International Inc., and its wholly owned subsidiary, Texas Shale Oil Inc.

Note 7 Deferred Revenue

In September 2015, the Company received \$350,000 from a client in respect to and invoice issued with respect to certain consulting services to be rendered including the acquisition of engineering, geological and geophysical data and the completion of pre-feasibility work on a potential mining project in Panama. As at September 30, 2015 the Company had not yet completed the scope of work and has recorded the amount received as deferred revenue.

Note 8 Loans Receivable

During the nine month period ended September 30, 2015, the Company provided \$175,000 in operating capital to a third party in the form of a two year note, bearing interest at 2% plus the USD Libor rate. The loan is unsecured.

On June 1, 2014, the Company's subsidiary provided \$83,450 to a third party in the form of a two year note, bearing 6% interest per annum as a loan for working capital. The loan is unsecured.

Note 9 Convertible Notes

On June 5, 2015, the Company entered into debt exchange agreements (the "Exchange Agreements") with holders of convertible debentures which the Company assumed from the Assignor. Pursuant to the Exchange Agreements, the holders released the Company in full from the Company's obligations to them for an aggregate of \$1,327,017 in convertible debentures, and the Company cancelled, extinguished and discharged such obligations, in exchange for the issuance to the holders of an aggregate of 538,509 shares of Series D Convertible Preferred Stock. The aggregate of 538,509 shares of Series D Convertible Preferred Stock was valued at \$106,560,161 based on fair market value of the Company's market price on the date of the transaction, and assuming all Series D Convertible Shares of Preferred Stock were converted to shares of the Company's common stock. We recorded \$105,233,144 as a loss on debt settlement.

During the nine month period ended September 30, 2015, the Company entered into various 6% convertible notes with investors, having a maturity date as of September 1, 2015 and with conversion prices varying from \$0.0469 to \$0.10 per share. We received a total of \$1,150,000 in respect of these convertible notes.

As at the date of issue, these convertible notes were considered to have a beneficial conversion feature ("BCF") because the conversion price was less than the quoted market price at the time of issuance. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of issue to be \$1,150,000, or the face value of the notes. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount for the nine month period ended September 30, 2015 was \$1,150,000.

	September 30, 2015	Issue Date
Total convertible promissory note – face value	1,150,000	1,150,000
Less: beneficial conversion feature	-	(1,150,000)
	1,150,000	-

[Table of Contents](#)

F-11

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 9 Convertible Notes (continued)

The notes became due and payable on September 1, 2015 and are now considered demand notes which continue to accrue interest at a rate of 6% per annum.

Interest expenses:

	For the three month period		For the nine month period	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Amortization of debt discount	\$1,079,138	\$-	\$1,150,000	\$-
Interest at contractual rate	15,736	-	17,960	-
Totals	\$1,094,874	\$-	\$1,167,960	\$-

Note 10 Agreements for Services

On August 3, 2015, the Company entered into Services Agreements with two independent consultants. Under the services agreement, the consultants will provide general consultancy services in connection with the Company's projected business in or related to China and Hong Kong. In consideration for the services provided, the Company will pay a total of 600,000 shares of the Company's common stock, which was valued at fair market value on issuance at \$1.275 per share or \$765,000.

Note 11 Subscription Agreement

On April 20, 2015, the Company entered into a subscription agreement with an investor for a total of 1,000,000 shares of the Company's common stock at a price of US\$0.10 per share. The total amount of \$100,000 was received in August 2015, however, as at September 30, 2015 the shares remained unissued and have been recorded as stock payable under the equity section of the Company's balance sheets.

Note 12 Common Stock

On June 5, 2015 as part of the Assumption Agreement (Note 4) the Company agreed to issue 8,000,000 shares of a newly designated Series B Convertible Preferred Stock, 2,050,000 shares of a newly designated Series C Convertible Preferred Stock, 100,000 shares of a newly designed Series D Convertible Preferred Stock and 50,000,000 shares of common stock. Further the Company agreed to settle a total of \$1,327,017 in assumed debt for 538,509 shares of Series D Convertible Preferred Stock.

