

Highline Technical Innovations, Inc.

2012 Balance Sheet

As of December 31, 2012

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
10005 HTI - Bank of Fayetteville	3,882.79
10025 HOSS - BANK OF FAYE	8.01
Total Bank Accounts	\$ 3,890.80
Accounts Receivable	
11000 Accounts Receivable	5,150.77
Total Accounts Receivable	\$ 5,150.77
Other current assets	
11510 Advances	52,417.89
11600 Prepaid Expenses	
11601 Prepaid Liability Insurance	5,729.17
11602 Product Development Costs	19,000.00
11605 Prepaid Workers Comp	1,216.68
11606 Prepaid Commercial Auto Ins.	257.28
Total 11600 Prepaid Expenses	\$ 26,203.13
12000 Inventories	
12100 Inventory - HTI	153,708.25
12101 Inventory-HTI-Dan	4,050.00
Total 12100 Inventory - HTI	\$ 157,758.25
Total 12000 Inventories	\$ 157,758.25
13000 Other	
13025 Advances Against Future Royalties	28,000.00
13026 Adv. Against Future Royalties	16,000.00
Total 13000 Other	\$ 44,000.00
Total Other current assets	\$ 280,379.27
Total Current Assets	\$ 289,420.84
Fixed Assets	
15000 Fixed Asset	
15020 Furniture and Equipment	17,583.07
15035 Leasehold Improvements	9,172.46
15040 Plant Equipment	18,300.00
15050 Vehicle	17,600.00
Total 15000 Fixed Asset	\$ 62,655.53
Total Fixed Assets	\$ 62,655.53
Other Assets	
18000 Other Asset	0.00
18060 Due from Hoss Distributing	8,400.00
18070 Due from Purchase of SSEV	286,390.00
18090 Due from Subsidiary-HHH	123,546.34
Total 18000 Other Asset	\$ 418,336.34
Total Other Assets	\$ 418,336.34
TOTAL ASSETS	\$ 770,412.71
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable	670,291.20
Total Accounts Payable	\$ 670,291.20
Other Current Liabilities	
23000 Other Current Liability	
24000 Payroll Liabilities	
24010 AR Income Tax	5,974.13
24020 AR Unemployment Tax	-334.55
24040 Federal Taxes (941/944)	145,909.21
24050 Federal Unemployment (940)	1,358.15
Total 24000 Payroll Liabilities	\$ 152,906.94
24200 Accrued Insurance Expense	1,582.59
24600 Advances Toward Business Development	876,858.36

24601 Short-Term Loans	504,950.26
24602 DUE TO PWC/NIR	1,100,000.00
Total 23000 Other Current Liability	\$ 2,636,298.15
Total Other Current Liabilities	\$ 2,636,298.15
Total Current Liabilities	\$ 3,306,589.35
Long-Term Liabilities	
25000 Long-Term Liability	
25045 Loan Payable - CF	17,020.00
25500 Other Long Term Liabilities	4,500.00
Total 25000 Long-Term Liability	\$ 21,520.00
Total Long-Term Liabilities	\$ 21,520.00
Total Liabilities	\$ 3,328,109.35
Equity	
31000 Equity	
31030 Common Stock	257,841.48
31040 Preferred Stock	83,945.58
31050 Additional Paid-in Capital	91,052.69
Total 31000 Equity	\$ 432,839.75
32000 Retained Earnings	-1,355,061.48
Net Income	-1,635,474.91
Total Equity	-\$ 2,557,696.64
TOTAL LIABILITIES AND EQUITY	\$ 770,412.71

Highline Technical Innovations, Inc.

2012 Profit & Loss January - December 2012

	<u>Total</u>
Income	
47900 SALES - HTI	235,362.67
Total Income	\$ 235,362.67
Cost of Goods Sold	
51000 Direct Materials	50,798.97
51010 Shipping	8,890.33
52010 Direct Labor	96,190.44
52011 Payroll Taxes-COGS	9,898.15
52020 Contract Labor-COGS	500.00
53000 Other Direct Expenses	31.00
53100 Warranty Expense	13,748.01
53110 Miscellaneous Supplies	15,051.28
53120 Maintenance	2,980.27
53130 Utilities	6,004.42
53140 Rent	15,036.31
53160 Insurance Expense	20,192.91
Total 53000 Other Direct Expenses	\$ 73,044.20
Total Cost of Goods Sold	\$ 239,322.09
Gross Profit	-\$ 3,959.42
Expenses	
Administrative Expenses	
60400 Bank Service Charges	179.00
61700 Computer and Internet Expenses	5,431.54
61705 Contract Labor	29,014.58
61720 Credit Card Charges	3,182.22
63275 HLNT Stock Expenses	4,848.94
63300 Insurance Expense	3,482.63

Highline Technical Innovations, Inc.

