

MMEX Resources Corp
Form S-1/A
February 02, 2018

As filed with the Securities and Exchange Commission on February 2, 2018

Registration No. 333-218958

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4 TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MMEX RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

2911
(Primary Standard Industrial
Classification Code Number)

26-1749145
(I.R.S. Employer
Identification Number)

3616 Far West Blvd., #117-321

Austin, Texas 78731

(855) 880-0400

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Jack W. Hanks

President, Chief Executive Officer and Chief Financial Officer

3616 Far West Blvd., #117-321

Austin, Texas 78731

(855) 880-0400

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

Bruce H. Hallett

Hallett & Perrin, P.C.

1445 Ross Avenue, Suite 2400

Dallas, Texas 75202

Tel. No.: (214) 953-0053

Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this registration statement

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same

offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial account standards provided to Section 7(a)(2)(B) of the Securities Act. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed	Proposed	Amount of Registration Fee (3)
		Maximum Offering Price Per Share (2)	Maximum Aggregate Offering Price	
Class A Common Stock, par value \$0.001 per share	1,009,690,382	\$.0066	\$ 6,663,957	\$ 829.67

- (1) We are registering 300,000,000 shares of our Class A common stock that we have the right to put to Crown Bridge Partners, L.L.C. pursuant to the Equity Purchase Agreement we entered into on June 12, 2017 (as amended to date), 16,500,000 shares issuable upon conversion of an outstanding convertible note and 693,190,382 shares from other selling stockholders. In the event the number of shares being registered hereunder is insufficient to cover all of the shares we put to Crown Bridge Partners, L.L.C., we will amend this registration statement or file a new registration statement to register those additional shares. Pursuant to Rule 416(a), this registration statement also cover any additional shares of our Class A common stock that will be issuable upon conversion of the outstanding convertible note by reason of any stock dividend, stock split, recapitalization or similar transaction.
- (2) The offering price has been estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(o) of the Securities Act on the basis of the closing bid price of the Class A common stock of the registrant as reported on the OTCQB tier of the OTC Markets Group, Inc. on January 18, 2018.
- (3) \$1,421.38 previously paid

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED

FEBRUARY 2 , 20 1 8

1,009,690,382 Shares of Class A Common Stock

MMEX RESOURCES CORPORATION

This prospectus relates to the offer and sale by the selling stockholders identified herein of up to 1,009,690,382 shares (the “Shares”) of Class A common stock, par value \$0.001 per share (together with our Class B common stock, par value \$0.001 per share, referred to herein as the “common stock”) of MMEX Resources Corporation (referred to herein as “MMEX,” the “Company,” “we,” “our,” and “us”). These shares consist of (i) 693,190,382 shares of our Class A common stock that we issued to certain selling stockholders; (ii) 16,500,000 shares of our Class A common stock that are issuable to a holder of our convertible notes; and (iii) 300,000,000 shares of our Class A common stock issuable to Crown Bridge Partners, L.L.C. (“Crown Bridge”) pursuant to the Equity Purchase Agreement we entered into on June 12, 2017.

We are not offering any shares of common stock for sale under this prospectus and we will not receive any proceeds from the resale of the Shares. However, we will receive proceeds from the sale of securities to Crown Bridge pursuant to our exercise of a put right granted to us in the Equity Purchase Agreement. Crown Bridge is deemed an underwriter of our common stock.

The selling stockholders may offer all or portion of the Shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. We will bear all costs, expenses and fees in connection with the registration of the Shares, including the cost of compliance with state securities or “blue sky” laws. The selling stockholders will bear all commissions, discounts and transfer taxes, if any, attributable to their sales of the Shares. See “Plan of Distribution.”

Our Class A common stock is listed for quotation on the OTCQB tier (“OTCQB”) of the OTC Markets Group, Inc. under the symbol “MMEX.” There is no established trading market for the Class B common stock. On February 1,

2018, the closing price of our Class A common stock was \$0.0053. As of January 15, 2018, we had 1,592,747,801 shares of Class A common stock and 1.5 billion shares of Class B common stock issued and outstanding.

We are a “smaller reporting company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”) and are subject to reduced public company reporting requirements. This prospectus complies with the requirements that apply to an issuer that is a smaller reporting company.

Investing in our Class A common stock involves a high degree of risk. See “Risk Factors” to read about factors you should consider before investing in shares of our Class A common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMITTEE NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is: February ____, 2018

TABLE OF CONTENTS

	Page
<u>PROSPECTUS SUMMARY</u>	6
<u>RISK FACTORS</u>	8
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	21
<u>USE OF PROCEEDS</u>	21
<u>DETERMINATION OF OFFERING PRICE</u>	22
<u>DILUTION</u>	22
<u>MARKET PRICE OF AND DIVIDENDS ON OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u>	23
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	25
<u>INDUSTRY OVERVIEW</u>	33
<u>BUSINESS</u>	43
<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	51
<u>CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS</u>	53
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	54
<u>SELLING STOCKHOLDERS</u>	55
<u>PLAN OF DISTRIBUTION</u>	58
<u>DESCRIPTION OF CAPITAL STOCK</u>	59
<u>MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK</u>	62
<u>LEGAL MATTERS</u>	66
<u>EXPERTS</u>	66
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	66

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus, any prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell, or solicitation of an offer to buy, these securities in any jurisdiction where such offer, sale or solicitation is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so.

For investors outside the United States: we have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus outside the United States.

Unless otherwise indicated or the context otherwise requires, all financial data presented or incorporated by reference in this prospectus reflects the consolidated business and operations of MMEX and its consolidated subsidiaries, and has been prepared in accordance with generally accepted accounting principles in the United States of America.

Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data are also based on our good faith estimates. Although we believe the third-party sources are reliable as of their respective dates, neither we nor the selling stockholders have independently verified the accuracy or completeness of this information.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before investing in our Class A common stock. You should carefully read the entire prospectus, including “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements before making an investment decision.

Business Overview

We are a development stage company engaged in the exploration, extraction, refining and distribution of oil, gas, petroleum products and electric power. We plan to focus on the acquisition, development and financing of oil, gas, refining and electric power projects in Texas, Peru, and other countries in Latin America using the expertise of our principals to identify, finance and acquire these projects.

MMEX Resources Corporation was formed as a Nevada corporation in 2005. The current management team lead an acquisition of the Company (then named Management Energy, Inc.) through a reverse merger completed on September 23, 2010 and changed the Company’s name to MMEX Mining Corporation on February 11, 2011. We previously unsuccessfully pursued mining and coal projects that have since been abandoned. We have never generated any revenues and have accumulated losses of \$36,918,594 as of April 30, 2017.

The most significant focus of our current business plan is to build crude oil refining facilities in the Permian Basin in West Texas. Through our wholly-owned subsidiary, Pecos Refining & Transport, LLC (“Pecos Refining”), we intend initially to build and commence operation of a 10,000 barrel-per-day (“bpd”) crude oil distillation unit (the “Distillation Unit”) that will produce a non-transportation grade diesel primarily for sale in the local market for drilling mud and frac fluids, along with naphtha and heavy fuel oil to be sold to other refiners. Through a separate subsidiary (together with Pecos Refining, the “Subsidiaries”), we intend to build and commence operation of a crude oil refinery (the “Large Refinery”) with up to 100,000 bpd capacity at the same location in West Texas. In this prospectus, we often refer to the Distillation Unit and the Large Refinery collectively as the “Refinery.” These projects will be built on 476 acres located 20 miles northeast of Fort Stockton, Texas, near the Sulfur Junction spur of the South Orient Railroad (also known as the “Texas Pacific Railroad”). The cost of the Distillation Unit with a 10,000 bpd capacity is estimated to be approximately \$50 million. The cost of the Large Refinery with a 50,000 bpd capacity is estimated to be approximately \$500 million and the cost of a 100,000 bpd refinery is estimated to be approximately \$850 million. If successfully developed, the Refinery would connect to existing railways and pipelines to market diesel, gasoline, liquefied petroleum gas and other refined products within the U.S., with the potential to market these products and crude oil to western Mexico and South America. If completed, the Large Refinery will be one of the first full scale oil refineries built in the United States in more than 40 years.

The construction of the Distillation Unit and the Large Refinery will require substantial equity and debt financing, far beyond the expected resources of the Company, and we anticipate that the Subsidiaries will obtain equity and debt financing to finance the cost of construction. To the extent these Subsidiaries raise money through the issuance of equity securities, our ownership in the Subsidiaries will be diluted and our economic ownership of such entities may be a minority interest. As such, we will be entitled to only a portion of any future distributions made by these Subsidiaries. In addition, while intend to retain managerial control of the Subsidiaries, it is possible that equity investors will require representation on the board of managers in connection with their equity investments.

2017 Equity Purchase Agreement

On June 12, 2017, we entered into an Equity Purchase Agreement with Crown Bridge Partners, LLC pursuant to which Crown Bridge committed to purchase up to \$3,000,000 of our common stock for a period of up to 24 months commencing upon the effectiveness of a registration statement covering the resale of shares issuable to Crown Bridge under the Equity Purchase Agreement. We amended the Equity Purchase Agreement on October 9, 2017, in contemplation of the listing of our Class A Common Stock for quotation on the OTCQB. Based upon the trading price of our Class A Common Stock as of January 15, 2018, we would have issued an aggregate of 410,958,904 shares of Class A Common Stock under the Equity Purchase Agreement if the entire \$3,000,000 amount of potential shares issuable to Crown Bridge had been drawn. Such shares would represent approximately 26% of the outstanding shares of Class A Common Stock as of January 15, 2018, resulting in significant ownership dilution to our existing holders of Class A Common Stock. In connection with the Equity Purchase Agreement, we entered into a Registration Rights Agreement with Crown Bridge, pursuant to which we agreed to register for resale by Crown Bridge the shares of common stock purchased by them pursuant to the Equity Purchase Agreement. Pursuant to such agreement, we filed a registration statement with the SEC on Form S-1 within 45 days of the date of the Registration Rights Agreement covering the resale of shares to be issued under such agreement and have agreed to use our reasonable best efforts to cause the registration statement to become effective as promptly as is practicable.

In connection with the Equity Purchase Agreement, we issued to Crown Bridge, as a commitment fee, an \$80,000 convertible promissory note which matured on December 12, 2017. Pursuant to the terms of the note, Crown Bridge thereafter converted the principal balance of the note plus accrued interest at the rate of 8% per annum into 19,834,823 shares of our Class A common stock, representing a conversion price equal to the lesser of (i) the closing price of our Class A common stock on the issuance date of the note or (ii) 60% of the average of the three lowest trading prices during the 25-day period prior to the notice of conversion.

Table of Contents

Acquisition of Land

We do not currently own all of the land on the site near Fort Stockton, Texas at which we intend to build the Refinery. On July 28, 2017, we acquired the 126 acre parcel of the land which is the site for the planned Distillation Unit at a purchase price of \$550 per acre, or \$69,249. At such time, we agreed with the seller of the property to acquire the remaining 350 acre parcel, which is the site for the planned Large Refinery, on or before January 31, 2018 at a price of \$550 per acre, or \$192,500.

TCEQ Permit

On July 31, 2017, we filed an application with the Texas Commission on Environmental Quality (“TCEQ”) to obtain an air quality permit and obtained permit approval from the TCEQ on August 30, 2017. Accordingly, we will begin construction on the Distillation Unit on 15 acres of our 126 acre tract as soon we receive adequate financing to do so, as to which there is no assurance.