On June 8, 2015, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock ("Series B Preferred Stock") authorizing the issuance of up to 8,000,000 shares of Series B Preferred Stock. Each share of Series B Preferred Stock has a stated value of \$0.001 and is automatically convertible into 90 shares of the Company's common stock upon the Company's filing of an amendment to its Certificate of Incorporation to increase its authorized number of shares of common stock. The conversion ratio is subject to adjustment in the event of stock splits, stock dividends, combination of shares and similar recapitalization

transactions. The holders of Series B Preferred Stock are entitled to vote on all matters submitted to the Company's stockholders and shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series B Preferred Stock are convertible. On July 17, 2015, the Company effected a one for eighteen reverse split of its common stock and as a result each share of Series B Preferred Stock was adjusted so that it was convertible into 5 shares of the Company's Common Stock.

[Table of Contents](#)

F-12

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 12 Common Stock (continued)

The Company also filed a Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock (“Series C Preferred Stock”) authorizing the issuance of up to 2,100,000 shares of Series C Preferred Stock. Each share of Series C Preferred Stock has a stated value of \$0.001 and is automatically convertible into 1,800 shares of the Company’s common stock upon the Company’s filing of an amendment to its Certificate of Incorporation to increase its authorized number of shares of common stock. The conversion ratio is subject to adjustment in the event of stock splits, stock dividends, combination of shares and similar recapitalization transactions. The holders of Series C Preferred Stock are entitled to vote on all matters submitted to the Company’s stockholders and shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series C Preferred Stock are convertible. On July 17, 2015, the Company effected a one for eighteen reverse split of its common stock and as a result each share of Series C Preferred Stock was adjusted so that it was convertible into 100 shares of the Company’s Common Stock.

The Company also filed a Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (“Series D Preferred Stock”) authorizing the issuance of up to 640,000 shares of Series D Preferred Stock. Each share of Series D Preferred Stock has a stated value of \$0.001 and is automatically convertible into 1,800 shares of the Company’s common stock upon the Company’s filing of an amendment to its Certificate of Incorporation to increase its authorized number of shares of common stock, provided, however, such conversion shall not occur prior to September 1, 2015. The conversion ratio is subject to adjustment in the event of stock splits, stock dividends, combination of shares and similar recapitalization transactions. The holders of Series D Preferred Stock are entitled to vote on all matters submitted to the Company’s stockholders and shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series D Preferred Stock are convertible. On July 17, 2015, the Company effected a one for eighteen reverse split of its common stock and as a result each share of Series D Preferred Stock was adjusted so that it was convertible into 100 shares of the Company’s Common Stock.

On July 17, 2015 (the “Effective Time”), the Company filed the Certificate of Amendment with the Secretary of State of the State of Delaware to effect the increase in authorized shares of common stock and a reverse stock split. Upon filing of the Certificate of Amendment, the Company’s authorized common stock was increased to 500,000,000 shares and every eighteen shares of the Company’s issued and outstanding common stock was automatically converted into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split was applied to all shares of the Company’s common stock outstanding immediately prior to the Effective Time, as well as the number of shares of common stock available for issuance under the Company’s equity incentive plans. In addition, the reverse stock split will effect a reduction in the number of shares of common stock issuable upon the conversion of shares of preferred stock or upon the exercise of stock options or warrants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were be issued as a result of the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share had their fractional shares rounded up to the nearest whole number.

The aforementioned Assumption Agreement resulted in a change of control in the Company under the terms of the certificates of designation for each of the Series B, C and D preferred stock, each series automatically converted into shares of the Company’s common stock upon the amendment to the Company’s certificate of incorporation becoming effective as set out above. As a result the holders of 638,509 shares of Class D and 2,050,000 shares of Class C preferred stock, converted those shares into 268,850,900 shares of our common stock effective July 17, 2015. These shares were issued on August 24, 2015. The holder of 8,000,000 shares of Class B preferred stock surrendered

40,000,000 shares of common stock upon conversion, which shares were exchanged for 8,000,000 shares of a newly designated Series E preferred stock.

