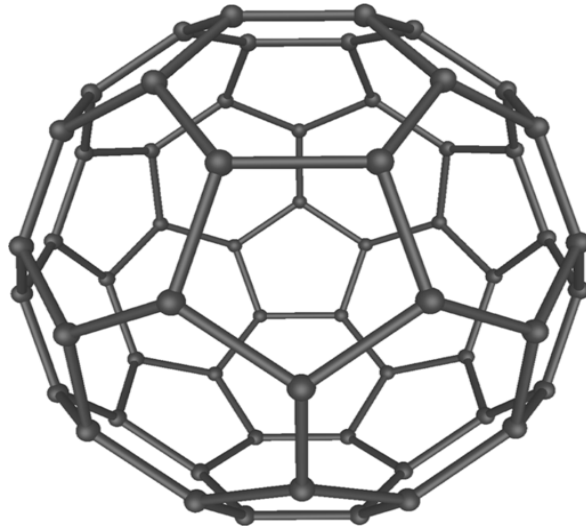


***Xuan Wu
International
Group Holding Co.***

***FINANCIAL REPORT FOR THE
PERIOD ENDED MARCH 31, 2019***



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Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines
XUAN WU INTERNATIONAL GROUP HOLDING COMPANY

A Nevada Corporation
4664 Susan Drive
Bethlehem, PA 18017
(201) 220-8734
<http://www.standardtobacco.com/>
info@standard-vape.com
SIC Code - 2100

Quarterly Report
For the Period Ending: March 31, 2019
(the "Reporting Period")

As of March 31, 2019 the number of shares outstanding of our Common Stock was:

25,308,700

As of December 31, 2018, the number of shares outstanding of our Common Stock was:

22,808,700

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No: (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

None

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable)
Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated in Nevada on December 29, 2008.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: No:

2. Security Information

Security Symbol: **XNWU**
Exact title and class of securities outstanding: Common
CUSIP Number: 98417J109
Stated Par Value: \$0.0001
Total authorized: 1,990,000,000 as of March 31, 2019
Total outstanding: 25,308,700 as of March 31, 2019
Total unrestricted: 7,556,200
Total shares in the public float: 7,556,200
Total number of shareholders of record: 69

Security Symbol: None
Exact title and class of securities outstanding: Preferred
CUSIP Number: None Stated Par Value: \$0.0001
Total Authorized: 10,000,000 as of March 31, 2019
Total outstanding: 250,000 as of March 31, 2019
Total number of shareholders: 15

The Transfer agent is:
V Stock Transfer, LLC
18 Lafayette Place
Woodmere, NY 11598
Telephone: 212-828-8436
info@vstocktransfer.com

Is the Transfer Agent registered under the Exchange Act?² Yes: No:

List any restrictions of on transfer of security: Rule 144 on 17,752,500 restricted shares

Describe any trading suspension orders issued by the SEC in past 12 months: None

3. Issuance History

There were fifteen common stock issuances during the past two years:

| Date of Transaction | Transaction type (e.g. new issuance, cancellation, shares returned to treasury) | Number of Shares Issued (or cancelled) | Class of Securities | Value of shares issued (\$/per share) at Issuance | Were the shares issued at a discount to market price at the time of issuance? (Yes/No) | Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed). | Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable) | Restricted or Unrestricted as of this filing? | Exemption or Registration Type? |
|---------------------|---|--|---------------------|---|--|--|---|---|---------------------------------|
| 12/31/2017 | New issuance | 380,000 | Common | 0.25 | Yes | Air Biscuit Industries, Ltd. | Acquisition of Standard Tobacco | Restricted | Rule 144 |
| 12/31/2017 | New Issuance | 10,000 | Common | 0.25 | Yes | Daniel Z. Johnson | Acquisition of Standard Tobacco | Restricted | Rule 144 |
| 12/31/2017 | New Issuance | 230,000 | Common | 0.25 | Yes | John F. Fruhmman | Acquisition of Standard Tobacco | Restricted | Rule 144 |
| 12/31/2017 | New Issuance | 380,000 | Common | 0.25 | Yes | Roger L. Fidler | Acquisition of Standard Tobacco | Restricted | Rule 144 |
| 04/25/2018 | New Issuance | 850,000 | Common | 0.001 | Yes | Off Balance D.O.O. Beograd Vracar Bojan Al Pinto Brkic | Debt Conversion | Free Trading | None |
| 04/30/2018 | New Issuance | 850,000 | Common | 0.001 | Yes | Bryce Boucher | Debt Conversion | Free Trading | None |
| 06/08/2018 | New Issuance | 850,000 | Common | 0.001 | Yes | Chrysalis Management, LLC George Matarazzo | Debt Conversion | Free Trading | None |
| 07/17/2018 | New Issuance | 886,200 | Common | 0.001 | Yes | Anika Zeimke | Debt Conversion | Free Trading | None |
| 07/23/2018 | New Issuance | 950,000 | Common | 0.001 | Yes | Trend D.O.O. Igor Bonderenko | Debt Conversion | Free Trading | None |
| 08/30/2018 | New Issuance | 90,000 | Common | 0.001 | Yes | Daniel Z. Johnson | Stock Based Compensation | Free Trading | None |
| 09/17/2018 | New Issuance | 850,000 | Common | 0.001 | Yes | Drew C Fidler | Debt Conversion | Free Trading | None |
| 01/22/2019 | New Issuance | 500,000 | Common | 0.001 | Yes | Ann C. Copeland | Debt Conversion | Restricted | Rule 144 |
| 01/22/2019 | New Issuance | 500,000 | Common | 0.001 | Yes | Diane Fruhmman | Debt Conversion | Restricted | Rule 144 |
| 01/22/2019 | New Issuance | 1,000,000 | Common | 0.001 | Yes | Kathryn Fruhmman | Debt Conversion | Restricted | Rule 144 |
| 01/22/2019 | New Issuance | 500,000 | Common | 0.001 | Yes | Rosellen M. Castellano | Debt Conversion | Restricted | Rule 144 |