Where You Can Find Us

Our principal office is located at 3616 Far West Blvd, #117-321, Austin, Texas 78731, and our project office is located at 107 S. Main Street, Fort Stockton, Texas 79735. Our telephone number is (855) 880-0400. Our website is www.mmexresources.com. Information on our website or any other website is not incorporated by reference into, and does not constitute part of, this prospectus.

The Offering

Common stock offered by Selling Stockholders 785,611,588 shares of Class A common stock

Common stock outstanding before the offering 1,592,747,801 shares of Class A common stock as of January 15, 2018
1,500,000,000 shares of Class B common stock as of January 15, 2018

Common stock outstanding after the offering 2,003,706,705 shares of Class A common stock, assuming the issuance of an additional 410,958,904 shares of Class A common stock pursuant to the Equity Purchase Agreement. The number of shares of common stock will not otherwise be impacted by sales of the selling stockholders named herein.

Use of proceeds We will not receive any proceeds from the sale of Class A common stock by the selling stockholders. However, we will receive proceeds from the sale of

securities to Crown Bridge pursuant to our exercise of a put right granted to us in the Equity Purchase Agreement. Any such proceeds will be utilized first for the repayment of outstanding convertible notes and thereafter for general corporate purposes.

OTCQB Trading Symbol

MMEX

Risk Factors

The Class A common stock offered hereby involves a high degree of risk and should not be purchased by investors who cannot afford the loss of their entire investment. See "Risk Factors".

Table of Contents

RISK FACTORS

An investment in the Shares involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision with regard to our Shares. The statements contained in or incorporated into this prospectus that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment.

The risks included in this prospectus are not the only risks we face. We may experience additional risks and uncertainties not currently known to us, or as a result of developments occurring in the future. Conditions that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, cash flows and results of operations.

Risks Related to Our Business

An investment in the Company is speculative.

Our business plans are highly speculative and no assurance can be given that we will operate profitably. Our lack of operating history makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance. Furthermore, the Company has pursued its proposed refinery business plan only for a short time, and thus our business carries both known and unknown risks. No assurance can be given that you will realize your investment objectives or realize a substantial return (if any) on your investment or that you will not lose your entire investment. An investment in the Class A common stock involves a high degree of risk.

The Company is a development stage company with a history of operating losses and expects to continue to realize losses in the near future.

The Company is a development stage company. We have incurred continuous losses from operations, had an accumulated deficit at April 30, 2017 of almost \$37 million and have reported negative cash flows from operations for more than five years. The Company expects to continue to incur net losses until such time as the Refinery enters into commercial production and generates sufficient revenues to fund continuing operations. The size of these losses will

depend, in large part, on whether the Company is able to construct the Refinery and commence operations and is thereafter able to operate the Refinery in a profitable manner. We recognize that if we are unable to generate significant revenues from our refining operations, we will not be able to earn profits or continue operations. At this early stage of our operation, we also expect to face the risks, uncertainties, expenses, and difficulties frequently encountered by companies at the start-up stage of their business development. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition.

We need to continue as a going concern if our business is to succeed.

Because of our recurring losses and negative cash flows from operations, the audit report of our independent registered public accountants on our consolidated financial statements for the year ended April 30, 2017 contains an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern. Factors identified in the report include our historical net losses and our net capital deficiency, which raises substantial doubt about our ability to continue as a going concern. If we are not able successfully to implement our business plan and attain profitability in the near future our financial condition could deteriorate further, which would have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment. Further, we may be unable to pay our debt obligations as they become due. If we are unable to continue as a going concern, we might have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. In addition, the inclusion of an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern and our lack of cash resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relations with third parties.

The completion of our proposed business plan is subject to great uncertainty.

Our proposed business plan contemplates building one of the first refineries in the United States in the past 40 years. The successful completion of this plan depends, among other factors, upon the receipt of required governmental permits and substantial debt and equity financing. There is no assurance that this business plan can be successfully completed.

Table of Contents

We will require significant additional capital to fund our business plan.

We do not currently generate any revenue and do not have the cash resources to meet our operating commitments for the next twelve months. We have not yet commenced commercial production, as such, have not generated positive cash flows to date and have no reasonable prospects of doing so unless successful commercial production can be achieved at the Refinery. We expect to continue to incur negative investing and operating cash flows until such time as we enter into successful commercial production.

In addition, we will be required to make substantial capital expenditures and expend significant funds to construct and operate the Refinery. To the extent that the Refinery project proceeds, we anticipate that we will incur substantially increased expenses without realizing revenues from operations for a sustained period. We therefore expect to incur significant losses in the foreseeable future. If we are unable to obtain additional financing from outside sources and eventually produce enough revenues, we may be forced to curtail or cease our planned operations. If this happens, you could lose all or part of your investment.

Our ability to obtain necessary funding for these purposes depends upon a number of factors, including the status of the national and worldwide economy and the price of crude oil and petroleum products. There is no assurance that any such financing sources will be available or sufficient to meet our requirements. There is no assurance that we will be able to continue to raise equity capital or to secure additional debt financing. We may not be successful in obtaining the required financing or, if we can obtain such financing, such financing may not be on terms that are favorable to us. Our inability to access sufficient capital for our operations could have a material adverse effect on our financial condition, results of operations, or prospects.

Even after the Refinery is operational, we will have working capital needs for which our internally generated cash flows and other sources of liquidity may not be adequate.

The refining business is characterized by high fixed costs resulting from the significant capital outlays associated with the construction, operation and maintenance of the Refinery and related facilities. If the Refinery is completed, we will be dependent on the production and sale of quantities of refined products at refined product margins sufficient to cover operating costs, including any increases in costs resulting from future inflationary pressures or market conditions and increases in costs of fuel and power necessary in operating our planned facilities. After completion of the Refinery, our short-term working capital needs will be primarily crude oil purchase requirements that fluctuate with the pricing and sourcing of crude oil. We will also have significant long-term needs for cash, including those to support ongoing capital expenditures and other regulatory compliance. Furthermore, future regulatory requirements or competitive pressures could result in additional capital expenditures that may not produce a return on investment.

We expect to rely on borrowings to purchase crude oil. Changes in our credit profile could affect the way crude oil suppliers view our ability to make payments and induce them to shorten the payment terms of their invoices with us or require additional support such as letters of credit. Any imposition by our creditors of burdensome payment terms on us may have a material effect on our liquidity and our ability to make payments to our suppliers that could hinder our ability to purchase sufficient quantities of crude oil to operate the Refinery at planned rates. In addition, if the price of crude oil increases significantly, we may not have sufficient capacity under the credit agreements or sufficient cash on hand, to purchase enough crude oil to operate the Refinery at planned rates. A failure to operate the Refinery at planned rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Even if the Company begins to generate revenues from operations, the Company may not become profitable or be able to sustain profitability.

Refining is a competitive business and our profitability will be dependent upon our ability to source crude oil at competitive prices and to operate the Refinery efficiently in order to protect profit margins. Because the Company does not yet have a revenue stream resulting from sales or other operations, there can be no assurance that the Company will achieve material revenues in the future. Should the Company achieve a level of revenues that make it profitable, there is no assurance the Company can maintain or increase profitability levels in the future.

Table of Contents

The substantial amount of debt and equity financing we will need in order to construct the Refinery may dilute the Company's ownership of the Refinery.

The Company expects to operate the Distillation Unit through its subsidiary, Pecos Refining, and to operate the Large Refinery through another subsidiary set up for such purpose (collectively, the "Subsidiaries"). The construction of the Distillation Unit and the Large Refinery will require substantial equity and debt financing, far beyond the expected resources of the Company, and we anticipate that most of the equity and debt financing will be issued by these Subsidiaries. To the extent these Subsidiaries raise money through the issuance of equity securities, our ownership will be diluted. We intend to retain managerial control of the Subsidiaries; however, our economic ownership of such entities may be a minority interest. As such, we will be entitled to only a portion of any future distributions made by these Subsidiaries.

In addition, sales of substantial amounts of our securities may have a highly dilutive effect on our ownership or share structure. Sales of a significant number of shares of our common stock in the public markets, or the potential for such sales, could decrease the trading price of our common stock and could impair our ability to raise capital through future sales of common stock.

The insurance policies for our planned operations will not cover all losses, costs or liabilities that we may experience.

Our insurance coverage will not be expected to cover all potential losses, costs or liabilities. Our ability to obtain and maintain adequate insurance may be adversely affected by conditions in the insurance market over which we have no control. The occurrence of an event that is not fully covered by insurance or the loss of insurance coverage could have a material adverse effect on our planned business, financial condition, results of operations and cash flows.

Two of our stockholders collectively have the ability to determine any matter to be decided by the stockholders, which may prevent or delay a change in control of our company.

Jack W. Hanks, our CEO, and Bruce N. Lemons, one of the two members of our Board of Directors, currently beneficially own approximately 432,872,748 shares of our Class A common stock, which have one vote per share, and 1.5 billion shares of Class B common stock, which have ten votes per share. Through such beneficial ownership, at July 31, 2017, they controlled approximately 92.8% of the voting power of the common stock on a combined basis. As a result, they can determine the outcome of any corporate matter submitted to our stockholders for approval, including the election of directors and any transaction that might cause a change in control, such as a merger or acquisition.

The loss of Mr. Hanks could adversely affect our business.

Since Mr. Hanks is our principal executive officer devoting substantially all of his business time to the activities of the Company, if he were to die, become disabled, or leave our company, we would be forced to retain individuals to replace him. There is no assurance that we can find suitable persons to replace him if that becomes necessary. We have no key man life insurance at this time.

If we are unable to recruit or retain qualified personnel, our business and operations could be harmed.

We must identify, recruit, hire, train, retain and motivate highly skilled technical, managerial, sales and marketing and administrative personnel. We may not be able to locate or employ such qualified personnel on acceptable terms, or at all. In addition, competition for these individuals is intense, and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. The failure to recruit and retain necessary technical, managerial, sales, marketing and administrative personnel could harm our business and our ability to construct and operate the Refinery.

Table of Contents

Our business plan to distribute refined products into Mexico and to export refined product to Latin America may be subject to adverse political, economic, regulatory or market conditions beyond our control.