On October 23, 2015, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (“Series E Preferred Stock”) authorizing the issuance of up to 8,000,000 shares of Series E Preferred Stock. Each share of Series E Preferred Stock has a stated value of \$0.001 and is automatically convertible into five shares of the Company’s common stock. The conversion ratio is subject to adjustment in the event of stock splits, stock dividends, combination of shares and similar recapitalization transactions. The holders of Series E Preferred Stock are entitled to vote on all matters submitted to the Company’s stockholders and shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series E Preferred Stock are convertible.

The Company had 271,055,910 and 2,205,010 shares of common stock outstanding at September 30, 2015 and December 31, 2014.

[Table of Contents](#)

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 13 Other Events

On April 18, 2015, Ben Wong and Eddy Wong tendered their resignation as Chief Executive Officer and Chief Financial Officer, respectively, effective immediately. Concurrently, the Board of Directors appointed Ronald Cormick as Chief Executive Officer of the Company and Haley Manchester as Chief Financial Officer of the Company to fill the vacancies left by Messrs. Wong's resignation, with immediate effect. The Board also appointed Ronald Cormick, Ehud Amir, and Larry Eastland as directors of the Company and appointed Ehud Amir as Chief Operating Officer of the Company with immediate effect.

On May 26, 2015, Ben Wong and Alan (Chung-Lun) Yang resigned from the Board of Directors.

Note 14 Subsequent Events

On October 9, 2015, 600,000 shares of the Company's common stock was issued in respect to the services agreements. (For more details, see Note 9 – Services Agreements)

On October 30, 2015, 50,000,000 shares of the Company's common stock was issued in respect to the acquisition of business. (For more details, see Note 4 – Acquisition, Change of Business)

On November 6, 2015, 2,000,000 shares of the Company's common stock was issued in respect to the subscription agreement referred to above in Note 10, as well a subsequent subscription agreement with the same shareholder for a further 1,000,000 shares. (ref Note 10 – Subscription Agreement).

In October and November 2015, total of 8,750,000 shares of common stock were issued in respect to the various convertible notes as described above in Note 8. (ref Note 8 – Convertible Notes).

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described.

The information contained in this Form 10-Q is intended to update the information contained in our annual report on Form 10-K for the year ended December 31, 2014, (the "Form 10-K"), filed with the Securities and Exchange Commission ("SEC"), and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operation," our consolidated financial statements and the notes thereto, and other information contained in the Form 10-K. The following discussion and analysis also should be read together with our condensed consolidated financial statements and the notes to the condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q.

Forward-Looking Statements

Information included in this Form 10-Q may contain forward-looking statements. Except for the historical information contained in this discussion of the business and the discussion and analysis of financial condition and results of operations, the matters discussed herein are forward looking statements. These forward looking statements include but are not limited to the Company's plans for sales growth and expectations of gross margin, expenses, new product introduction, and the Company's liquidity and capital needs. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. In addition to the risks and uncertainties described in "Risk Factors" contained in the Form 10-K, these risks and uncertainties may include consumer trends, business cycles, scientific developments, changes in governmental policy and regulation, currency fluctuations, economic trends in the U.S. and inflation. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Corporate Overview and Background

Eagle was primarily engaged in the business of distribution of memory products mainly under "Samsung" brand name which principally comprised DRAM, Graphic RAM and Flash for the Hong Kong and PRC markets ("Samsung Business"). After April 1, 2012, the Samsung Business was transferred to ATMD, a joint venture with Tomen. We indirectly own 30%

equity interest in ATMD. On September 27, 2013, we sold the entire 30% equity interest of ATMD. Through the acquisition of Jussey on September 28, 2012, we have diversified our product portfolio and customer network, obtained design and manufacturing capabilities, and tapped into the blooming telecommunication industry with access to the 3G baseband licenses acquired by Jussey's subsidiaries. On September 30, 2014, the Company disposed all of the equity interest held in ACL International Holdings Limited ("ACL Holdings").

After the disposal, the Company was still engaged in the sales and distribution of smartphones, electronic products and components in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China ("China" or the "PRC").

