

Eagle Mountain Corp
Form 10-Q
December 22, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

OR

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

Commission file number: 000-50140

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

(281) 886-7873
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

Edgar Filing: Eagle Mountain Corp - Form 10-Q

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

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

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

Yes No

The Registrant had 369,190,926 shares of common stock outstanding as of December 22, 2016.

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited) 3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 4
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 8
Item 4.	Controls and Procedures 8
PART II OTHER INFORMATION	
Item 1.	Legal Proceedings 9
Item 1A.	Risk Factors 9
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 9
Item 3.	Defaults Upon Senior Securities 10
Item 4.	Mine Safety Disclosures 10
Item 5.	Other Information 10
Item 6.	Exhibits 11
SIGNATURES	12

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES

	Pages
Condensed Consolidated Balance Sheets (Unaudited)	F-1
Condensed Consolidated Statements of Operations (Unaudited)	F-2
Condensed Consolidated Statements of Cash Flows (Unaudited)	F-3
Notes to the Condensed Consolidated Financial Statements (Unaudited)	F-5 to F-15

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	As of March 31, 2016 (Unaudited)	As of December 31, 2015 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 90,200	\$ 16,825
Interest receivable (Note 7)	12,730	10,255
Other receivable and deposits	13,998	13,998
Total current assets	116,928	41,078
Notes receivable (Note 7)	258,450	258,450
Deposit on property (Note 5)	260,000	260,000
Computers and electronics, net	24,094	28,109
Intangible assets (Note 5)	1,523,625	2,031,500
Assets from discontinued operations (Note 4)	-	-
Total other assets	2,066,169	2,578,059
TOTAL ASSETS	\$ 2,183,097	\$ 2,619,137
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,552,757	\$ 1,277,786
Accounts payable and accrued liabilities – related parties	275,109	169,201
Other payables	452,417	416,309
Deferred revenue	350,000	350,000
Convertible notes, net	50,000	675,000
Loan payable	34,160	34,160
Deposit for stock option	-	80,000
Liability for unissued shares	-	50,000
Total current liabilities	2,714,443	3,052,456
Commitment and Contingency (Note 10)		
Total liabilities	2,714,443	3,052,456
Stockholders' Equity (Deficit)		
Series B Convertible Preferred Stock		
Par value: \$0.001, 8,000,000 shares authorized, Nil shares issued and outstanding as of March 31, 2016 and December 31, 2015	\$ -	\$ -
Series C Convertible Preferred Stock		
Par value: \$0.001, 2,100,000 shares authorized, nil shares issued and outstanding as of March 31, 2016 and December 31, 2015	-	-
Series D Convertible Preferred Stock		
	-	-

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Par value: \$0.001, 640,000 shares authorized, nil shares issued and outstanding as of March 31, 2016 and December 31, 2015

Series E Convertible Preferred Stock

Par value: \$0.001, 8,000,000 shares authorized, 8,000,000 shares issued and outstanding as of March 31, 2016 and December 31, 2015

8,000

8,000

Common stock:

Par value: \$0.001, 500,000,000 shares authorized, 363,720,926 and 335,365,926 shares issued and outstanding as of March 31, 2016 and

December 31, 2015

363,721

335,366

Subscription receivable

(190,000)

-

Additional paid in capital

731,497,197

719,779,584

Exchange reserve

(7,631)

(3,776)

Non-controlling interest in earnings of subsidiary

(19,094)

28,674

Accumulated deficit

(732,183,539)

(720,581,167)

Total stockholders' equity

(531,346)

(433,319)

Total liabilities and stockholders' equity

\$ 2,183,097

\$

2,619,137

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

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ -	\$ -
Operating Expenses		
Depreciation	4,015	-
Exploration expenses	176,928	-
Professional fees	45,320	-
General and administrative expenses	193,006	-
Consulting fees	10,721,600	-
Impairment on intangible assets	507,875	-
Total operating expenses	11,648,744	-
Income (loss) from continuing operations	(11,648,744)	-
Other Income (expenses)		
Interest expenses	(3,870)	-
Interest income	2,474	-
Other Income (expenses)	(1,396)	-
Net Income (loss) from continuing operations	(11,650,140)	-
Net Income (loss) from discontinued operations	-	(150,643)
Net Income (loss)	\$ (11,650,140)	\$ (150,643)
Attributable to:		
Non-controlling interest	\$ (47,768)	\$ -
Shareholders of the Company	\$ (11,602,372)	\$ (150,643)
Net (Loss) Per Common Share – basic and diluted	\$ (0.032)	\$ (0.068)
Weighted average number of shares – basic and diluted	353,127,300	2,205,026*

* The amount of common stock outstanding as at March 31, 2015 is retroactively restated to apply a reverse stock split of 18 to 1 effective during the period ended June 30, 2015.