2012 4th Qtr Profit & Loss October - December, 2012

	<u>Total</u>
Income	
47900 SALES - HTI	434.70
Total Income	\$ 434.70
Cost of Goods Sold	
51010 Shipping	535.99
52010 Direct Labor	18,810.04
52011 Payroll Taxes-COGS	1,559.09
53000 Other Direct Expenses	30.00
53110 Miscellaneous Supplies	130.06
53130 Utilities	1,588.81
53140 Rent	3,810.09
53160 Insurance Expense	5,711.43
Total 53000 Other Direct Expenses	\$ 11,270.39
Total Cost of Goods Sold	\$ 32,175.51
Gross Profit	-\$ 31,740.81
Expenses	
Administrative Expenses	
60400 Bank Service Charges	74.50
61700 Computer and Internet Expenses	764.49
61705 Contract Labor	3,000.00
61720 Credit Card Charges	173.40
63275 HLNT Stock Expenses	2,576.41
63300 Insurance Expense	168.90

64310 Maintenance	1,032.62	64310 Maintenance	65.00
64500 Miscellaneous	6,415.50	64500 Miscellaneous	118.12
64900 Office Supplies	2,916.53	64900 Office Supplies	137.59
66200 Wages	280,150.00	66200 Wages	43,461.55
66300 Payroll Taxes	34,767.02	66300 Payroll Taxes	4,242.81
66700 Professional Fees	650,058.51	66700 Professional Fees	251,039.10
66750 Postage	262.29	66750 Postage	37.00
66900 Reconciliation Discrepancies	-1,666.86		
67100 Rent Expense	21,600.00	67100 Rent Expense	5,400.00
67250 Research & Development-Wildcat	678.35		
67251 Research & Development-Hoss	28,081.00	67251 Research & Development-Hoss	8,081.00
67252 Research & Development-OTR	59,611.78	67252 Research & Development-OTR	-822.44
67300 Shipping, Freight & Delivery	1,437.48	67300 Shipping, Freight & Delivery	188.47
67500 Taxes-General	50.00	67500 Taxes-General	-1,089.00
68100 Telephone Expense	9,214.60	68100 Telephone Expense	1,770.89
68200 Transportation	32.75		
68300 Automobile Expense	40.00		
68400 Travel Expense	14,637.79	68400 Travel Expense	835.99
68401 Entertainment Meals	4,578.72	68401 Entertainment Meals	516.70
68600 Utilities	1,822.86	68600 Utilities	480.52
Total Administrative Expenses	<u>\$ 1,161,859.85</u>	Total Administrative Expenses	<u>\$ 321,221.00</u>
Professional Fees	10,216.96	Professional Fees	10,216.96
Selling Expense		Selling Expense	
60000 Advertising and Promotion	5,711.13	60000 Advertising and Promotion	-1,500.00
60100 Sales-Salaries	73,875.39	60100 Sales-Salaries	12,000.00
60110 Contract Labor	23,000.00		
60250 Sales-Travel	12,409.11	60250 Sales-Travel	27.75
60260 Meals and Entertainment	1,052.36		
60500 Commission	22,888.52		
Total Selling Expense	<u>\$ 138,936.51</u>	Total Selling Expense	<u>\$ 10,527.75</u>
Total Expenses	<u>\$ 1,311,013.32</u>	Total Expenses	<u>\$ 341,965.71</u>
Net Operating Income	<u>-\$ 1,314,972.74</u>	Net Operating Income	<u>-\$ 373,706.52</u>
Other Income		Other Income	
71000 Interest Earned	0.03	71000 Interest Earned	0.02
Total Other Income	<u>\$ 0.03</u>	Total Other Income	<u>\$ 0.02</u>
Other Expenses		Other Expenses	
80300 Inventory Obsolescence	63,008.00	80300 Inventory Obsolescence	63,008.00
81000 Interest Expense	5,744.20	81000 Interest Expense	237.68
Total Other Expenses	<u>\$ 68,752.20</u>	Total Other Expenses	<u>\$ 63,245.68</u>
Net Other Income	<u>-\$ 68,752.17</u>	Net Other Income	<u>-\$ 63,245.66</u>
Net Income	<u>-\$ 1,383,724.91</u>	Net Income	<u>-\$ 436,952.18</u>

Highline Technical Innovations, Inc.
2012 Statement of Cash Flows
January - December 2012

	<u>Total</u>
OPERATING ACTIVITIES	
Net Income	-\$ 1,383,724.91
Adjustments to reconcile Net Income to Net Cash provided by operations:	
11000 Accounts Receivable	43,853.07
11510 Advances	-36,103.61
11601 Prepaid Expenses:Prepaid Liability Insurance	-710.17
11602 Prepaid Expenses:Product Development Costs	-19,000.00

Highline Technical Innovations, Inc.
2012 4th Qtr Statement of Cash Flows
October - December, 2012