There were sixteen preferred stock issuances/transactions during the past two years:

| Date of Transaction | Transaction type (e.g. new issuance, cancellation, shares returned to treasury) | Number of Shares Issued (or cancelled) | Class of Securities | Value of shares issued (\$/per share) at Issuance | Were the shares issued at a discount to market price at the time of issuance? (Yes/No)* | Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed). | Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable) | Restricted or Unrestricted as of this filing? | Exemption or Registration Type? |
|---------------------|---|--|---------------------|---|---|--|---|---|---------------------------------|
| 05/03/2018 | New issuance | 300,000 | Preferred | 0.10 | No | John F. Fruhmann | Stock Based Compensation | Restricted | Rule 144 |
| 03/28/2019 | Returned to Treasury | (300,000) | Preferred | (0.00) | No | John F. Fruhmann* | Facilitate Change of Control | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 55,250 | Preferred | 0.90 | No | Dr. Mel Ehrlich | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 24,750 | Preferred | 0.90 | No | Roger L. Fidler | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 7,500 | Preferred | 0.90 | No | Dr. Mahantesh Navati | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 5,000 | Preferred | 0.90 | No | Girish Mavelli | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 2,500 | Preferred | 0.90 | No | Jyothishree T. Jayadeva | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 25,000 | Preferred | 0.90 | No | Elizabeth Kellogg | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 25,000 | Preferred | 0.90 | No | Daniel Ehrlich | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 25,000 | Preferred | 0.90 | No | James Ehrlich | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 5,000 | Preferred | 0.90 | No | Murray Froikin | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 2,500 | Preferred | 0.90 | No | Alan Alfieri | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 5,000 | Preferred | 0.90 | No | Moise Mehraban | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 5,000 | Preferred | 0.90 | No | Paul Barbooie | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 5,000 | Preferred | 0.90 | No | Waleed Abuzeid | Acquisition of Nano Vape Corp | Restricted | Rule 144 |
| 03/28/2019 | New Issuance | 2,500 | Preferred | 0.90 | No | Americo Graziosi | Acquisition of Nano Vape Corp | Restricted | Rule 144 |

* The Preferred Stock had no market price at dates of issuance.

Please note Mr. Fruhmman returned 300,000 shares as part of the Nano Vape Corp Acquisition

| | # Common Shares Held | # of Preferred Shares Held |
|--------------------------------------|-------------------------|-------------------------------------|
| Shares at beginning of quarter | 22,808,700 | 300,000 |
| Share issuances during the quarter | 2,500,000 | 250,000 |
| Share redemptions during the quarter | 0 | (300,000) |
| Shares at the end of the quarter | 25,308,700 | 250,000 |

Debt Securities, Including Promissory and Convertible Notes

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

4. Financial Statements

The Issuer is providing consolidated financial statements for the most recent period ending March 31, 2019.

- A. Consolidated Balance Sheets*
- B. Consolidated Statements of Operations*
- C. Consolidated Statements of Cash Flows; and*
- D. Financial Notes*

These unaudited consolidated financial statements are incorporated by reference herein and attached as Exhibit 1.

5. Issuer's Business, Products and Services.

Forward-Looking Statements

This section of the report includes a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 that reflect our current views with respect to future events and financial performance. Forward looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions. Although we believe the expectations reflected in these forward- looking statements are reasonable, such expectations cannot guarantee future results, levels of activity, performance or achievements.

Forward-looking statements included in this report and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made, other than as required by law, and we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Business operations:

On 12/13/17, the Company decided to return its Chinese wholly owned subsidiary, Xuan Wu International Group Inc., to its former owners. The return of that business was accomplished in 2019. The Company acquired a tobacco licensing company that profits from an uptick in interest in classic pipe smoking brands. On 3/28/19 Xuan Wu entered into a definitive sale contract with Bethlehem IP Holdings, Inc., an entity controlled by the Swedish Tobacco Group

("STG"). STG will acquire the entire catalogue of trademarks of XNWU's wholly owned subsidiary The Standard Tobacco Company of Pennsylvania, Ltd. for cash consideration of Fifty Thousand Dollars. The catalogue of trademarks includes iconic trade names War Horse, John Cotton's, Bengal Slices, Dobie's and Murray's. These formerly British pipe tobacco brands were revived and sold by Pipes and Cigars under the *Standard Tobacco* name. Standard Tobacco retains the rights to use these marks on certain products outside the tobacco industry if it should choose to do so.