On April 24, 2015, the Company amended its Certificate of Incorporation to change its corporate name to Eagle Mountain Corporation. Subsequently, on June 5, 2015 the Company and Eagle Mountain Ltd., a Belize corporation (the "Assignor"), entered into an Assignment and Assumption Agreement (the "Assumption Agreement"), pursuant to which the Assignor assigned to the Company certain debts and assets, including (1) a controlling interest Shale Oil International Inc. (OTC:PINK-SHLE), and its 100% owned subsidiary, Texas Shale Oil Inc., which collectively own a strategic oil and gas model (intellectual property) covering several thousand square miles of prospective oil and gas exploration and development acres in Louisiana, Texas and Mexico, as well as various related geophysical, geological, engineering and geochemical data sets; (2) an opportunity to participate in and finance a trans-oil pipeline project, and (3) an agreement for a strategic cooperation regarding an integrated energy project and an opportunity to purchase and refurbish a refinery. Mr. Ehud Amir, the Chairman of the Board of the Company's Board of Directors, and the Company's Chief Operating Officer, is the CEO of Assignor. Mr. Amir is also a co-founder of Texas Shale Oil Inc., a wholly owned subsidiary of the Company's 85% controlled subsidiary, Shale Oil International Inc. In addition, Mr. Ronald Cormick, the Company's Chief Executive Officer, is the President and Director of Texas Shale Oil Inc. and President and CEO of Shale Oil International Inc. Mr. Larry Eastland, a member of the Company's Board of Directors, is also director and Chairman of Shale Oil International Inc.

As a result of the aforementioned transactions the Company now operates in the natural resources, EPC (Engineering, Procurement, and Construction) and oil & gas sector, and discontinued its operation in the sales and distribution of smartphones, electronic products and components.

On July 17, 2015 the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware to effect the increase in authorized shares of common stock and a reverse stock split. Upon filing of the Certificate of Amendment, the Company's authorized common stock was increased to 500,000,000 shares and every eighteen shares of the Company's issued and outstanding common stock was automatically converted into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split was applied to all shares of the Company's common stock outstanding immediately prior to July 17, 2015, as well as the number of shares of common stock available for issuance under the Company's equity incentive plans. In addition, the reverse stock split will effect a reduction in the number of shares of common stock issuable upon the conversion of shares of preferred stock or upon the exercise of stock options or warrants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were be issued as a result of the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share had their factional shares rounded up to the nearest whole number.

The aforementioned Assumption Agreement resulted in a change of control in the Company under the terms of the certificates of designation for each of the Series B, C and D preferred stock, each series automatically converted into shares of the Company's common stock upon the amendment to the Company's certificate of incorporation becoming effective as set out above. As a result the holders of 638,509 shares of Class D and 2,050,000 shares of Class C preferred stock, converted those shares into 268,850,900 shares of our common stock effective July 17, 2015. These shares were issued on August 24, 2015. The holder of 8,000,000 shares of Class B preferred stock surrendered 40,000,000 shares of common stock upon conversion, which shares were exchanged for 8,000,000 shares of a newly designated Series E preferred stock.

On October 23, 2015, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock ("Series E Preferred Stock") authorizing the issuance of up to 8,000,000 shares of Series E Preferred Stock. Each share of Series E Preferred Stock has a stated value of \$0.001 and is automatically convertible into five shares of the Company's common stock. The conversion ratio is subject to adjustment in the event of stock splits, stock dividends, combination of shares and similar recapitalization transactions. The holders of Series E Preferred Stock are entitled to vote on all matters submitted to the Company's stockholders and shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series E Preferred Stock are convertible.

[Table of Contents](#)

Results of Operations

On June 5, 2015 the Company and Eagle Mountain Ltd., a Belize corporation (the “Assignor”), entered into an Assignment and Assumption Agreement (the “Assumption Agreement”) as more particularly described in the financial statements included herein. As a result of the Assumption Agreement, the Company now operates in the natural resources, EPC (Engineering, Procurement, and Construction) and oil & gas sector, and discontinued its operation in the sales and distribution of smartphones, electronic products and components.