We plan on marketing and distributing refined products in the Western area of Mexico and we may export product to Latin America. Many of the market conditions in Mexico are not entirely known at this time as a result of the recent deregulation of the fuel supply market in Mexico. Many factors such as the U.S. tax policy for exports, the U.S. policy toward immigration, and the economy of Mexico may all impact negatively our business plan of exporting refined products to Mexico. In addition, we do not have an off-take agreement with a buyer or distributor in Mexico and any failure to secure an off-take agreement for sale of refined product in Mexico may alter or adversely impact our business plan. Additionally, we currently do not have an off-take agreement with a buyer or distributor in Latin America and our failure to secure an off-take agreement for sale of refined product in Latin America may alter or adversely impact our business plan. Our proposed foreign sales could be adversely affected as a result of:

- ναπιοναλιζατιον οφ πριωατε εντερπρισεσ ανδ ασσετσ;
- πολιτιχαλ ορ εχονομιχ ινσταβιλιτησ ιν χερταιν χουντριεσ ανδ ρεγιονσ, συχη ασ τηε ονγοιινγ ινσταβιλιτησ τηρουγηουτ τηε Μιδδλε Εαστ ανδ/ορ πορτιονσ οφ τηε φορμερ Σοβιετ Υνιον;
- πολιτιχαλ ρελατιονσηπισ βετωεεν τηε Υ.Σ. ανδ χερταιν χουντριεσ ανδ ρεγιονσ;
- διφφερενχεσ ιν φορεινγ λαωσ, ινχλυδιινγ ινχρεασεδ διφφιχυλιτιεσ ιν προτεχτινγ ιντελλεχτυαλ προπερτησ ανδ υνχερταιντησ ιν ενφορχεμεντ οφ χοντραχτ ριγητσ;
- τηε ποσσιβιλιτησ τηατ φορεινγ γοωερνμεντσ μαγ αδοπτ ρεγυλατιονσ ορ τακε οτηερ αχτιονσ τηατ χουλδ διρεχτλησ ορ ινδιρεχτλησ ηαρμ ουρ βυσινεσσ ανδ γροωτη στρατηγησ;
- χρεδιτ ρισκοσ;
- χυρρενχησ φλυχτυατιονσ;
- ταριφφ ανδ ταξ ινχρεασεσ;
- εξπορτ ανδ ιμπορτ ρεστριχτιονσ ανδ ρεστριχτιωε ρεγυλατιονσ οφ φορεινγ γοωερνμεντσ;
- σηηπινγ προδυχτσ δυριινγ τιμεσ οφ χρισισ ορ ωαρσ;
- ουρ φαιλυρε το χομπλησ ωιτη Υ.Σ. λαωσ ρεγαρδιινγ δοινγ βυσινεσσ ιν φορεινγ φυρισδιχτιονσ, συχη ασ τηε Φορεινγ Χορρυπτ Πραχτιχεσ Αχτ; ορ
- οτηερ φαχτορσ ιν ηερεντ ιν μαινταινινγ φορεινγ οπερατιονσ.

We may not be able to obtain or renew all required permits and licenses to place any of our properties into production.

Our current and future operations, including construction activities and commencement of production at the Refinery require permits from governmental authorities and such operations are, and will be, governed by laws and regulations governing oil and gas development, construction and production as well as exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, refinery safety, and other matters. We may experience increased costs, as well as delays in construction or operation as a result of the need to comply with applicable laws, regulations, and permits. We cannot predict if all permits that we may require for the construction and operation of the Refinery or the export of refined products and crude oil will be obtainable or

renewable on reasonable terms, if at all. Costs related to applying for and obtaining permits and licenses may be prohibitive and could delay our planned construction and the operation of the Refinery. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Future indebtedness may limit our ability to obtain additional financing and we also may face difficulties complying with the terms of any credit agreements.

As previously discussed, we anticipate we will use significant amounts of debt, if available, to fund the construction of the Refinery and its operations once construction is finished. Our level of future indebtedness will have a direct impact on our business. Among other things, it may:

- λιμιτ ουρ αβιλιτψ το υσε ουρ χαση φλωωσ, ορ οβταιν αδδιτιοναλ φινανχιγγ, φορ φυτυρε ωορκινγ χαπιταλ, χαπιταλ εξπενδιτυρεσ, αχθυσιτιονσ ορ οτηερ γενεραλ χορπορατε τυρποσεσ;
- ρεστριχτ ουρ αβιλιτψ το παψ διωιδενδσ;
- ρεθυιρε α συβσταντιαλ πορτιον οφ ουρ χαση φλωωσ φρομ οπερατιονσ το μακε δεβτ σερωιχε παψμεντσ;
- λιμιτ ουρ φλεξιβιλιτψ το πλαν φορ, ορ ρεαχτ το, χηανγεσ ιν ουρ βυσινεσσ ανδ ινδυστρυ χονδιτιονσ;
- πλαχε υσ ατ α χομπετιτιβε δισαδωανταγε χομπαρεδ το ουρ λεσσ λεωεραγεδ χομπετιτορσ; ανδ
- ινχρεασε ουρ ωυλνεραβιλιτψ το τηε ιμπαχτ οφ αδωερσε εχονομιχ ανδ ινδυστρυ χονδιτιονσ.

Table of Contents

We cannot assure you that we will generate sufficient cash flows or that we will be able to borrow funds under certain credit agreements in amounts sufficient to enable us to service our debt or meet our expected working capital and capital expenditure requirements. Our ability to generate sufficient cash flows from our operating activities are expected to be primarily dependent on raising cash through issuances of equity, and, when the Refinery is constructed, on producing or purchasing and selling sufficient quantities of refined products at margins sufficient to cover fixed and variable expenses. If we are unable to raise sufficient cash through equity issuances, or, if after the Refinery is in operation and our margins were to deteriorate significantly, or if our earnings and cash flows when the Refinery is completed, were to suffer for any other reason, we may be unable to obtain the debt financing we expect to require for our expected working capital needs. To the extent that we are unable to generate sufficient cash flows from issuances of equity or operations, or if we are unable to obtain additional debt financing, we might be required to sell assets or reduce necessary capital expenditures. We cannot assure you that we would be able to refinance our debt, sell assets or obtain additional financing on terms acceptable to us, if at all.

Covenants and events of default in our debt instruments could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

We expect that any debt financing agreements that we may enter will contain covenants and events of default that may limit our financial flexibility and ability to undertake certain types of transactions. Typically, these covenants would restrict our business activities, including restrictions on:

- creating liens;
- engaging in mergers, consolidations and sales of assets;
- incurring additional indebtedness;
- providing guarantees;
- engaging in different businesses;
- making investments;
- making certain dividend, debt and other restricted payments;
- engaging in certain transactions with affiliates; and
- entering into certain contractual obligations.

Our ability to comply with these expected covenants may depend on factors outside our control. We cannot assure you that we will be able to satisfy these covenants. If we fail to satisfy the covenants established in these facilities or an event of default occurs under the applicable debt agreement, the maturity of the debt instruments could be accelerated or we could be prohibited from future borrowing. If our obligations under the debt instruments are accelerated and we do not have sufficient cash on hand to pay all amounts due, we could be required to sell assets, to refinance all or a portion of our indebtedness or to obtain additional financing through equity or debt financings. Refinancing may not be possible and additional financing may not be available on commercially acceptable terms, or at all. If we cannot obtain such financing, we would need to curtail our planned operations.

Our business, financial condition, results of operations and cash flows may be materially adversely affected by an economic downturn.

The energy sector, and the petroleum industry in particular, are highly cyclical and have historically experienced severe downturns. We are currently in such a downturn, which was sudden when it started and has not shown signs of near term recovery. The dramatic decline in global oil prices which began in calendar year 2014 translated into an abrupt contraction in orders in the energy markets and is the most recent example of the cyclical nature of our markets. We believe that over the long-term, demand for petroleum products will expand, however, the current decline and volatility in oil prices confirms that cyclical downturns will occur periodically. A sustained deterioration or economic downturn would materially harm our business and operating results. A cyclical downturn can occur suddenly and result in extremely different financial performance sequentially from quarter to quarter or on an annual comparative basis due to an inability to rapidly adjust costs.

In addition, the domestic economy, economic slowdowns and the scarcity of credit can lead to lack of consumer confidence, increased market volatility and widespread reduction of business activity generally in the United States and abroad. An economic downturn may adversely affect the liquidity, businesses and/or financial conditions of our future customers that may result in decreased demand for our products. Disruptions in the financial markets could also lead to a reduction in available trade credit due to counterparties' liquidity concerns. If we are unable to obtain borrowings or letters of credit under our future credit agreements, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Table of Contents

We must rely on third parties, including the Texas Department of Transportation, to make infrastructure improvements and repairs necessary for the implementation of our business plan.

Although we intend to ship through existing pipeline systems some of our refined product production to the Phoenix, Arizona market and ship some of our heavy oil (sometimes referred to as “atmospheric tower bottoms” or “ATBs”) and naphtha to refineries located in Corpus Christi, we plan to transport a significant portion of our high-value refined product on the Texas Pacifico Railroad. Significant investments are required to upgrade this railroad. The Texas Department of Transportation (“TxDOT”) owns the Texas Pacifico Railroad, which runs from the San Angelo Junction, near Coleman, Texas, to the Texas-Mexico border at Presidio. There are two significant infrastructure improvement projects that TxDOT must be complete before we will be able to use the Texas Pacifico Railroad to transport our high-value products to Mexico as we have planned.

The international railroad bridge, located at the southwestern end of the rail line connecting Presidio, TX to Ojinaga, Mexico burned on two separate occasions, February 29, 2008 and March 1, 2009. TxDOT and Texas Pacifico Transportation LTD, the company that operates the Texas Pacifico Railroad, plan to rebuild the bridge allowing access to Mexico and increased business potential. On August 4, 2017, TxDOT announced a \$7 million federal grant from The U.S. Department of Transportation to strengthen existing rail infrastructure in Permian Basin. As announced on August 4, the funds are expected to help rebuild the Presidio-Ojinaga International Rail Bridge and 72 miles of track on the South Orient Rail Line that run from the Mexico border to near Coleman, Texas owned by the state of Texas but maintained and operated by Texas Pacifico Transportation, Ltd. under a lease with TxDOT. A recent project schedule estimates the completion date to be in 2018.

In addition, the railroad track between Alpine and Presidio may be upgraded as traffic requires through the area. The upgrade capital improvements required on the Texas Pacifico Railroad to transport significant volumes of traffic are estimated by TxDOT to be in the range of \$100 million to \$150 million. Our business plan to market refined products into Western Mexico and to export refined products to Latin America will depend on the completion of the international bridge at Presidio/Ojinaga and the capital investment on the Texas Pacifico Railroad railroad. There is no assurance that these capital improvements will be made. If these capital improvements are not made, our business prospects and results of operations could be materially negatively impacted.

A material decrease in the supply of crude oil available to the Refinery could significantly reduce our future production levels.

We expect to contract with third-party crude oil suppliers to maintain a sufficient supply of crude oil for production at our planned Refinery. A material decrease in crude oil production from the fields that are expected to supply the Refinery as a result of economic, regulatory, or natural influences, availability of equipment, facilities, personnel or services, plant closures for scheduled maintenance, or transportation problems, or an increase in crude oil transport

capacities, could result in a decline in the volume of crude oil available to the Refinery. If we are unable to secure sufficient crude oil supplies, we may not be able to take full advantage of current and future expansion of our production capacities. A decline in available crude oil or an inability to secure additional crude oil supplies to meet the needs of current or future refinery expansions could result in an overall decline in volumes of refined products produced by the Refinery and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The assets comprising the Refinery may experience physical damage as a result of an accident or natural disaster.

These hazards can also cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage, and suspension of operations. We will have to have in place appropriate property, liability and business interruption policies, subject to the deductibles and limits under available policies. In addition, such insurance policies do not cover every potential risk associated with our operating facilities, and we cannot ensure that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage, or that these levels of insurance will be available in the future at commercially reasonable prices.

We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations.

The construction of the Refinery and any subsequent planned operations will require numerous permits and authorizations under various laws and regulations, including environmental and health and safety laws. These authorizations and permits will be subject to revocation, renewal or modification and can require operational changes that may involve significant costs, to limit impacts or potential impacts on the environment, health and safety. A violation of these authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and/or refinery shutdowns.

We expect to face substantial competition from other refining companies.