On the same date, 3/28/19, the Company acquired Nano Vape Corporation ("Nano"), which was formed this year to exploit vaping technology; a portion of which is the subject of a recently filed provisional patent application. Nano intends to unveil a novel vaping device based upon the technology later this year.

Date; State; and Jurisdiction of Incorporation:

Xuan Wu International Group Holding Co., Inc., (the "Company") was incorporated under the laws of Nevada on December 30, 2008.

Issuer's Primary and Secondary SIC Codes;

5194 Tobacco and Tobacco Products

Fiscal Year:

The Company's fiscal year ends on December 31.

Products:

The Company, through its Nano Vape Corporation subsidiary, acquired the rights to a brand new and improved e-cigarette developed by Dr. Mel Ehrlich.

Marketing Opportunity

Dr. Mel Ehrlich has developed an entirely new form of e-cigarette that will deliver nicotine without recourse to the present form of nicotine solution but plans to use a form of nicotine having increased bioavailability and less residual nicotine in the lungs allowing for lower nicotine use producing the same physical inhalation benefit. A further enhancement is the elimination of the industry standard lithium battery that heats the vaping fluid replacing with a different type of power supply which may reduce the risk of the e-cigarette catching fire or exploding whilst being used by the consumer. A provisional patent application has been filed in the U.S on this new and novel device with plans to expand the territorial scope of the application to one with worldwide protection during 2019. It is also envisaged that the new product can be used to deliver medicinal compounds if they are capable of being absorbed through the lung tissue lining particularly CBD.

We intend to move to commercial production as quickly as possible (once we have received the necessary regulatory approvals), initially using a contract manufacturer.

6. Describe the Issuer's Facilities.

The Company is provided with office space by its President at no charge.

7. Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% of more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

| Name of Officer/Director and Control Person | Affiliation with Company (e.g. Officer/Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned | Share type/class | Ownership Percentage of Class Outstanding | Note |
|---|--|---|------------------------|--------------------------|---|-------|
| <u>John F. Fruhmann</u> | <u>President, CFO, 5% Owner</u> | Bethlehem, PA | <u>10,722,200</u> | <u>Common</u> | <u>42.37%</u> | _____ |
| <u>Dr. Melvin Ehrlich</u> | <u>Director, 5% Owner</u> | <u>Roslyn, NY</u> | <u>55,250</u> | <u>Preferred Class A</u> | <u>24.56%</u> | _____ |
| <u>Daniel Fisher</u> | <u>5% Owner</u> | <u>Pleasant Hill, CA</u> | <u>55,000</u> | <u>Preferred Class A</u> | <u>24.44%</u> | _____ |
| <u>Roger Fidler</u> | <u>Legal Counsel, 5% owner</u> | <u>Lutz, FL</u> | <u>24,750</u> | <u>Preferred Class A</u> | <u>11.00%</u> | _____ |
| <u>Elizabeth Kellogg*</u> | <u>Consultant, 5% Owner</u> | <u>Roslyn, NY</u> | <u>25,000</u> | <u>Preferred Class A</u> | <u>11.11%</u> | _____ |
| <u>Daniel Ehrlich*</u> | <u>5% Owner</u> | <u>Roslyn, NY</u> | <u>25,000</u> | <u>Preferred Class A</u> | <u>11.11%</u> | |
| <u>James Ehrlich*</u> | <u>5% Owner</u> | <u>Palo Alto, CA</u> | <u>25,000</u> | <u>Preferred Class A</u> | <u>11.11%</u> | |

- Children of Melvin Ehrlich

John F. Fruhmann, President, Chief Financial Officer & Secretary

Upon graduating from Fairleigh Dickenson University in 1974 with an MBA in Finance, Mr. Fruhmann worked at Pfizer Inc./Minerals Technologies Inc. for over 30 years in various sales and marketing management positions. He retired in February 2008 as Director of Sales. In 2009 Mr. Fruhmann served on of the founding Directors of Lauren's Hope Foundation, Inc. (www.laurenshopefoundation.com), a 501(c)3 charitable organization whose mission is to

assist children born with brain injuries and their families.

Dr. Mel Ehrlich, Director

Dr. Ehrlich served as CEO of Cytect Labs, Inc., which develops optical scanners using ultraviolet (UV) light for spectrum analysis and a pattern recognition computer to measure and analyze human body cell parameters. One application of this technology was for early detection of lung cancer, analyzing exfoliated lung cells. From 2003 to 2008, he served as Chairman and CEO of Efficient Energy Conversion Systems, Inc. (EECS). EECS has designed and patented significant improvements in oil burners and internal combustion (IC) engines. From 2002 to 2003, Dr. Ehrlich served as President and Chief Operating Officer of ARTES Medical, Inc., a San Diego-based medical device company with a one-of-a-kind patented microsphere technology for permanent soft-tissue bulking, particularly of deep facial wrinkles. From 1998 to 2002, Dr. Ehrlich was Vice President of SerOptix, Inc., Woburn, MA, for which he initiated its fluorescence spectroscopy program, which resulted in a technology for the rapid detection of infectious diseases in transfusion blood such as HIV, Hepatitis C, among others.