The financial statements contained herein reflect the consolidated financial reports of the Company and its 85% controlled subsidiary, Shale Oil International Inc. In addition, discontinued operations from the Company’s prior business operation is reflected as of the transaction date, June 5, 2015.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenue	\$ -	\$ -	\$ -	\$ -
Operating Expenses				
Depreciation	270	-	270	-
Exploration expenses	(1,449)	-	18,590	-
Professional fees	61,392	-	285,892	-
General and administrative expenses	1,304,473	-	1,469,638	-
Total operating expenses	1,364,686	-	1,774,390	-
Income (loss) from continuing operations	(1,364,686)	-	(1,774,390)	-
Other Income (expenses)				
Interest expenses	(1,102,777)	-	(1,175,863)	-
Interest income	2,474	-	2,843	-
Impairment of goodwill	-	-	(604,163,185)	-
(Loss) on debt settlement	-	-	(105,233,144)	-
Other Income (expenses)	(1,100,303)	-	(710,569,349)	-
Net Income (loss) from continuing operations	(2,464,989)	-	(712,343,739)	-
Net Income (loss) from discontinued operations	-	12,673,201	(151,703)	12,098,522
Net Income (loss)	\$ (2,464,989)	\$ 12,673,201	\$ (712,495,442)	\$ 12,098,522
Attributable to:				
Non-controlling interest	\$ (42,030)	\$ -	\$ (49,071)	\$ -
Shareholders of the Company	\$ (2,422,959)	\$ 12,673,201	\$ (712,446,371)	\$ 12,098,522

Table of Contents

Unaudited Comparisons for Three and Nine Months Ended September 30, 2015 to the Three and Nine Months Ended September 30, 2014

Exploration Expenses

During the three and nine months ended September 30, 2015 the Company incurred \$18,599 in exploration expenses (2014- \$Nil) with respect to our newly acquired business operations in the oil and gas sector.

Professional Fees

During the three and nine months ended September 30, 2015 the Company incurred \$61,392 and \$285,892 respectively in professional fees paid for legal, accounting, audit and other professional expense compared to \$Nil in the prior comparative period.

The Company expects to continue to incur substantive additional professional fees as we move to evaluate recently acquired resource based assets, negotiate agreements with third parties to monetize these assets and undertake financings to meet our operational overhead and planned exploration expenses.

General and Administrative expenses

During the three and nine months ended September 30, 2015 the Company incurred general and administrative expenses of \$1,304,473 and \$1,469,638 respectively as compared to \$Nil in the prior comparative period. General and administrative expenses include travel and entertainment expense, office expense, rent and other overhead, transfer agent and filing fees and fees paid to consultants.

Other Expenses

During the three and nine month periods ended September 30, 2015 the Company reported impairment of goodwill with respect to an Assumption Agreement more particularly described in the financial statements contained herein of \$604,163,185 as a result impairment testing conducted by management at the acquisition date. In addition the Company recorded a loss on the settlement of certain acquired debts of \$105,233,144 as a result of the issuance of shares of convertible class D preferred stock.

In addition we recorded interest expense of \$1,102,777 and \$1,175,863 respectively in respect of certain convertible notes payable, including amortization of the debt discount. We also recorded interest income of \$2,474 and \$2,843 respectively in regard to certain loans and advances receivable, with no similar expenses in the prior comparative three and nine month periods.

Expenses from discontinued operations totaled \$nil in the three months ended September 30 2015 (net income of \$12,673,201 – 2014) and \$151,703 in the nine months ended September 30, 2015 (net income \$12,098,522-2014)

CAPITAL RESOURCES AND LIQUIDITY

At September 30, 2015, we had total current assets of \$325,657 including \$271,954 cash on hand, interest receivable of \$7,781, prepaid expenses of \$37,500 and other current assets of \$8,422, as compared to \$Nil total current assets in the comparative period ended December 31, 2014. Current liabilities from continuing operations totaling \$3,963,616 at September 30, 2015 include \$1,174,503 from accounts payable and accrued liabilities, \$254,713 in advances from third parties, \$1,150,000 in convertible notes payable, net, \$269,400 in loans payable, deferred revenue of \$350,000 and \$765,000 in liability for unissued shares compared to \$Nil current liabilities from continuing operations at December 31, 2014. Presently we rely on advances from third parties, sale of common stock and convertible loans

from qualified investors to fund our general operating expenses.