The refining industry is highly competitive. Our expected competitors will include large, integrated, major or independent oil companies that, because of their more diverse geographic operations, larger refinery capacities or stronger capitalization, are likely to be better positioned than we are to withstand volatile industry conditions, including shortages or excesses of crude oil or refined products or intense price competition at the wholesale level. Some of our present and potential competitors may have substantially greater financial, marketing, technical or manufacturing resources. Our competitors may also be able to respond more quickly to new technologies or processes and changes in customer demands. Certain of our competitors may also have a cost advantage compared to us due to their geography or changes in relative currency values and may compete against us based on price. This may affect our ability to secure new business and maintain our level of profitability. If we are unable to compete effectively, we may lose customers or fail to acquire new customers. If we cannot compete successfully against current or future

competitors, our business will be materially adversely affected.

Table of Contents

Risks Related to the Industry

The completion of our proposed Refinery project and ultimate operations of a petroleum refinery are subject to great uncertainty. Should we be successful in completing this project, our business would thereafter be subject to the following risks:

The price volatility of crude oil, other feedstocks, refined products and fuel and utility services will have a material adverse effect on our potential earnings and cash flows.

Our potential for earnings and cash flows from operations will depend on the margin above fixed and variable expenses (including the cost of refinery feedstocks such as crude oil) at which we are able to sell refined products. Refining margins historically have been volatile and are likely to continue to be volatile, as a result of a variety of factors, including fluctuations in the prices of crude oil, other feedstocks, refined products and fuel and utility services.

In recent years, the prices of crude oil, other feedstocks and refined products have fluctuated. It is possible that this volatility in crude oil pricing and crack spreads (the difference between the purchase price of crude oil and the selling price of the refined finished products, such as gasoline and distillate fuel) may continue for prolonged periods of time due to numerous factors beyond our control. Prolonged periods of low crude oil prices could impact production growth of inland crude oil, which could reduce the amount of advantaged crude oil available and/or the discount of such crude oil and thereby impacting the profitability of the Refinery. Prices of crude oil, other feedstocks and refined products depend on numerous factors beyond our control, including the supply of and demand for crude oil, other feedstocks, gasoline and other refined products. Such supply and demand are affected by, among other things:

- changes in global and local economic and political conditions;
- domestic and foreign demand for crude oil and refined products, especially in the U.S., China and India;
- worldwide political conditions, particularly in significant oil producing regions such as the Middle East, West Africa, Russia and Latin America;
- political and geopolitical instability or armed conflict in oil producing regions;
- the level of foreign and domestic production of crude oil and refined products and the level of crude oil, feedstocks and refined products imported into the U.S. that can be impacted by accidents, interruptions in transportation, inclement weather or other events affecting producers and suppliers;
- U.S. government regulations, including legislation affecting the exportation of domestic crude oil;
- utilization rates of U.S. refineries;
- changes in fuel specifications required by environmental and other laws;
- the ability of the members of the Organization of Petroleum Exporting Countries to influence oil price and production controls;

- commodities speculation;
- development and marketing of alternative and competing fuels;
- pricing and other actions taken by competitors that impact the market;
- accidents, interruptions in transportation and inclement weather; and
- federal and state government regulations and taxes.

Volatility may have a negative effect on our future results of operations to the extent that the margin between refined product prices and feedstock prices narrows.

The nature of the refining business will require us to maintain substantial quantities of crude oil and refined product inventories. Crude oil and refined products are commodities. As a result, we will have no control over the changing market value of these inventories. In addition, the volatility in costs of fuel, principally natural gas and other utility services, principally electricity, used by the Refinery will impact our planned operating costs. Fuel and utility prices will continue to be affected by factors outside our control, such as supply and demand for fuel and utility services in both local and regional markets. Natural gas prices have historically been volatile. Typically, electricity prices fluctuate with natural gas prices. Future increases in fuel and utility prices may have a material adverse effect on our planned business, financial condition, results of operations and cash flows.

Table of Contents

Our planned operations will be subject to significant hazards and risks inherent in refining operations and in transporting and storing crude oil, intermediate products and refined products.

Failure to identify and manage the hazards and risks inherent in refining operations could result in explosions, fires, refinery or pipeline releases of crude oil or refined products or other incidents resulting in personal injury, loss of life, environmental damage, property damage, legal liability, loss of revenue and substantial fines by government authorities. These hazards and risks include, but are not limited to, the following:

- natural disasters;
- weather-related disruptions;
- fires;
- explosions;
- pipeline ruptures and spills;
- third-party interference;
- disruption of natural gas deliveries;
- disruptions of electricity deliveries; and
- mechanical failure of equipment.

Any of the foregoing could result in production and distribution difficulties and disruptions, environmental pollution, personal injury or wrongful death claims and other damage to our properties and the properties of others. There is also risk of mechanical failure and equipment shutdowns both in general and following unforeseen events.

In addition, we expect to rely on a variety of logistics assets including but not limited to: rail, pipelines, product terminals, storage tanks and trucks to facilitate the movement of crude oil, feedstocks and refined products. We could experience an interruption of supply or an increased cost to deliver refined products to market if the ability to utilize these logistics assets is disrupted. Any sustained disruption is likely to have a material adverse effect on our business, financial condition, results of operations and cash flows.

Weather conditions and natural disasters could materially and adversely affect our business and operating results, including the supply of our feedstocks.

The effects of weather conditions and natural disasters can lead to volatility in the costs and availability of crude oil and other feedstocks and/or negatively impact our operations or those of our customers and suppliers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An interruption to our supply of feedstocks could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our planned operations involve environmental risks that could give rise to material liabilities.

Our planned operations could result in spills, discharges, or other releases of petroleum or hazardous substances into the environment. Such spills related to any of our planned operations may give rise to liability (including strict liability, or liability without fault, and clean-up responsibility) to governmental entities or private parties under federal, state, or local environmental laws, as well as under common law. In addition, we may face liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances located at or released from our facilities or otherwise related to our planned operations. We may also face liability for personal injury, property damage, natural resource damage, or for clean-up costs for the alleged migration of contamination or other hazardous substances from our facilities to adjacent and other nearby properties.

We may incur significant costs to comply with environmental, health and safety laws and regulations.

Our planned operations are subject to extensive federal, state and local environmental, health and safety regulations governing, among other things, the generation, storage, handling, use and transportation of petroleum and hazardous substances, the emission and discharge of materials into the environment, waste management, characteristics and composition of gasoline, diesel and other fuels and the monitoring, reporting and control of greenhouse gas emissions. If we fail to comply with these regulations, we may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other entities and individuals. A failure to comply, and any related proceedings, including lawsuits, could result in significant costs and liabilities, penalties, judgments against us or governmental or court orders that could alter, limit or stop our planned operations. In addition, new environmental laws and regulations, including new regulations relating to alternative energy sources and increased vehicle fuel economy, new state regulations relating to fuel quality, and the risk of global climate change regulation, as well as new interpretations of existing laws and regulations, increased governmental enforcement, or other developments could require us to make additional unforeseen expenditures. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. We are not able to predict the impact of new or changed laws or regulations or changes in the ways that such laws or regulations are administered, interpreted, or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that the costs associated with meeting any or all of these requirements are substantial and not adequately provided for, there could be a material adverse effect on our business, financial condition, results of operations and cash flows.

Table of Contents

The Environmental Protection Agency (the “EPA”) has issued rules pursuant to the Water Pollution Control Act of 1972 (“Clean Water Act”) that require refiners to reduce the sulfur content of gasoline and diesel fuel and reduce the benzene content of gasoline by various specified dates. We may incur substantial costs to comply with the EPA’s low sulfur and low benzene rules. Failure to meet the EPA’s clean fuels mandates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Various states have proposed and/or enacted low carbon fuel standards intended to reduce carbon intensity in transportation fuels. In addition, in 2010 the EPA issued social cost of carbon estimates used by the EPA and other federal agencies in regulatory cost-benefit analyses to take into account alleged broad economic consequences associated with emissions of greenhouse gases. These estimates were increased in 2013. While the impacts of low carbon fuel standards and higher social cost of carbon in future regulations is not known at this time, either of these may result in increased costs to our planned operations.

Renewable fuels mandates may reduce demand for the petroleum fuels we intend to produce, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007, the EPA has promulgated the Renewable Fuel Standard (“RFS”) implementing mandates to blend renewable fuels into petroleum fuels produced and sold in the United States. We are subject to the RFS, which requires obligated parties to blend renewable fuels, such as ethanol, into petroleum fuels sold in the United States. A Renewable Identification Number (a “RIN”) is generated for each gallon of renewable fuel produced under the RFS. At the end of each year, obligated parties must surrender sufficient RINs to meet their renewable fuel obligations under the RFS. The obligated volume increases annually over time until 2022. Uncertainty surrounding RFS requirements in recent years has resulted in increased volatility in RIN prices. We cannot predict the future prices of RINs or waiver credits for cellulosic biofuels from the EPA, but the costs to obtain the necessary number of RINs and waiver credits could be material.

In 2010 and 2011, the EPA issued partial waivers with conditions allowing a maximum of 15% ethanol to be used in certain vehicles. Future changes to existing laws and regulations could increase the minimum volumes of renewable fuels that must be blended with refined petroleum fuels. Because we do not plan to produce renewable fuels, increasing the volume of renewable fuels that must be blended into our products could displace an increasing volume of the Refinery’s product pool, potentially resulting in lower earnings and materially adversely affecting our business, financial condition and results of operations and cash flows.

During 2013, the price of RINs was very volatile as the EPA’s proposed renewable fuel volume mandates approached the “blend wall.” The blend wall refers to the point at which refiners are required to blend more ethanol into the transportation fuel supply than can be supported by the demand for E10 gasoline (gasoline containing 10 percent ethanol by volume). In November 2013, the EPA published the annual renewable fuel percentage standards for 2014,

which acknowledged the blend wall and were generally lower than the volumes for 2013 and lower than statutory mandates. The price of RINs decreased significantly after the 2014 percentage standards were published; however, RIN prices remained volatile and increased subsequently in 2014. In November 2015, the EPA published final notice for RFS obligated volumes for 2014, 2015 and 2016 and Biomass-Based Diesel for 2017. The current standard may cause the blend wall to again become an issue affecting the overall supply of RINs.

We cannot predict the future prices of RINs or waiver credits. The cost of RINs is dependent upon a variety of factors, which include EPA regulations, the availability of RINs for purchase, the price at which RINs can be purchased, transportation fuel production levels, the mix of our petroleum products, as well as the fuel blending performed at the Refinery, all of which can vary significantly from quarter to quarter. Additionally, because we do not expect to produce renewable fuels, increasing the volume of renewable fuels that must be blended into our products could displace an increasing volume of the Refinery's product pool, potentially resulting in lower earnings. If sufficient RINs are unavailable for purchase or if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our business, financial condition, results of operations and cash flows could be materially adversely affected.

To the extent that we export gasoline and diesel, the EPA's RFS mandates do not apply, increasing the Company's profitability dramatically. The Company cannot predict the amount of export volumes and how exports of gasoline and diesel may impact the earnings of the Company.

Table of Contents

We could incur significant costs to comply with greenhouse gas emissions regulation or legislation.

The EPA has adopted and implemented regulations to restrict emissions of greenhouse gases under certain provisions of the Clean Air Act. For example, the EPA requires, in certain circumstances, permitting of certain emissions of greenhouse gases from large stationary sources, such as refineries. The EPA has also adopted rules requiring refiners to report greenhouse gas emissions on an annual basis for emissions occurring after January 1, 2010.