Dr. Ehrlich served as Research Professor of Physics at Yeshiva University where he directed a staff of faculty and graduate students in a research program in non-invasive cardiology at the Albert Einstein College of Medicine, detecting and measuring low-level cardiac electrical activity. Both software and hardware were developed to provide a dynamic electrical map of patients' hearts to detect anomalies. The research effort was to determine whether these small anomalies could be indicative or predictive of heart disease.

He was President and Chairman of Nuclear Research Associates where he created and directed scientific programs in nuclear weapon phenomenology, primarily of the ELF portion of the electromagnetic spectrum, including effects on the earth's magnetosphere. Detection devices, developed and built, were installed and operated in a worldwide network for nuclear weapons detection and signal analysis (U.S. Joint Task Force 4 Pacific Operations, High Altitude Nuclear Device Testing, 1962). He is a member of the American Physical Society and New York Academy of Sciences. Dr. Ehrlich has had patents granted in areas as diverse as a thermodynamically pumped laser, scanning microspectrophotometer, photochromics, batteries, and thin film technology. He has published and presented papers on these and other subjects.

8. Legal/Disciplinary History:

A. Legal/Disciplinary History of the Officers and Directors and Control Persons

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):

NONE

2. The entry of an order, judgment or decree, not subsequently suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities.

NONE

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state

securities or commodities law, which finding, or judgment has not been reversed, suspended or vacated.

NONE

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred or suspended or otherwise limited such person's involvement in any type of business or securities activities.

NONE

B. There are no pending or threatened legal proceedings.

9. Third Party Providers

Legal Counsel

Roger L. Fidler Attorney at Law
12 Marlboro Road
Hewitt, NJ 07421
(201) 220-8734
(201) 464-7943(Fax)

Investor Relations Advisor

Pivo Associates, Inc.
277 West 11th Street, Suite 2F
New York, NY 10014
(212) 924-3548

Accountant

JDDACPA LLC
3131 Piedmont Ave
Suite 203
Atlanta, GA 30305
(404) 826-3902

10. Issuer Certification.

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, John Fruhmann certify that:

1. I have reviewed this quarterly disclosure statement of Xuan Wu International Group Holding Company;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

5/20/2019

/s/ John Fruhmann

John Fruhmann

Principal Financial Officer:

I, John Fruhmann certify that:

1. I have reviewed this quarterly disclosure statement of Xuan Wu International Group Holding Company;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

5/20/2019

/s/ John Fruhmann

John Fruhmann

**EXHIBIT I – UNAUDITED FINANCIAL STATEMENTS.
XUAN WU INTERNATIONAL GROUP HOLDING CO.**

**CONSOLIDATED BALANCE SHEETS
UNAUDITED**

| | 3/31/2019 | 12/31/2018 |
|--|--------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 19,567 | \$ 22,881 |
| Note receivable | 50,000 | - |
| Accounts receivable | 1,253 | 1,753 |
| Total current assets | 70,820 | 24,634 |
| Other Assets | | |
| Customer relationships less accumulated amortization | - | 175,000 |
| Trademarks | 225,000 | 50,000 |
| Website | - | 4,000 |
| Goodwill | - | 9,537 |
| Total fixed and other assets | 225,000 | 238,537 |
| TOTAL ASSETS | \$ 295,820 | \$ 263,171 |
| LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | |
| Current liabilities | | |
| Accrued expenses | \$ 2,500 | \$ - |
| Convertible notes payable | 20,303 | 22,803 |
| Interest payable | 12,143 | 13,065 |
| Total current liabilities | 34,946 | 35,868 |
| Long-term liabilities | | |
| Derivative liability | 4,853,271 | 3,398,912 |
| Total long-term liabilities | 4,853,271 | 3,398,912 |
| Total liabilities | 4,888,217 | 3,434,780 |
| SHAREHOLDERS' DEFICIENCY | | |
| Preferred Stock; par value \$0.0001; authorized 10,000,000 shares; as of March 31, 2019, and December 31, 2018, there are 250,000 and 300,000 outstanding, respectively | 25 | 30 |
| Common Stock; par value \$0.0001; 1,990,000,000 shares authorized; as of March 31, 2019, and December 31, 2018, there are 25,308,700 and 22,808,700 shares outstanding, respectively | 2,531 | 2,281 |
| Additional paid-in capital | 579,389 | 350,674 |
| Accumulated deficit | (5,174,342) | (3,524,594) |
| Total shareholders' deficiency | (4,592,397) | (3,171,609) |
| TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY | \$ 295,820 | \$ 263,171 |