	<u>Total</u>
OPERATING ACTIVITIES	
Net Income	-436,952.18
Adjustments to reconcile Net Income to Net Cash provided by operations:	
11000 Accounts Receivable	63,387.98
11510 Advances	-2,620.00
11601 Prepaid Expenses:Prepaid Liability Insurance	4,158.54

		11604 Prepaid Expenses:Prepaid Interest	176.76		
		11605 Prepaid Expenses:Prepaid Workers Comp	912.51		
11605 Prepaid Expenses:Prepaid Workers Comp	-1,216.68	11606 Prepaid Expenses:Prepaid Commercial Auto Ins.	154.38		
11606 Prepaid Expenses:Prepaid Commercial Auto Ins.	-257.28	12100 Inventories:Inventory - HTI	-8,800.00		
12100 Inventories:Inventory - HTI	-128,703.92				
12101 Inventories:Inventory - HTI:Inventory-HTI-Dan	-4,050.00				
13025 Other:Advances Against Future Royalties	-28,000.00	13025 Other:Advances Against Future Royalties	-6,000.00		
13026 Other:Adv. Against Future Royalties	-16,000.00	13026 Other:Adv. Against Future Royalties	-4,000.00		
20000 Accounts Payable	-41,457.88	20000 Accounts Payable	241,044.39		
24010 Other Current Liability:Payroll Liabilities:AR Income Tax	-5,199.78	24010 Other Current Liability:Payroll Liabilities:AR Income Tax	-2,502.70		
24020 Other Current Liability:Payroll Liabilities:AR Unemployment Tax	-334.55	24020 Other Current Liability:Payroll Liabilities:AR Unemployment Tax	120.12		
24040 Other Current Liability:Payroll Liabilities:Federal Taxes (941/944)	90,616.98	24040 Other Current Liability:Payroll Liabilities:Federal Taxes (941/944)	13,747.43		
24050 Other Current Liability:Payroll Liabilities:Federal Unemployment (940)	551.04				
24200 Other Current Liability:Accrued Insurance Expense	1,582.59	24200 Other Current Liability:Accrued Insurance Expense	-6,415.09		
24500 Other Current Liability:Book Overdraft	-17,343.17	24210 Other Current Liability:Accrued Property Tax	-1,089.00		
24600 Other Current Liability:Advances Toward Business Development	876,858.36	24600 Other Current Liability:Advances Toward Business Development	41,000.00		
24601 Other Current Liability:Short-Term Loans	504,950.26	24601 Other Current Liability:Short-Term Loans	105,450.26		
24602 Other Current Liability:DUE TO PWC/NIR	1,100,000.00				
Net cash provided by operating activities	\$ 936,310.35	Net cash provided by operating activities	\$ 1,773.40		
INVESTING ACTIVITIES					
15020 Fixed Asset:Furniture and Equipment	-17,583.07				
15035 Fixed Asset:Leasehold Improvements	-1,311.46				
18080 Other Asset:Due from Sale of Asset	5,710,428.88 ¹				
Net cash provided by investing activities	\$ 5,691,534.35				
FINANCING ACTIVITIES					
25010 Long-Term Liability:A Convertible Note	-1,685,756.58 ¹				
25015 Long-Term Liability:B Convertible Notes	-1,807,290.05 ¹				
25020 Long-Term Liability:C Convertible Note	-595,503.86 ¹				
25025 Long-Term Liability:D Convertible Notes	-1,150,365.34 ¹				
25030 Long-Term Liability:E Convertible Note	-471,513.05 ¹				
25045 Long-Term Liability:Loan Payable - CF	-5,000.00				
31030 Equity:Common Stock	33,600.00				
31050 Equity:Additional Paid-in Capital	-943,600.00				
Net cash provided by financing activities	-\$ 6,625,428.88				
Net cash increase for period	\$ 2,415.82	Net cash increase for period	\$ 1,773.40		
Cash at beginning of period	1,474.98	Cash at beginning of period	2,117.40		
Cash at end of period	\$ 3,890.80	Cash at end of period	\$ 3,890.80		

1. "With regards to a settlement negotiated in August of 2012 with PWC, the trustee of the NIR group of Funds that were involved with litigation with HTI, HTI assumed a note payable of \$1,100,000. With the settlement, HTI was able to write off the Long Term Liability Convertible Notes, A through E. This also involved the write off of the Asset line item that was associated with these notes."

2. "HTI received a purchase order from USA Metal Recycling in December of 2012. This contract was contingent on USA Metal Recycling obtaining lease financing, which they completed in January of 2013, so HTI has booked the sales revenues in January."

Highline Technical Share Structure

(i) Period end date; 12/31/2012

(ii) Number of shares authorized;

Common - 2,700,000,000

Preferred - 100,000,000

(iii) Number of shares outstanding;

Common - 2,625,269,832

Preferred - 50,993,078

(iv) Freely tradable shares (public float);

Common - 2,395,994,313

(v) Total number of beneficial shareholders;

Common - 3359

(vi) Total number of shareholders of record.

Common - 378