To the extent that future legislation, rules and regulations are enacted, our operating costs, including capital expenditures, may increase and additional operating restrictions could be imposed on our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Finally, some scientists have concluded that increasing concentrations of greenhouse gases in the earth's atmosphere may produce climate changes that may have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events, which if any such event were to occur, it may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Increased regulation of hydraulic fracturing could result in reductions or delays in crude oil production in our existing areas of operation, which could impact our crude oil supply and adversely impact our business.

A significant percentage of the crude oil production in our existing areas of operation is being developed from unconventional sources, such as shale, using hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate production. A number of federal agencies, including the EPA and the U.S. Department of Energy, are analyzing, or have been requested to review, a variety of environmental issues associated with shale development, including hydraulic fracturing. In addition, the EPA has asserted federal regulatory authority over hydraulic fracturing activities under the Safe Drinking Water Act's Underground Injection Control Program and under the Toxic Substances Control Act of 1976 and in September 2015 issued proposed rules regulating methane emissions from oil and natural gas completion operations. The rules were finalized in June 2016 and became effective in August 2016. Further, some states and municipalities have adopted and other states and municipalities are considering adopting, regulations prohibiting hydraulic fracturing in certain areas or imposing more stringent disclosure. At the same time, certain environmental groups have suggested that additional laws may be needed to more closely and uniformly regulate the hydraulic fracturing process and legislation has been proposed by some members of Congress to provide for such regulation. We cannot predict whether any such legislation will ever be enacted and if so, what its provisions would be. If additional levels of regulation are imposed at the federal, state or local level, this could result in corresponding delays, increased operating costs and process prohibitions for crude oil producers and potentially negatively impact our crude oil supply, which could adversely affect our business, financial condition, results of operations and cash flows.

We could experience business interruptions caused by pipeline shutdowns.

Assuming completion of the Refinery, we may distribute its products by pipeline as well as by rail. Certain of the pipelines we may utilize are subject to common carrier regulatory obligations applicable to interstate oil pipelines that require that capacity must be prorated among shippers in an equitable manner in accordance with the tariff then in effect in the event there are nominations in excess of capacity. Nominations by new shippers or increased nominations by existing shippers may reduce the capacity available to us. Any extended, non-excused downtime at the Refinery could, under certain circumstances, cause us to lose line space on the refined products pipelines used by the Refinery, if we cannot otherwise utilize our pipeline allocations.

As a result, we could experience an interruption of supply or delivery, or an increased cost of receiving crude oil and delivering refined products to market, if the ability of these pipelines to transport crude oil, blended stocks or refined products is disrupted because of accidents, weather interruption, governmental regulation, terrorism, other third-party action, or any other events beyond our control. A prolonged inability to receive crude oil or transport refined products on pipelines that we currently utilize could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Table of Contents

The relative costs of oil, natural gas, nuclear power, hydropower and numerous forms of alternative energy production may have a material adverse impact on our business and operating results.

Global and regional energy supply comes from many sources, including oil, natural gas, coal, hydro, nuclear, solar, wind, geothermal and biomass, among others. A cost or supply shift among these sources could negatively impact our business opportunities going forward and the profitability of those opportunities. A demand shift, where technological advances favor the utilization of one or a few sources of energy may also impact the demand for our products. If demand shifts in a manner that increases energy utilization outside of our traditional customer base or expertise, our business and financial results could be materially adversely affected. In addition, governmental policy can affect the relative importance of various forms of energy sources. For example, non-fossil based sources may require and often receive government tax incentives to foster investment. If these incentives become more prominent, our business and results of operations could suffer.

Terrorist attacks, cyber-attacks, threats of war or actual war may negatively affect our future operations, financial condition, results of operations, cash flows and prospects.

Terrorist attacks in the U.S. as well as events occurring in response to or in connection with them, may adversely affect our planned operations, financial condition, results of operations, cash flows and prospects. Energy-related assets may be at greater risk of future terrorist attacks than other possible targets. A direct attack on assets to be used in our planned operations could have a material adverse effect on our operations, financial condition, results of operations, cash flows and prospects. In addition, any terrorist attack could have an adverse impact on energy prices, including prices for crude oil and refined products and an adverse impact on the margins from our future operations. In addition, disruption or significant increases in energy prices could result in government imposed price controls.

Any disruption of, or our inability to access, our information technology systems could adversely impact our business.

Our planned operations are likely to be dependent on technology infrastructure and to maintain and rely upon certain critical information systems. These information systems are expected to include data network and telecommunications, internet access and our websites and various computer hardware equipment and software applications. These information systems will be subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks and other events. To the extent that these information systems are under our control, we expect to implement measures such as virus protection software and emergency recovery processes to address the outlined risks. However, security measures for information systems cannot be guaranteed. Breaches to our networks could lead to such information being accessed, publicly disclosed, lost or stolen, and could result in legal claims or proceedings, liability under laws that protect the privacy of customer information, disrupt the services we expect to provide and damage our reputation, any of which could have a

material adverse effect on our planned business, financial condition, results of operations and cash flows. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities.

Risks Related to Our Common Stock

We have conducted highly dilutive equity related offerings during 2017 and may conduct further offerings in the future that will dilute the shareholdings of investors.

Since our inception, we have relied on sales of equity and equity related securities to fund our activities. During 2017, we have conducted convertible note offerings that are highly dilutive to our existing stockholders and, due to the original issue discount of the notes and significant redemption premiums, have a high cost of capital. In addition, we entered into an Equity Purchase Agreement with Crown Bridge pursuant to which we have the right to put up to \$3,000,000 of our Class A common stock to Crown Bridge. The purchase price of shares issued in connection with each put notice is 80% of the lowest traded price of our Class A common stock in the seven trading days immediately following the clearing date of the put shares for the respective put notice. We expect to conduct further equity offerings in the future to continue as a going concern. As additional equity securities are issued, investors' percentage interests in our equity ownership will be diluted. The result of this could reduce the value of current investors' stock. Further, if common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders.

Table of Contents

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our Class A common stock.

Our Class A common stock is subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934 (the “Exchange Act”), commonly referred to as the “penny stock rule.” Section 15(g) sets forth certain requirements for transactions in penny stock, and Rule 15g-9(d) incorporates the definition of “penny stock” that is found in Rule 3a51-1 of the Exchange Act. The Securities and Exchange Commission (the “SEC”) generally defines a penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. We are subject to the SEC’s penny stock rules.

Since our Class A common stock is deemed to be penny stock, trading in the shares of our Class A common stock is subject to additional sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. “Accredited investors” are persons with assets in excess of \$1,000,000 (excluding the value of such person’s primary residence) or annual income exceeding \$200,000 or \$300,000 together with their spouse. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, except in certain circumstances, the rules require the delivery, prior to the first transaction of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information to the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealer to trade and/or maintain a market in our Class A common stock and may affect the ability of the Company’s stockholders to sell their shares of Class A common stock.

There can be no assurance that our shares of Class A common stock will qualify for exemption from the “penny stock rule”. In any event, even if our Class A common stock was exempt from the “penny stock rule”, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock if the SEC finds that such a restriction would be in the public interest.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, our stockholders will not receive any funds unless they sell their Class A common stock, and stockholders may be unable to sell their shares on favorable terms or at all.

Our Class A common stock is subject to price volatility unrelated to our operations.

The market price of our Class A common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our Class A common stock, changes in general conditions in the economy and the financial markets or other developments affecting the Company's competitors or the Company itself. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our Class A common stock.

Trading in our Class A common stock on the OTCQB is limited and sporadic making it difficult for our stockholders to sell their shares or liquidate their investments.

Our Class A common stock is currently listed for public trading on the OTCQB tier of the OTC Markets Group, Inc. The trading price of our Class A common stock has been subject to wide fluctuations. Trading prices of our Class A common stock may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our Class A common stock will be matched or maintained. These broad market and industry factors may adversely affect the market price of our Class A common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources. Further, on January 8, 2018, we received a letter from OTC Markets that the bid price of our Class A common stock had closed below \$0.01 for more than 30 consecutive calendar days and no longer meets the Standards for Continued Eligibility for OTCQB. Per Section 4.1 of the OTCQB Standards, we have been granted a cure period of 90 calendar days during which the minimum closing bid price for our Class A common stock must be \$.01 or greater for ten consecutive trading days in order to continue trading on the OTCQB marketplace. If this requirement is not met by April 8, 2018, the listing of our Class A common stock will be removed from the OTCQB marketplace and our Equity Purchase Agreement with Crown Bridge will automatically terminate.

Our Articles of Incorporation provide indemnification for officers, directors and employees.

Our governing instruments provide that officers, directors, employees and other agents and their affiliates shall only be liable to our Company for losses, judgments, liabilities and expenses that result from matters involving intentional misconduct, fraud or a knowing violation of law. Thus certain alleged errors or omissions might not be actionable by us. The governing instruments also provide that, under the broadest circumstances allowed under law, we must indemnify our officers, directors, employees and other agents and their affiliates for losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them in connection with our Company, including liabilities under applicable securities laws.

Table of Contents

Crown Bridge will pay less than the then-prevailing market price for our Class A common stock.

The shares of Class A common stock to be issued to Crown Bridge pursuant to the Equity Purchase Agreement will be purchased at 80% of the lowest traded price of our Class A common stock in the seven trading days immediately following the clearing date of the put shares for the respective put notice. Because the put price and the conversion rate are lower than the prevailing market price of our Class A common stock, Crown Bridge has a financial incentive to sell our Class A common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Crown Bridge sells the shares, the price of our Class A common stock could decrease. If our stock price decreases, Crown Bridge may have a further incentive to sell its shares of the Class A common stock that it holds. These sales may have a further impact on our stock price.

The sale of a substantial number of shares of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock.

The market price of our common stock could decline as a result of issuances and sales by us, including pursuant to the Equity Purchase Agreement, or sales by our existing shareholders, of common stock, or the perception that these issuances and sales could occur. Sales by our shareholders might also make it more difficult for us to issue and sell common stock at a time and price that we deem appropriate. It is likely that the sale of shares by Crown Bridge will depress the market price of our common stock.

The issue and sale of the shares under the Equity Purchase Agreement may also have an adverse effect on the market price of the common shares. Crown Bridge may resell some, if not all, of the shares that we issue to it under the Equity Purchase Agreement and such sales could cause the market price of the common stock to decline significantly. To the extent of any such decline, any subsequent puts would require us to issue and sell a greater number of shares to Crown Bridge in exchange for each dollar of the put amount. Under these circumstances, the existing shareholders of our company will experience greater dilution. The effect of this dilution may, in turn, cause the price of our common stock to decrease further, both because of the downward pressure on the stock price that would be caused by a large number of sales of our shares into the public market by Crown Bridge, and because our existing stockholders may disagree with a decision to sell shares to Crown Bridge at a time when our stock price is low, and may in response decide to sell additional shares, further decreasing our stock price. If we draw down amounts under the Equity Purchase Agreement when our share price is decreasing, we will need to issue more shares to raise the same amount of funding.

Any shares of our common stock we issue in connection with the put option under the Equity Purchase Agreement, or the conversion option under any of our convertible notes, will cause your ownership interest to be diluted.