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

XUAN WU INTERNATIONAL GROUP HOLDING CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

| | Three Months ended March 31, | |
|---|------------------------------|--------------|
| | 2019 | 2018 |
| Revenue | \$ 2,188 | \$ 5,063 |
| Operating Expenses | | |
| General and administrative expenses | 8,502 | 1,864 |
| Total Operating Expenses | 8,502 | 1,864 |
| Operating Income/(Loss) | (6,314) | 3,199 |
| Other Income (Expense) | | |
| Gain/(loss) in change in fair value of derivative liability | (1,454,359) | 4,485,879 |
| Interest expense | (538) | (421) |
| Loss on disposal of intellectual property | (188,537) | - |
| Total Other Income (Expense) | (1,643,434) | 4,485,458 |
| Gain (loss) from Continuing Operations | (1,649,748) | 4,488,657 |
| Provision for taxes | - | - |
| Net Gain/(Loss) Applicable to Common Shares | \$ (1,649,748) | \$ 4,488,657 |
| Gain/(loss) per share | | |
| Basic | \$ (0.07) | \$ 0.26 |
| Diluted | \$ (0.04) | \$ 0.10 |
| Shares used in computing net gain/loss per share: | | |
| Basic | 24,725,367 | 17,482,500 |
| Diluted | 45,028,367 | 45,521,500 |

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

XUAN WU INTERNATIONAL GROUP HOLDING CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

| | Three Months ended March 31, | |
|---|------------------------------|------------------|
| | 2019 | 2018 |
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ (1,649,748) | \$ 4,488,657 |
| Gain (loss) derivative liability | 1,454,359 | (4,485,879) |
| Loss on disposal of intellectual property | 188,537 | - |
| Adjustments to reconcile net loss to net cash provided by operating activities. | | |
| (Increase) decrease accounts receivable | 500 | 251 |
| Increase (decrease) accrued expenses | 2,500 | - |
| Increase (decrease) accrued interest | (922) | 421 |
| Net cash provided (used) in operating activities | <u>(4,774)</u> | <u>3,450</u> |
| | | |
| Share issuance | 1,460 | - |
| Net cash provided by Financing activities | <u>1,460</u> | <u>-</u> |
| | | |
| Net cash provided by Investing activities | - | - |
| NET CHANGE IN CASH | <u>(3,314)</u> | <u>3,450</u> |
| Cash at beginning of period | 22,881 | 9,103 |
| Net cash at end of period | <u>\$ 19,567</u> | <u>\$ 12,553</u> |
| | | |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for income taxes | \$ - | \$ - |
| Cash paid for interest | \$ - | \$ - |
| | | |
| NON CASH FINANCING AND INVESTING ACTIVITY | | |
| Issuance of preferred stock for purchase of subsidiary | \$ 225,000 | \$ - |
| Common stock issued for debt | \$ 2,500 | \$ - |
| | | |

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

XUAN WU INTERNATIONAL GROUP HOLDING CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

The Company

The Corporation was formed on December 29, 2008 in the State of Nevada. Its initial authorized capital stock was 100,000,000 shares of common stock having a par value of \$0.001 per share; and, 20,000,000 shares of Preferred Stock having a par value of \$0.001 per share.

Simultaneously therewith the Corporation acquired Xuan Wu International Group, Inc. (Target), a Chinese corporation engaged in quarry operations. Pursuant to that acquisition of the Corporation exchanged 16,482,500 shares of common stock for all the issued and outstanding shares of Target. The Notice of Exchange was filed in Nevada on January 5, 2009. At that time control was vested in Jinhui Guo with 10,000,000 shares out of the 16,482,500 shares.

On November 1, 2017, Jinhui Guo resigned as sole officer and director of the Corporation and Roger Fidler became the sole officer and director of the Corporation.

On December 31, 2017 the Corporation acquired for 1,000,000 shares of the Corporation's common stock all the issued and outstanding shares of Standard. Mr. Fruhmann, who executed on behalf of The Standard Tobacco Company of Pennsylvania, Inc. (Standard), a Nevada corporation engaged in trademark licensing of trademarks acquired for formulations of tobacco that mimic the classic British brands which trademarks had been acquired by Standard. Simultaneously therewith, Roger Fidler resigned as the sole officer and director of the Corporation and John Fruhmann became the sole officer and director of the Corporation. On the same date, the Corporation agreed to return all shares of Target to Target's shareholders.

On February 22, 2018, voting control of the Corporation was vested in John Fruhmann by Jinhui Guo transferring 10,000,000 common shares to Mr. Fruhmann.

On February 22, 2018, the Corporation also increased its authorized capital stock to two billion (2,000,000,000) shares having a par value of \$0.0001 per share of which one billion nine hundred and ninety were shares of common stock and ten million shares were preferred stock.

On April 1, 2018, the Corporation released any ownership rights to the Target and returned all the Target's shares to Target shareholders. On May 3, 2018, the Corporation filed a Certificate of Designation designating 300,000 preferred shares as Class A Preferred Stock. These 300,000 shares of Class A Preferred Stock were issued to John Fruhmann and were recorded as stock based compensation worth \$30,000. Kindly note that Mr. Fruhmann returned the 300,000 preferred shares on 3/28/19.