The Company expects it will need to raise additional capital to fund its proposed operations for the next twelve months, however, the total amount of capital required is presently unknown. The Company is continuing to evaluate the cash requirements of its recently acquired operations. We intent to fund operations by a combination loans and equity placements. There can be no assurance that continued funding will be available on satisfactory terms.

Net Cash Provided by (Used for) Operating Activities

In the nine months ended September 30, 2015, net cash used by continuing operating activities was \$774,407 as compared to \$1,615,830 of cash provided by operating activities in the nine months ended September 30, 2014.

Net Cash Provided by (Used for) Investing Activities

During the nine months ended September 30, 2015, the Company used \$203,639 of cash in investing activities compared to Nil in the prior comparative period. The Company acquired cash of \$132,064 as a result of consolidation of its subsidiary accounts and expended a total of \$326,000 in loans and advances to its subsidiary and certain third parties. The Company reported net cash provided by investing activities from discontinued operations of \$11,738,454 in the nine months ended September 30, 2014 as compared to Nil in the current nine month period.

Net Cash Provided by (Used for) Financing Activities

During the nine months ended September 30, 2015, the Company received \$1,150,000 in proceeds from convertible notes payable (\$Nil-2014) and \$100,000 in proceeds from subscription for common shares and reported net cash used in financing activities from discontinued operations of \$13,583,403 in the nine months ended September 30, 2014 (Nil- 2015).

[Table of Contents](#)

GOING CONCERN

The Company has incurred substantial net losses since inception and had a working capital deficiency of \$3,637,959 at September 30, 2015. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans.

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 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.

CRITICAL ACCOUNTING POLICIES

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, and revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 2 of our financial statements for the period ended September 30, 2015. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

RECENT ACCOUNTING PRONOUNCEMENTS

On September 25, 2015, the FASB issued Accounting Standards Update, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. This amendment will not have a

material impact on our financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The new standard will require debt issuance costs to be presented on the balance sheet as a direct reduction of the carrying value of the associated debt liability, consistent with the presentation of debt discounts. Currently, debt issuance costs are presented as a deferred asset. The recognition and measurement requirements will not change as a result of this guidance. The standard is effective for the annual reporting periods beginning after December 15, 2015 and will be applied on a retrospective basis. This amendment will not have a material impact on our financial statements.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities” (SPEs).

Item 3. Quantitative and Qualitative Disclosure about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

[Table of Contents](#)

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission (SEC) rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Disclosure Controls. In designing and evaluating the Company's disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, Company management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Evaluation of Disclosure Controls and Procedures. The Company's CEO and CFO have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of September 30, 2015, and based on this evaluation, the Company's principal executive and financial officers have concluded that the Company's disclosure controls and procedures were not effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder. The Company's principal executive and financial officer's conclusion regarding the Company's disclosure controls and procedures is based on management's conclusion that the Company's internal control over financial reporting are ineffective, as described in our Annual Report on Form 10K as filed with the SEC on April 16, 2015, which included a complete discussion relating to the foregoing evaluation of Disclosures on Controls and Procedures.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Effective July 17, 2015 pursuant to the terms of the Certificate of Designations of Preferences, Rights and Limitations, 638,509 shares of Series D and 2,050,000 shares of Series C preferred stock, automatically converted those shares into 268,850,900 shares of our common stock. The shares were issued on August 24, 2015. The shares of our Common Stock issued upon conversion of the Series D and C Preferred Stock were issued pursuant to the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended.

The holder of 8,000,000 shares of Class B preferred stock surrendered 40,000,000 shares of common stock upon conversion, which shares were exchanged for 8,000,000 shares of a newly designated Class E preferred stock. The issuance of the Series E convertible was in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

On October 9, 2015, 600,000 shares of the Company's common stock was issued in respect to the services agreements. (For more details, see Note 9 – Services Agreements).