Crown Bridge has committed to purchase up to \$3,000,000 worth of shares of our Class A common stock. From time to time during the term of the Equity Purchase Agreement, and at our sole discretion, we may present Crown Bridge with a put notice requiring Crown Bridge to purchase shares of our Class A common stock. The purchase price to be paid by Crown Bridge will be 80% of the lowest traded price of our Class A common stock in the seven trading days immediately following the clearing date of the put shares for the respective put notice. As a result, our existing shareholders will experience immediate dilution upon the purchase of any of the shares by Crown Bridge. In addition, because the shares that will be issued in connection with the exercise of our put right or upon the conversion of any of our convertible notes may be sold or converted at a price less than the prevailing market value, the value of your aggregate shareholdings in the Company will be diluted.

We may not have access to the full amount available under the Equity Purchase Agreement.

There is no guarantee that we will satisfy the conditions to the Equity Purchase Agreement. Although the Equity Purchase Agreement provides that we can require Crown Bridge to purchase, at our discretion, up to \$3,000,000 worth of shares of our Class A common stock in the aggregate, there can be no assurances that we will be able to satisfy the closing conditions applicable for each put. For example, Crown Bridge will not be required to purchase shares to the extent that it would result in Crown Bridge becoming the beneficial owner of more than 4.9% of our outstanding Class A common stock. Accordingly, to the extent that Crown Bridge owns a material number of shares of Class A common stock at the time of the exercise of a put, our ability to require Crown Bridge to purchase shares will be correspondingly reduced. Further, our ability to draw down funds and sell shares under the Equity Purchase Agreement requires that this resale registration statement be declared effective and continue to be effective. This registration statement registers the resale of 300,000,000 shares issuable under the Equity Purchase Agreement, and our ability to sell any remaining shares issuable under the Equity Purchase Agreement is subject to our ability to prepare and file one or more additional registration statements registering the resale of these shares. These registration statements may be subject to review and comment by the staff of the SEC, and will require the consent of our independent registered public accounting firm. Therefore, the timing of effectiveness of these registration statements cannot be assured and may affect our ability to put shares to Crown Bridge. If we fail to satisfy the applicable closing conditions, we will not be able to sell the put shares to Crown Bridge. There is no guarantee that we will be able to fully utilize the Equity Purchase Agreement. This description is qualified in its entirety by reference to the Equity Purchase Agreement, which is incorporated by reference as an exhibit to the Registration Statement of which this prospectus forms a part.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. When used in this prospectus or in any other presentation, statements which are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” “may,” “project,” “plan” or “continue,” and similar expressions are intended to identify forward-looking statements. They also include statements containing a projection of revenues, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this prospectus are based upon our management’s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to them. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect current plans and expectations and our future financial condition and results.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors. As a consequence, current plans, anticipated actions and future financial conditions and results may differ from those expressed in any forward-looking statements made by or on our behalf. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein.

USE OF PROCEEDS

We will not receive any proceeds from the sale of Shares by the selling stockholders. All proceeds from the sale of the Shares will be for the account of the selling security holder. However, we will receive proceeds from the sale of securities to Crown Bridge pursuant to our exercise of a put right granted to us in the Equity Purchase Agreement. Crown Bridge is deemed an underwriter of our common stock.

Our business plan contemplates that we will draw upon the entire \$3,000,000 worth of Class A Common Stock under the Equity Purchase Agreement. However, there is no guarantee that we will continue to satisfy all of the conditions precedent to each draw under the Equity Purchase Agreement. See “Risk Factors-- *We may not have access to the full amount available under the Equity Purchase Agreement.*”

From April through December 2017, we issued an aggregate of approximately \$1,382,000 principal amount of convertible notes resulting in net proceeds to us of approximately \$990,000. As of January 15, 2018, the aggregate principal amount of these convertible notes, including accrued interest and net of conversions into our Class A common stock, was approximately \$797,000. We incurred the indebtedness under the convertible notes in order to provide working capital for the Company since April 2017, given that we have yet to generate any revenues from operations. We intend to utilize the net proceeds from any puts tendered to Crown Bridge under the Equity Purchase Agreement for the repayment of our indebtedness under then outstanding convertible notes until we have retired all such notes. The table below sets forth the payee, principal balance, maturity dates, interest rates and maximum redemption premium for each of the convertible notes so issued that remained outstanding at January 15, 2018:

Payee	Principal Balance	Maturity Date	Maximum Interest Rate	Redemption Price
GS Capital Partners	\$ 50,000	5/24/18	8%	147%
JSJ Investments	\$ 100,000	3/30/18	12%	150%
Auctus Fund	\$ 115,000	6/1/18	12%	135%
Power Up Lending	\$ 123,500	6/20/18	12%	145%
	\$ 111,773	11/14/18	12%	133%
Vista Capital	\$ 184,800	10/19/19	12%	145%
	\$ 112,000	12/14/19	12%	145%

Table of Contents

If planned draws under the Equity Purchase Agreement are not sufficient to retire the outstanding convertible notes, we will be required to obtain alternative sources of capital to refinance or retire the convertible notes when they mature, unless the holders thereof convert the outstanding balance into our Class A common stock pursuant to the terms of the convertible notes.

After the assumed repayment of our outstanding convertible notes, the amount of net proceeds received from any additional puts tendered to Crown Bridge under the Equity Purchase Agreement will be used for general corporate and working capital purposes and acquisitions or assets, businesses or operations or for other purposes that the Board of Directors, in its good faith deem to be in the best interest of the Company. The net proceeds of the Equity Purchase Agreement, even if fully drawn, are not sufficient to commence construction of the Company’s planned Refinery facilities. The Company will require substantial additional equity and debt financing to accomplish such objective. See “Business—Proposed Organizational Structure.”

DETERMINATION OF OFFERING PRICE

The actual offering price of the selling stockholders of the Shares covered by this prospectus will be determined by prevailing market prices at the time of sale, by private transactions negotiated by the selling stockholders or as otherwise described in the section entitled “Plan of Distribution.” The offering price of our common stock does not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value. Our common stock may not trade at market prices in excess of the offering price as prices for common stock in any public market will be determined in the marketplace and may be influenced by many factors.

DILUTION

Under the Equity Purchase Agreement, the purchase price of the shares to be sold to Crown Bridge will be at a price equal to 80% of the lowest traded price of our Class A common stock in the seven trading days immediately following the clearing date of the put shares for the respective put notice. The table below illustrates an issuance of shares of Class A common stock to Crown Bridge under the Equity Purchase Agreement for a hypothetical draw down amount of \$25,000 at an assumed trading price of \$0.01:

Draw Down Amount	Price to be paid by Crown Bridge	Number of Shares to be Issued
\$25,000	\$ 0.008	3,125,000

By comparison, if the trading price of our Class A common stock was \$0.0075, the number of shares that we would be required to issue in order to have the same draw down amount of \$25,000 would be greater, as shown by the following table:

Draw Down Amount	Price to be paid by Crown Bridge	Number of Shares to be Issued
\$25,000	\$ 0.006	4,166,667

Table of Contents

Accordingly, there would be dilution of an additional 1,041,667 shares issued due to the lower stock price of \$0.0075 per share. In effect, if we are interested in receiving a fixed funding amount, a lower price per share of our common stock means a higher number of shares to be issued to Crown Bridge in order to receive that fixed funding amount, which equates to greater dilution of existing stockholders. The effect of this dilution may, in turn, cause the price of our Class A common stock to decrease further, both because of the downward pressure on the stock price that would be caused by a large number of sales of our shares into the public market by Crown Bridge, and because our existing stockholders may disagree with a decision to sell shares to Crown Bridge at a time when our stock price is low, and may in response decide to sell additional numbers of shares, further decreasing our stock price.

The actual number of shares that will be issued to Crown Bridge under the Equity Purchase Agreement will depend upon the market price of our common stock at the time of our puts to Crown Bridge and shortly thereafter.

MARKET PRICE OF AND DIVIDENDS ON OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Public Market for Common Stock

Commencing on November 2, 2017, our Class A common stock has been listed on the OTCQB under the symbol “MMEX”. The OTC Market is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current “bids” and “asks”, as well as volume information. Prior to November 2, 2017, our Class A common stock was quoted on the OTC Pink tier. The following table indicates the quarterly high and low bid price for our Class A common stock for the fiscal years ending April 30, 2016 and April 30, 2017 and for the current fiscal year through January 19, 2018. Such inter-dealer quotations do not necessarily represent actual transactions and do not reflect retail mark-ups, mark-downs or commissions.

	High	Low
<u>Fiscal year ended April 30, 2016</u>		
Quarter ended July 31, 2015	\$ 0.02	\$ 0.01
Quarter ended October 31, 2015	\$ 0.02	\$ 0.02
Quarter ended January 31, 2016	\$ 0.02	\$ 0.0041
Quarter ended April 30, 2016	\$ 0.0063	\$ 0.0041
<u>Fiscal year ended April 30, 2017</u>		
Quarter ended July 31, 2016	\$ 0.0063	\$ 0.0049
Quarter ended October 31, 2016	\$ 0.0104	\$ 0.0049
Quarter ended January 31, 2017	\$ 0.0049	\$ 0.0001
Quarter ended April 30, 2017	\$ 0.0563	\$ 0.0001

Fiscal year ended April 30, 2018

Quarter ended July 31, 2017	\$	0.0097	\$	0.0066
Quarter ended October 31, 2017	\$	0.0249	\$	0.0076
Quarter ending January 31, 2018 (through February 1, 2018)	\$	0.0182	\$	0.0053

On February 1, 2018, the closing bid price of the Class A common stock as reported on the OTCQB was \$0.0053. We have not repurchased any of our equity securities.

On January 8, 2018, we received a letter from OTC Markets that the bid price of our Class A common stock had closed below \$0.01 for more than 30 consecutive calendar days and no longer meets the Standards for Continued Eligibility for OTCQB. Per Section 4.1 of the OTCQB Standards, we have been granted a cure period of 90 calendar days during which the minimum closing bid price for our Class A common stock must be \$.01 or greater for ten consecutive trading days in order to continue trading on the OTCQB marketplace. If this requirement is not met by April 8, 2018, the listing of our Class A common stock will be removed from the OTCQB marketplace.

We intend to maintain compliance with the OTCQB Standards. To the extent that market conditions do not otherwise result in our Class A common stock exceeding the minimum closing bid price requirements, we would expect to effect a reverse split of our Class A common stock in order to achieve compliance with the OTCQB Standards.

 Holders

As of January 15, 2018, 2017, we had 143 record holders of our Class A common stock and one record holder of our Class B common stock, according to the books of our transfer agent. The number of our stockholders of record excludes an undetermined number of stockholders whose shares are held in “street” or “nominee” name.

 Dividends

We have not declared or paid any cash or other dividends on the common stock and have no intention of doing so in the foreseeable future. See “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Table of Contents**Equity Compensation Plans**

As of April 30, 2017, the following securities were issuable under the Company's equity compensation plans. As set forth in the table below, none of these transactions were approved by shareholders.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities in Column (a) (c)
Equity Compensation Plans Approved by Security Holders	0	0	0
Equity Compensation Plans Not Approved by Security Holders (1)(2)(3)	397,261,211	\$ 0.09	0
Total	397,261,211	\$ 0.09	0

-
- (1) Consists of options to purchase 2,000,000 shares of Class A common stock and warrant to purchase 395,261,211 shares of Class A common stock.
 - (2) During the year ended April 30, 2014, the Company issued options to the three persons then serving as directors (in lieu of cash compensation) to purchase an aggregate of 2,000,000 shares of common stock at an exercise price of \$0.35 per share. The options expire on the tenth anniversary of the date of grant and vested over a two year period from the date of grant. In June 2017, the option holders surrendered their options to the Company and the options were terminated.
 - (3) During May 2017, certain warrant holders exercised warrants to purchase 353,359,992 shares of Class A common stock.