On June 11, 2018, the Corporation filed an Amendment to its Articles of Incorporation effecting a ten for one forward split of its common stock, to be effective three days after FINRA clears the Issuer Company-Related Corporate Action Notification. The approval of FINRA did not occur and hence the amendment has not and will not become effective.

On August 30, 2018, 90,000 shares were issued to a former officer, Daniel Z. Johnson, who furnished certain intellectual property to the Company, which we recorded as stock based compensation worth \$4,500.

During the third quarter of 2018, a total of \$2,686 of a convertible note was converted into a total of

2,686,200 common shares. For the first quarter of 2019, a total of \$2,500 of a convertible note was converted into 2,500,000 common shares.

On 3/28/19 the Company issued 250,000 Class A Preferred Stock with a fair value of \$225,000 in order to acquire Nano Vape Corporation, whose primary asset is a new type of e-cigarette.

To complete the realignment of the business Xuan Wu also entered into a definitive sale contract on 3/28/19 with Bethlehem IP Holdings, Inc., an entity controlled by the Swedish Tobacco Group (“STG”). STG will acquire the entire catalogue of trademarks of XNWU’s wholly owned subsidiary The Standard Tobacco Company of Pennsylvania, Ltd. for cash consideration of Fifty Thousand Dollars. The catalogue of trademarks includes iconic trade names War Horse, John Cotton’s, Bengal Slices, Dobie’s and Murray’s. These formerly British pipe tobacco brands were revived and sold by Pipes and Cigars under the Standard Tobacco name. Standard Tobacco retains the rights to use these marks on certain products outside the tobacco industry if it should choose to do so.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission (“SEC”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash consists principally of currency on hand, and demand deposits at commercial banks. The Company had cash of \$19,567 on March 31, 2019 and \$22,881 on December 31, 2018.

Revenue Recognition

Revenues are recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) the product has been shipped and the customer takes ownership and assumes risk of loss; and (4) collectability of the resulting receivable is reasonably assured. These criteria are satisfied upon shipment of product, and revenues are recognized

Net Income or (Loss) Per Share of Common Stock

Basic and diluted loss per common share is based upon the weighted average number of common shares outstanding during the period computed under the provisions of Accounting Standards Codification subtopic 260-10, Earnings per Share (“ASC 260-10”). Diluted income (loss) per share includes the dilutive effects of common stock equivalents on an “as if converted” basis.

Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed

in acquisition transactions is classified as goodwill. In accordance with Statement No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually.

Intangible Assets

Intangible assets are stated at the lesser of cost or fair value less accumulated amortization.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the 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 expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be taken in the Company's income tax returns are recognized in the condensed financial statements if such positions are more likely than not of being sustained.

In accordance with ASC 740-10, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting this standard, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Fair Value of Instruments

ASC 825-10, Financial Instruments requires disclosure of the fair value of certain financial instruments. The carrying value of cash, and accounts payable and accrued liabilities, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

The company follows ASC 820-10, Fair Value Measurements and Disclosures and Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10"), which permits entities to choose to measure many financial instruments and certain other items at fair value.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU

2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. As amended by the FASB in July 2015, the standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of ASU 2014-09 on our future financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to provide guidance on recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements, specifically differentiating between different types of leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from all leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the balance sheet. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. The amendments will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. An entity that elects to apply the practical expedients will, in effect, continue to account for leases that commence before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Company is currently evaluating the impact of these amendments on its financial statements.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations, to clarify the implementation guidance on principal versus agent considerations and address how an entity should assess whether it is the principal or the agent in contracts that include three or more parties. The effective date and transition requirements for these amendments are

the same as the effective date and transition requirements of ASU 2014-09 (discussed above). The Company is currently evaluating the impact of these amendments on its financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, to clarify the following two aspects of Topic 606: 1) identifying performance obligations, and 2) the licensing implementation guidance. The effective date and transition requirements for these amendments are the same as the effective date and transition requirements of ASU 2014-09 (discussed above). The Company is currently evaluating the impact of these amendments on its financial statements.

NOTE 2 - GOING CONCERN

Under ASC 205-40, we have the responsibility to evaluate whether conditions and/or events raise substantial doubt about our ability to meet our future financial obligations as they become due within one year after the date that the financial statements are issued. As required by this standard, our evaluation shall initially not take into consideration the potential mitigating effects of our plans that have not been fully implemented as of the date the financial statements are issued.

In performing the first step of this assessment, we concluded that the following conditions raise substantial doubt about our ability to meet our financial obligations as they become due. We have a history of net losses for the period ended March 31, 2019; we had a cumulative net loss of \$5,174,342. For the period ended March 31, 2019, we had working capital of \$35,874. We expect to continue to incur negative working capital until such time as our operating segments generate sufficient cash to finance our operations and debt service requirements.

In performing the second step of this assessment, we are required to evaluate whether our plans to mitigate the conditions above alleviate the substantial doubt about our ability to meet our obligations as they become due within one year after the date that the financial statements are issued. Our future plans include securing additional funding sources that may include establishing corporate partnerships, establishing licensing revenue agreements, issuing additional convertible debentures and issuing public or private equity securities, including selling common stock through an at-the-market facility (ATM).