On October 30, 2015, 50,000,000 shares of the Company's common stock was issued in respect to the acquisition of business. (For more details, see Note 4 – Acquisition, Change of Business)

The shares of Common Stock issued October 9 and October 30, 2015 were issued in reliance upon the exemption from securities registration afforded by the provisions of Regulation S of the Securities Act of 1933, as amended, ("Securities Act"), as promulgated by the U.S. Securities and Exchange Commission under the Securities Act. Our reliance upon the exemption under Rule 903 of Regulation S of the Securities Act was based on the fact that the sales or issuance of the securities were completed in an "offshore transaction", as defined in Rule 902(h) of Regulation S. We did not engage in any directed selling efforts, as defined in Regulation S, in the United States in connection with the sale of the securities. The investor was not a US person, as defined in Regulation S, and was not acquiring the securities for the account or benefit of a US person.

In October and November 2015, total of 8,750,000 shares of common stock were issued in respect to the various convertible notes as described above in Note 8. (ref Note 8 – Convertible Notes). Of these shares a total of 2,750,000 were issued in reliance upon the exemption from securities registration afforded by the provisions of Regulation S of the Securities Act of 1933, as amended, ("Securities Act"), as promulgated by the U.S. Securities and Exchange Commission under the Securities Act. Our reliance upon the exemption under Rule 903 of Regulation S of the Securities Act was based on the fact that the sales or issuance of the securities were completed in an "offshore transaction", as defined in Rule 902(h) of Regulation S. We did not engage in any directed selling efforts, as defined in Regulation S, in the United States in connection with the sale of the securities. The investor was not a US person, as defined in Regulation S, and was not acquiring the securities for the account or benefit of a US person. The remaining 6,000,000 shares were issued to an investor with reliance on the exemption from the registration requirements

Edgar Filing: Eagle Mountain Corp - Form 10-Q

afforded by Section 4(a)(2) of the Securities Act of 1933, as amended.

On November 6, 2015, 2,000,000 shares of the Company's common stock was issued in respect to the subscription agreement referred to above in Note 10, as well a subsequent subscription agreement with the same shareholder for a further 1,000,000 shares. (ref Note 10 – Subscription Agreement). The shares were issued to an investor with reliance on the exemption from the registration requirements afforded by Section 4(a)(2) of the Securities Act of 1933, as amended.

There were no unregistered securities to report which were sold or issued by the Company without the registration of these securities under the Securities Act of 1933 in reliance on exemptions from such registration requirements, within the period covered by this report, which have not been previously included in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

[Table of Contents](#)

9

Item 6.	Exhibits	Description:
	Exhibits:	
3.1		Certificate of Amendment, dated April 24, 2015(1)
3.2		Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock(2)
3.3		Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock(2)
3.4		Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock(2)
3.5		Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (4)
10.1		Assignment and Assumption Agreement(2)
10.2		Form of Exchange Agreement(2)
10.3		Convertible Note Purchase Agreement and Form of 6% Convertible Promissory Note(3)
10.4		Loan agreement between Shale Oil International Inc (formerly Willow Creek Enterprises Inc.) and Orosz Brother Cars Ltd.(3)
10.5		Sale and Purchase Agreement between Shale Oil International Inc (formerly Willow Creek Enterprises Inc.) and Pryme Oil and Gas LLC(3)
10.6		Exchange Agreement dated August 7, 2015(4)
31.1*		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*		Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*		Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**		XBRL Instance Document
101.SCH**		XBRL Taxonomy Extension Schema Document
101.CAL**		XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**		XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**		XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**		XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

(1) Filed as an exhibit to the Company's Current Report on Form 8-K which was filed with the Securities and Exchange Commission on April 29, 2015 and is incorporated herein by reference.

(2) Filed as exhibit to the Company's Current Report on Form 8-K which was filed with the Securities and Exchange Commission on June 8, 2015 and is incorporated herein by reference.

(3) Filed as exhibits to the Company's Quarterly Report on Form 10-Q which was filed with the Securities and Exchange Commission on September 14, 2015 and is incorporated by reference.

(4) Filed as exhibits to the Company's Current Report on Form 8-K which was filed with the Securities and Exchange Commission on October 30, 2015 and is incorporated by reference herein

** To be filed by amendment.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE MOUNTAIN CORPORATION

Date: December 15, 2015

By: /s/ Ronald Cormick
Ronald Cormick
Chief Executive Officer

Date: December 15, 2015

By: /s/ Haley Manchester
Haley Manchester
Chief Financial Officer

[Table of Contents](#)