Penny Stock

Our stock is considered to be a penny stock. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided

by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Table of Contents

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in this Prospectus. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.

The following discussion and analysis constitutes forward-looking statements for purposes of the Securities Act and the Exchange Act and as such involves 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 such forward-looking statements. The words “expect”, “estimate”, “anticipate”, “predict”, “believes”, “plan”, “seek”, “objective” and similar expressions are intended to identify forward-looking statements or elsewhere in this report. Important factors that could cause our actual results, performance or achievement to differ materially from our expectations are discussed in detail in Item 1 above. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by such factors. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Notwithstanding the foregoing, we are not entitled to rely on the safe harbor for forward looking statements under 27A of the Securities Act or 21E of the Exchange Act as long as our stock is classified as a penny stock within the meaning of Rule 3a51-1 of the Exchange Act. A penny stock is generally defined to be any equity security that has a market price (as defined in Rule 3a51-1) of less than \$5.00 per share, subject to certain exceptions.

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the notes thereto.

Overview

Business Plan

We are a development stage company engaged in the exploration, extraction, refining and distribution of oil, gas, petroleum products and electric power. We plan to focus on the acquisition, development and financing of oil, gas,

refining and electric power projects in Texas, Peru, and other countries in Latin America using the expertise of our principals to identify, finance and acquire these projects.

The most significant focus of our current business plan is to build crude oil refining facilities in the Permian Basin in West Texas. We intend to implement our current business plan in two phases, First, through our subsidiary, Pecos Refining, we intend to build and commence operation of a 10,000 bpd crude oil Distillation Unit that will produce a non-transportation grade diesel primarily for sale in the local market for drilling mud and frac fluids, along with naphtha and heavy fuel oil to be sold to other refiners. Second, through a separate subsidiary, we intend to build and commence operation of the Large Refinery with up to 100,000 bpd capacity at the same location in West Texas. These projects will be built on 476 acres located 20 miles northeast of Fort Stockton, Texas, near the Sulfur Junction spur of the Texas Pacifico Railroad. If successfully developed, the Refinery would connect to existing railways and pipelines to market diesel, gasoline, liquefied petroleum gas and other refined products within the U.S., with the potential to market these products and crude oil to western Mexico and South America. If completed, the Large Refinery will be one of the first full scale oil refineries built in the United States in more than 40 years.

The Company is focusing on the Distillation Unit first in an effort to build and commence operations, and ultimately generate cash flow, on an expedited basis. The permitting process is significantly shorter for construction of the Distillation Unit and we received the permit from TCEQ on August 30, 2017. The permitting process for the Large Refinery is expected to be 12-18 months. Additionally, the construction of the Distillation Unit will require significantly less capital than the construction of the Large Refinery. As a result, the less capital will be required to build and complete the project and generate revenue and profits.

Initially, Pecos Refining, the owner of the Distillation Unit, and the entity we form to own and operate the Large Refinery will be wholly-owned subsidiaries of the Company. However, the construction of the Distillation Unit and the Large Refinery will require substantial equity and debt financing, far beyond the expected resources of the Company, and we anticipate that these Subsidiaries will obtain equity and debt financing to finance the cost of construction. We anticipate these Subsidiaries will be able to finance approximately 80% of the total costs of the Distillation Unit and the Large Refinery through debt financing, and the remaining 20% of the total costs would be financed through equity investments. To the extent these Subsidiaries raise money through the issuance of equity securities, our ownership will be diluted. We intend to retain managerial control of the Subsidiaries; however, our economic ownership of such entities may be a minority interest. As such, we will be entitled to only a portion of any future distributions made by these Subsidiaries.

Table of Contents

We plan on marketing and distributing refined products in the Western areas of the United States and Mexico, and we may export product to Latin America. The Refinery will be located on the Texas Pacifico Railroad rail route 20 miles Northeast of Fort Stockton, Texas, approximately 1.5 miles from the Sulphur Junction on the Texas Pacifico Railroad. Once needed repairs are finished to the tracks and railway, the Texas Pacifico Railroad will connect to the Ferromex RR in Ojinago, Mexico, giving us access to the western Mexico markets. On August 4, 2017 the Texas Department of Transportation's (TxDOT) announced receipt of a \$7 million federal grant from The U.S. Department of Transportation to strengthen existing rail infrastructure in Permian Basin. As announced on August 4, the funds are expected to help rebuild the Presidio-Ojinaga International Rail Bridge and 72 miles of track on the South Orient Rail Line that run from the Mexico border to near Coleman, Texas owned by the state of Texas but maintained and operated by Texas Pacifico Transportation, Ltd. under a lease with TxDOT.

According to a report the Company received from VFuels Oil & Gas Engineering, the cost of a Distillation Unit with a 10,000 bpd capacity would be approximately \$50 million. According to a report the Company received from KP Engineering, the cost of a 50,000 bpd refinery is estimated to be approximately \$500 million and the cost of a 100,000 bpd refinery is estimated to be approximately \$850 million. These estimates are only preliminary estimates and are subject to substantial change when additional engineering is completed.

Constructing the Refinery will require a significant number of governmental permits and approvals. The principal permit for the construction of the Refinery is the air quality permit issued by TCEQ and it was received by the Company on August 30, 2017. Trinity Consultants, the Company's air quality permit advisor, estimates it will take approximately 18 months once the permit is filed to obtain the air quality permit for the Large Refinery. According to VFuels Oil & Gas Engineering, construction for the Distillation Unit would take approximately 12 to 15 months . . KP Engineering has estimated that the completion of the Large Refinery would take from 15 to 18 months following the receipt of the air quality permit.

We have no direct operations and no significant assets other than certain contractual rights relating to the ownership of certain real property and the development of the Refinery.

Results of Operations

Revenues

We have not yet begun to generate revenues.

General and Administrative Expenses

Our general and administrative expenses decreased \$20,132 to \$211,160 for the year ended April 30, 2017 from \$231,292 for the year ended April 30, 2016. The decrease is due to reduced payroll and operating expenses as we have focused on our new development strategy, offset by increased professional fees.

Our general and administrative expenses increased \$29,930 to \$132,581 for the three months ended October 31, 2017 from \$102,651 for the three months ended October 31, 2016, and increased \$344,470 to \$470,711 for the six months ended October 31, 2017 from \$126,241 for the six months ended October 31, 2016. The increases are due to additional professional fees, travel and other expenses associated with securing debt financing, administrative activities of our proposed refinery project and filing of our S-1 registration statement.

Refinery Start-Up Costs

We expense the direct costs incurred prior to opening the Refinery, including acquisition of refinery rights, planning, design and permitting. Such costs totaled \$372,560 for the year ended April 30, 2017. We did not incur any refinery start-up costs during the year ended April 30, 2016.

Refinery start-up costs totaled \$165,420 for the three months ended October 31, 2017 and \$498,531 for the six months ended October 31, 2017.

Depreciation and Amortization Expense

Our depreciation and amortization expenses are not currently material to our operations and our property and equipment was fully depreciated as of April 30, 2017. Depreciation and amortization expenses were \$386 and \$1,947 for the years ended April 30, 2017 and 2016, respectively.

Depreciation and amortization expenses were \$417 and \$62 for the three months ended October 31, 2017 and 2016, respectively, and \$707 and \$386 for the six months ended October 31, 2017 and 2016, respectively.

Table of Contents

Other Income (Expense)

Our interest expense decreased \$246,213 to \$283,261 for the year ended April 30, 2017 from \$529,474 for the year ended April 30, 2016 due to a reduction in our interest-bearing indebtedness, partially offset by the fees incurred on and debt discount amortization associated with new convertible notes issued in fiscal year 2017.

Our interest expense increased \$351,093 to \$431,793 for the three months ended October 31, 2017 from \$80,700 for the three months ended October 31, 2016, and increased \$609,462 to \$726,401 for the six months ended October 31, 2017 from \$116,939 for the six months ended October 31, 2016. The increase in interest expense is due to interest accrued on new convertible debt during the current fiscal year, including amortization of debt discount.

For the years ended April 30, 2017 and 2016, we reported a loss on derivative liabilities of \$6,105,727 and \$395,619, respectively. The increase in loss on derivative liabilities resulted primarily from the issuance of new warrants.

We reported a loss on derivative liabilities of \$514,129 and \$52,587 for the three months ended October 31, 2017 and 2016, respectively, and reported a gain on derivative liabilities of \$3,952,554 and \$33,108 for the six months ended October 31, 2017 and 2016, respectively. The increase in gain on derivative liabilities in the first six months of the current fiscal year resulted primarily from the exercise of substantially all warrants.

In a series of subscription agreements, we issued warrants that contain certain anti-dilution provisions that we have identified as derivatives. We also identified the variable conversion feature of certain convertible notes payable as derivatives. We estimate the fair value of the derivatives using multinomial lattice models that value the warrants based on a probability weighted cash flow model using projections of the various potential outcomes. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility and management's estimates of various potential equity financing transactions. These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and these fluctuations may be material.

We reported a gain on assignment and assumption agreement of \$1,090,271 for the three months and six months ended October 31, 2017. On September 18, 2017, the Company, the members of LatAm and William B. Short ("Short"), an unrelated individual, entered into an Assignment and Assumption Agreement pursuant to which Short acquired the member interests in LatAm, thereby acquiring all the assets and assuming all the liabilities of MCCH, MCC and CC. Short agreed to assume all liabilities and hold the Company harmless from any and all liabilities (contingent or otherwise). In consideration therefor, we issued Short 10,000,000 shares of Class A common stock, valued at \$110,000, or \$0.011 per share, equal to the market value of the stock on the date of the agreement, which amount was

recorded as a reduction of the gain on Assignment and Assumption Agreement.

For the year ended April 30, 2017, we reported a gain on extinguishment of debt from the settlement of accrued salaries of \$207,803. For the year ended April 30, 2016, we reported a loss on extinguishment of debt of \$1,365,521 resulting primarily from the conversion of preferred stock and accrued dividends and convertible notes payable to shares of our common stock. We record the value of the shares issued at the current market price, which was significantly higher than the conversion price per share, resulting in a loss on conversion.

We reported a gain on extinguishment of debt of \$475,587 for the six months ended October 31, 2017 resulting from the settlement and extinguishment of a convertible note payable, preferred stock and certain accounts payable and accrued expenses. Where shares of our Class A common stock are issued in extinguishment of debt, we record the value of the shares issued at the current market price, which at times is significantly higher than the book value of the debt, resulting in a gain on extinguishment of debt. We had no gain or loss on extinguishment of debt for the three months ended October 31, 2017 and 2016 and the six months ended October 31, 2016.

Table of Contents

Net Income (Loss)

As a result of the above, our net loss increased to \$6,765,291 for the year ended April 30, 2017 from \$2,523,853 for the year ended April 30, 2016.

We reported net losses of \$154,069 and \$236,000 for the three months ended October 31, 2017 and 2016, respectively, and a net loss of \$210,458 for the six months ended October 31, 2016. Primarily as a result of the gain on derivative liabilities, gain on assignment and assumption agreement and gain on extinguishment of debt discussed above, we reported net income of \$3,822,062 for the six months ended October 31, 2017.