There is no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available through external 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 effect on the business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or they will not have a significant dilutive effect on the Company's existing shareholders.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to our ability to continue as a going concern.

NOTE 3 — CORPORATE RESTRUCTURING

Disposition of Subsidiary

On 12/31/17, the Company recorded a loss of \$959,034 arising from the disposal of its wholly owned Chinese subsidiary to its former owners.

Disposition of Trademarks

To complete the realignment of the business Xuan Wu also entered into a definitive sale contract on 3/28/19 with Bethlehem IP Holdings, Inc., an entity controlled by the Swedish Tobacco Group ("STG"). STG will acquire the entire catalogue of trademarks of XNWU's wholly owned subsidiary The Standard Tobacco Company of Pennsylvania, Ltd. for cash consideration of Fifty Thousand Dollars (which is on the balance sheet as a Note Receivable). The catalogue of trademarks includes

iconic trade names War Horse, John Cotton's, Bengal Slices, Dobie's and Murray's. These formerly British pipe tobacco brands were revived and sold by Pipes and Cigars under the Standard Tobacco name. Standard Tobacco retains the rights to use these marks on certain products outside the tobacco industry if it should choose to do so.

NOTE 4 - PROVISION FOR INCOME TAXES

The Company files income tax returns in the United States federal jurisdiction and certain state jurisdictions. We did not provide any current or deferred U.S. Federal Income Tax provision or benefit for any of the periods presented because we have experienced operating losses since our date of incorporation. Accounting for the Uncertainty in Income Taxes when it is more likely than not that a tax asset cannot be realized through future income, the Company must allow for this future tax benefit. We provided full valuation allowance on the net deferred asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred assets during the carry forward period.

NOTE 5 – ACQUISITION OF NANO VAPE CORPORATION

On 3/28/19 the Company issued 250,000 Class A Preferred Stock with a fair value of \$225,000 in order to acquire Nano Vape Corporation, whose primary asset is a new type of e-cigarette. Under the acquisition method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their estimated fair values.

NOTE 6 – CONVERTIBLE NOTES PAYABLE

The Company has entered into multiple convertible notes payable agreements with a minority stockholder of the Company which had advanced funds to pay the Company's expenses. Each note carries a separately dated promissory note that bears interest of 6%. The note can be converted at any time by the holder into common shares of the company at the rate of \$.001/share.

On January 16, 2009, the Company executed a Convertible Note payable to Pivo Associates, Inc. in the principal amount of \$1,124 in exchange for \$1,124 cash. Pivo Associates, Inc. who is the registered holder hereof and its successors and assigns (the "Holder" or Holders"), the principal sum of \$1,124 on the Maturity Date, (January 16, 2021) and (except as otherwise herein stated) to pay interest on the principal sum outstanding at the rate of six percent (6%) per annum due and payable on the Maturity Date with interest in arrears. Accrual of interest on the outstanding principal amount, payable in cash or Common Stock (defined hereinafter) at the Holder's option, shall commence with respect to each of the amounts set forth on the date of this Note and shall continue until payment in full of the outstanding principal amount has been made or duly provided for. The holder of this Note is entitled, at his option, pursuant to the Agreement of the Company at the time of each of the Original Note amounts was incurred, at any time commencing on the date first written above, to convert all or a portion of the original principal face amount and/or interest of this Note into shares (the "Conversion Shares") of common stock (the "Common Stock") in the Company, at a conversion ratio (the "Conversion Ratio") which shall equal the dollar amount Holder is electing to convert divided by the par value, which is \$0.001, of the Company's Common Stock as of the date of this Note. However, at no time shall so much of this Note be converted so that the Holder(s) shall own at any time given more than 9.9% of the Company's then issued and outstanding common stock.

On June 17, 2009, the Company executed a Convertible Note payable to Pivo Associates, Inc. in the principal amount of \$20,000 in exchange for \$20,000 cash. Pivo Associates, Inc. who is the registered

holder hereof and its successors and assigns (the "Holder" or Holders"), the principal sum of \$20,000 on the Maturity Date, (June 17, 2017) and (except as otherwise herein stated) to pay interest on the principal sum outstanding at the rate of six percent (6%) per annum due and payable on the Maturity Date with interest in arrears. Accrual of interest on the outstanding principal amount, payable in cash or Common Stock (defined hereinafter) at the Holder's option, shall commence with respect to each of the amounts set forth on the date of this Note and shall continue until payment in full of the outstanding principal amount has been made or duly provided for. The holder of this Note is entitled, at his option, pursuant to the Agreement of the Company at the time of each of the Original Note amounts was incurred, at any time commencing on the date first written above, to convert all or a portion of the original principal face amount and/or interest of this Note into shares (the "Conversion Shares") of common stock (the "Common Stock") in the Company, at a conversion ratio (the "Conversion Ratio") which shall equal the dollar amount Holder is electing to convert divided by the par value, which is \$0.001, of the Company's Common Stock as of the date of this Note. However, at no time shall so much of this Note be converted so that the Holder(s) shall own at any time given more than 9.9% of the Company's then issued and outstanding common stock. This note is in default. During the second quarter of 2018, a total of \$2,550 of this note was converted into a total of 2,550,000 common shares. During the third quarter of 2018, a total of \$2,686 of a convertible note was converted into a total of 2,686,200 common shares. For the first quarter of 2019, a total of \$2,500 of a convertible note was converted into 2,500,000 common shares. \$12,264 of the note is still outstanding.

On June 24, 2009, the Company executed a Convertible Note payable to Pivo Associates, Inc. in the principal amount of \$3,415 in exchange for \$3,415 cash. Pivo Associates, Inc. who is the registered holder hereof and its successors and assigns (the "Holder" or Holders"), the principal sum of \$3,415 on the Maturity Date, (June 24, 2016) and (except as otherwise herein stated) to pay interest on the principal sum outstanding at the rate of six percent (6%) per annum due and payable on the Maturity Date with interest in arrears. Accrual of interest on the outstanding principal amount, payable in cash or Common Stock (defined hereinafter) at the Holder's option, shall commence with respect to each of the amounts set forth on the date of this Note and shall continue until payment in full of the outstanding principal amount has been made or duly provided for. The holder of this Note is entitled, at his option, pursuant to the Agreement of the Company at the time of each of the Original Note amounts was incurred, at any time commencing on the date first written above, to convert all or a portion of the original principal face amount and/or interest of this Note into shares (the "Conversion Shares") of common stock (the "Common Stock") in the Company, at a conversion ratio (the "Conversion Ratio") which shall equal the dollar amount Holder is electing to convert divided by the par value, which is \$0.001, of the Company's Common Stock as of the date of this Note. However, at no time shall so much of this Note be converted so that the Holder(s) shall own at any time given more than 9.9% of the Company's then issued and outstanding common stock. This note is in default.

On July 13, 2009, the Company executed a Convertible Note payable to Pivo Associates, Inc. in the principal amount of \$3,500 in exchange for \$3,500 cash. Pivo Associates, Inc. who is the registered holder hereof and its successors and assigns (the "Holder" or Holders"), the principal sum of \$3,500 on the Maturity Date, (July 15, 2014) and (except as otherwise herein stated) to pay interest on the principal sum outstanding at the rate of six percent (6%) per annum due and payable on the Maturity Date with interest in arrears. Accrual of interest on the outstanding principal amount, payable in cash or Common Stock (defined hereinafter) at the Holder's option, shall commence with respect to each of the amounts set forth on the date of this Note and shall continue until payment in full of the outstanding principal amount has been made or duly provided for. The holder of this Note is entitled,

at his option, pursuant to the Agreement of the Company at the time of each of the Original Note amounts was incurred, at any time commencing on the date first written above, to convert all or a portion of the original principal face amount and/or interest of this Note into shares (the “Conversion Shares”) of common stock (the “Common Stock”) in the Company, at a conversion ratio (the “Conversion Ratio”) which shall equal the dollar amount Holder is electing to convert divided by the par value, which is \$0.001, of the Company’s Common Stock as of the date of this Note. However, at no time shall so much of this Note be converted so that the Holder(s) shall own at any time given more than 9.9% of the Company’s then issued and outstanding common stock. This note is in default.

NOTE 8 - DERIVATIVE LIABILITY

The derivative liability consisted of:

| | <u>3/31/2019</u> | <u>12/31/2018</u> |
|---|---------------------|---------------------|
| Convertible Promissory Note dated January 16, 2009 payable to Pivo Associates, Inc. including accrued interest of \$689 and \$672, respectively. | \$ 275,377 | \$ 174,823 |
| Convertible Promissory Note dated June 17, 2009 payable to Pivo Associates, Inc. including accrued interest of \$7,410 and \$8,453, respectively. | 2,961,602 | 2,199,083 |
| Convertible Promissory Note dated June 24, 2009 payable to Pivo Associates, Inc. including accrued interest of \$2,001 and \$1,950, respectively. | 799,753 | 507,300 |
| Convertible Promissory Note dated July 13, 2009 payable to Pivo Associates, Inc. including accrued interest of \$2,043 and \$1,990, respectively. | 816,539 | 517,706 |
| Total derivative liability | <u>\$ 4,853,271</u> | <u>\$ 3,398,912</u> |

The embedded conversion option of the convertible notes qualifies for derivative accounting under ASC 815-15, Derivatives and Hedging. The Company records the fair value of the conversion price of the convertible debentures in accordance with ASC 815, Derivatives and Hedging. The fair value of the derivative liability is revalued on each balance sheet date or upon conversion of the underlying convertible debenture into equity with corresponding gains and losses recorded in the consolidated statement of operations. The fair value of the derivative liability as of March 31, 2019 and December 31, 2017 was determined using the Black Scholes Option Pricing Model with the following assumptions:

| | |
|-----------------|---------|
| Dividend yield: | 0 |
| Volatility | 10 % |
| Risk free rate: | 1.801 % |

NOTE 9 – SUBSEQUENT EVENTS

None