Non-Controlling Interest in (Income) Loss of Consolidated Subsidiaries

Non-controlling interest in loss of consolidated subsidiaries remained constant and was \$1,824 for the year ended April 30, 2017 compared to \$1,838 for the year ended April 30, 2016.

Non-controlling interest in income of consolidated subsidiaries was \$651,005 and \$650,659 for the three months and six months ended October 31, 2017, respectively. Non-controlling interest in loss of consolidated subsidiaries was \$453 and \$915 for the three months and six months ended October 31, 2017 and 2016, respectively. The increase in non-controlling interest in income of consolidated subsidiaries in the current fiscal year resulted from elimination of the accounts of MCCH, MCC and CC pursuant to an Assignment and Assumption Agreement entered into on September 18, 2017. Prior to this agreement, we had little activity in these consolidated subsidiaries.

Net Income (Loss) Attributable to the Company

Net loss attributable to the Company increased to \$6,763,467 for the year ended April 30, 2017 from \$2,522,015 for the year ended April 30, 2016.

Net loss attributable to the Company was \$805,074 and \$235,547 for the three months ended October 31, 2017 and 2016, respectively, and \$209,543 for the six months ended October 31, 2016. Net income attributable to the Company was \$3,171,403 for the six months ended October 31, 2017.

Liquidity and Capital Resources

Working Capital

As of October 31, 2017, we had current assets of \$50,297, comprised of cash, and current liabilities of \$3,253,684, resulting in a working capital deficit of \$3,203,387. Included in our current liabilities as of October 31, 2017 are derivative liabilities of \$1,789,047, which we do not anticipate will require the payment of cash.

Our total current liabilities as of October 31, 2017 decreased \$5,750,738 to \$3,253,684 from \$9,004,422 as of April 30, 2017. The decrease resulted primarily from the decrease in derivative liabilities and the decrease in currently liabilities resulting from assumption of liabilities pursuant to an Assignment and Assumption Agreement entered into on September 18, 2017, partially offset by increased borrowings of the Company.

Sources and Uses of Cash

Our sources and uses of cash for the years ended April 30, 2017 and 2016 were as follows:

	2017	2016
Cash, Beginning of Year	\$ 1,030	\$ 141
Net Cash Used in Operating Activities	(281,409)	(74,111)
Net Cash Provided by Investing Activities	-	-
Net Cash Provided by Financing Activities	334,892	75,000
Cash, End of Year	\$ 54,513	\$ 1,030

Table of Contents

We used net cash of \$281,409 in operating activities for the year ended April 30, 2017 as a result of net loss attributable to the Company of \$6,763,467, non-controlling interest in net loss of consolidated subsidiaries of \$1,824 and non-cash gain of \$207,803, partially offset by non-cash expenses totaling \$6,499,532 and increases in accounts payable of \$49,201 and accrued expenses of \$142,952.

By comparison, we used net cash of \$74,111 in operating activities for the year ended April 30, 2016 as a result of net loss attributable to the Company of \$2,522,015, non-controlling interest in loss of consolidated subsidiaries of \$1,838 and a decrease in accounts payable of \$12,985, partially offset by non-cash expenses totaling \$2,171,341 and an increase in accrued expenses of \$291,386.

We had no net cash provided by or used in investing activities for the years ended April 30, 2017 and 2016.

We had net cash provided by financing activities of \$334,892 for the year ended April 30, 2017, comprised of proceeds from common stock payable of \$49,741, proceeds from issuance of common stock of \$76,369 and net proceeds from convertible notes payable of \$208,782.

Net cash provided by financing activities was \$75,000 for the year ended April 30, 2016 from proceeds from common stock payable.

Our sources and uses of cash for the six months ended October 31, 2017 and 2016 were as follows:

	2017	2016
Cash, Beginning of Period	\$ 54,513	\$ 1,030
Net Cash Used in Operating Activities	(673,556)	(33,205)
Net Cash Used In Investing Activities	(101,910)	-
Net Cash Provided by Financing Activities	771,250	32,384
Cash, End of Period	\$ 50,297	\$ 209

We used net cash of \$673,556 in operating activities for the six months ended October 31, 2017 as a result of net income attributable to the Company of \$3,171,403, non-controlling interest in income of consolidated subsidiaries of \$650,659, non-cash expenses totaling \$821,222 and increases in accounts payable of \$135,039 and accrued expenses of \$67,433, offset by non-cash gains totaling \$5,518,412 and increase in deposits of \$900.

By comparison, we used net cash of \$33,205 in operating activities for the six months ended October 31, 2016 as a result of net loss attributable to the Company of \$209,543, non-controlling interest in net loss of consolidated subsidiaries of \$915 and non-cash gain of \$33,108, partially offset by non-cash expenses totaling \$47,640 and increases in accounts payable of \$90,766 and accrued expenses of \$71,955.

Net cash used in investing activities for the six months ended October 31, 2017 was \$101,910, comprised of purchase of property and equipment. We had no net cash provided by or used in investing activities for the six months ended October 31, 2016.

We had net cash provided by financing activities of \$771,250 for the six months ended October 31, 2017, comprised of proceeds from convertible notes payable.

Net cash provided by financing activities was \$32,384 for the six months ended October 31, 2016 from proceeds from common stock payable.

Table of Contents

Capital Resources

We have not generated any revenues or operating cash flows. As a result, we have significant short-term cash needs. Our principal source of operating capital has been provided from private sales of our common stock and warrants and debt financing.

During the six months ended October 31, 2017, we issued an aggregate of \$1,148,470 principal amount of convertible notes resulting in net proceeds to us of \$771,250. Included in the new convertible notes is a replacement note payable with a principal amount of \$172,170, including \$18,446 of capitalized interest expense and the assumption of \$145,000 principal and \$8,724 from an April 17, 2017 promissory note. The notes are due and payable on various dates through October 2019 and bear interest at rates ranging from 8% to 12%. The notes are convertible into shares of our Class A common stock at a discount from the lowest price during certain measurement periods prior to the date of conversion. In order to redeem the notes, we will be required to pay redemption premiums that range from 18% to 50% of the principal amounts of the notes, depending upon the date of redemption. The notes also contain penalty provisions in the event of our default in repayment of the notes (if not converted by the holder into shares of common stock) on the first anniversary after issuance.

Subsequent to October 31, 2017, we issued an aggregate of \$396,773 principle amount of convertible notes resulting in net proceeds to us of \$347,000. The notes are due and payable on various dates through January 2019 and bear interest at rates ranging from 8% to 12%. The notes are convertible into shares of our Class A common stock at a discount from the lowest price during certain measurement periods prior to the date of conversion. In order to redeem the notes, we will be required to pay redemption premiums that range from 18% to 45% of the principal amounts of the notes, depending upon the date of redemption. The notes also contain penalty provisions in the event of our default in repayment of the notes (if not converted by the holder into shares of common stock) on the first anniversary after issuance.

Subsequent to October 31, 2017, the Company issued a total of 118,484,723 shares of its Class A common stock in consideration for the conversion of note payable principal totaling \$585,170 and accrued interest payable of \$17,106.

On June 12, 2017, we entered into an equity purchase agreement with Crown Bridge for the purpose of commencing a redemption of our convertible note obligations and providing additional working capital for us to pursue our business strategy. Pursuant to the terms of this agreement, as amended, Crown Bridge has committed to purchase up to \$3,000,000 of our common stock for a period of up to 24 months commencing upon the effectiveness of a registration statement covering the resale of shares issuable to Crown Bridge under this agreement. This facility allows us to deliver a put notice to Crown Bridge stating the dollar amount of common stock that we intend to sell to Crown Bridge on the date specified in the put notice. The amount of each put notice is limited to a formula that is equal to the lesser of (i) \$100,000 or (ii) 150% of the average dollar value of the trading volume of our stock, the lowest price

during the trading period, for the seven days prior to the purchase of shares by Crown Bridge. Accordingly, there is no assurance that we will be able to effectively utilize the equity financing provided by this facility to fully redeem our outstanding convertible notes.

Even if we fully utilize the equity purchase facility from Crown Bridge, our available cash resources are expected to continue to be insufficient to satisfy our anticipated costs over the next 12 to 18 months. Until we can generate cash from operations in future periods to contribute to our capital requirements, we will continue to rely on external financing activities, including the sale of our equity securities, to satisfy our capital requirements for the foreseeable future. Due, in part, to our lack of historical revenues or earnings, our prior success in attracting additional funding has been limited to transactions in which our equity is used as currency. Equity financings of the type we have been required to pursue are dilutive to our stockholders and may adversely impact the market price for our shares. There can be no assurance that we will be successful in consummating any such future financing transactions on terms satisfactory to us, or at all.

Table of Contents

In addition, we do not expect to have the financial resources necessary to complete the proposed Refinery projects. The Company expects to operate the Distillation Unit through its subsidiary, Pecos Refining, and to operate the Large Refinery through another subsidiary set up for such purpose. The construction of the Distillation Unit and the Large Refinery will require substantial equity and debt financing, far beyond the expected resources of the Company. We anticipate that these Subsidiaries will obtain typical project development financing for the construction and development of the Distillation Unit and the Large Refinery and that such financings will be composed of both debt and equity financings. We anticipate these Subsidiaries will be able to finance approximately 80% of the total costs of the Distillation Unit and the Large Refinery through debt financing, and the remaining 20% of the total costs would be financed through equity investments. The Company has had only preliminary discussions with prospective equity sources regarding the financing of these projects and it is unclear at this time if we will be able to obtain such financing and, if so, how much equity in the Subsidiaries the equity investors will require in order to provide the financing. Any equity financing into which a Subsidiary enters will dilute the Company's ownership of such Subsidiary. In addition, while the Company believes that the Refinery's cost is financeable in large part through debt, it has not yet obtained a letter of intent or commitment for such financing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies

Our results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, investments, intangible assets, income taxes, financing operations, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For further information on our significant accounting policies see the notes to our consolidated financial statements included in this filing. There were no changes to our significant accounting policies during the year ended April 30, 2017 or six months ended October 31, 2017. The following is a description of those significant accounting policies that involve estimates and judgment by management.

Derivative Liabilities

In a series of subscription agreements, we issued warrants that contain certain anti-dilution provisions that we have identified as derivatives. We have also identified the conversion feature of certain convertible notes payable as a derivative. We estimate the fair value of the derivatives using multinomial lattice models that value the derivatives based on a probability weighted cash flow model using projections of the various potential outcomes. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility and management's estimates of various potential equity financing transactions. These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and the fluctuation may be material.

Table of Contents***Fair Value of Financial Instruments***

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures,” and ASC 825, “Financial Instruments,} FASB established a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements and reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company’s financial statements as reflected herein. The carrying amounts of cash, accounts payable, accrued expenses and notes reported on the accompanying consolidated balance sheets are estimated by management to approximate fair value primarily due to the short-term nature of the instruments.

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using a hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy prioritized the inputs into three levels that may be used to measure fair value:

- Level 1- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in markets that are not active.
- Level 3- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Our derivative liabilities are measured at fair value on a recurring basis and estimated as follows at October 31, 2017, April 30, 2017 and 2016:

October 31, 2017	Total	Level 1	Level 2	Level 3
Derivative liability	\$ 1,789,047	\$ -	\$ -	\$ 1,789,047
April 30, 2017	Total	Level 1	Level 2	Level 3