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

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES
(F/K/A USmart Mobile Device Inc.)

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss) before non-controlling interest	\$ (11,650,140)	\$ (150,643)
Add: loss from discontinued operations	-	150,643
Adjustments to reconcile net income (loss) to cash used in operation		
Depreciation	4,015	-
Stock issued for consulting fees	10,721,600	-
Impairment on intangible assets	507,875	-
Changes in current assets and liabilities:		
Interest receivable	(2,474)	-
Accounts payable and accrued expenses	250,482	-
Advances from related parties	36,108	-
Advances from third parties	155,908	-
Net cash provided (used) from continuing activities	23,374	-
Net cash provided (used) from discontinued activities	-	-
Net cash provided (used) from operating activities	23,374	-
Cash flows from investing activities:		
Net cash provided (used) from continuing activities	-	-
Net cash provided (used) from discontinued activities	-	-
Net cash provided (used) from investing activities	-	-
Cash flows from financing activities:		
Proceeds from subscription	50,000	-
Net cash provided (used) from continuing activities	-	-
Net cash provided (used) from discontinued activities	-	-
Net cash provided (used) from financing activities	50,000	-
Net cash flows	73,375	-
Cash and equivalents, beginning of period	16,825	-
Cash and equivalents, end of period	\$ 90,200	\$ -
Supplemental cash flow disclosures:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Supplemental non-cash financing activities:		
Stock option exercised from Deposit for stock option	\$ 80,000	-
Liability for unissued shares settled with assignment and assumption agreement	60,000	-
Advances converted to shares	50,000	-

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

F-3

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

Note 1 Organization, Principal Activities and Basis of Presentation

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

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

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

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

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

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

otherwise be entitled to receive a fractional share had their fractional shares rounded up to the nearest whole number.

F-4

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

Note 1 Organization, Principal Activities and Basis of Presentation (continued)

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

Financial Statements Presented

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 210 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 2016, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on September 12, 2016.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial reporting and in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements contained in this report reflect all adjustments that are normal and recurring in nature and considered necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The year-end balance sheet data was derived from audited financial statements, and may not include all disclosures required by GAAP. The results of operations for the interim period are not necessarily indicative of the results expected for the full year. These unaudited, consolidated financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Principal of Consolidation

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

Estimates

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

F-5

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

Note 2 Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Accounting for subsidiaries

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

Business combinations

All business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. At December 31, 2015, we had no recorded goodwill. The interest of minority shareholders in the acquisition is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Oil and gas properties

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

- a. Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are charged to expense when incurred since they do not result in the acquisition of assets.
- b. Costs incurred to drill exploratory wells and exploratory-type stratigraphic test wells that do not find proved reserves are charged to expense when it is determined that the wells have not found proved reserves.
- c. Costs incurred to acquire properties and drill development-type stratigraphic test wells, successful exploratory wells, and successful exploratory-type stratigraphic

wells are capitalized.

- d. Capitalized costs of wells and related equipment are amortized, depleted, or depreciated using the unit-of-production method.
- e. Costs of unproved properties are assessed periodically to determine if an impairment loss should be recognized.

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

Note 2 Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. During the three months ended March 31, 2016 and during the year ended December 31 2015, there was no impairment of long-lived assets.

Intangible assets

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

Impairment tests were performed as, and update the test between annual tests if events or circumstances occur that indicate an impairment might be existed.

Identifiable intangible assets having indefinite useful economic lives supported by clearly identifiable cash flows are not subject to regular periodic amortization. Instead, in accordance with ASC subtopic 350-30, general intangibles other than goodwill the carrying amount of the intangible is tested for impairment annually, and again between annual tests if events or circumstances warrant such a test. An impairment loss is recognized if the carrying amount exceeds the fair value. Furthermore, amortization of the asset commences when evidence suggests that its useful economic life is no longer deemed indefinite.

The ASC gives entities the option to first assess qualitatively whether it is more likely than not (more than 50 percent) that the asset is impaired. The qualitative assessment test can be performed on some or all of the assets, or the entity can bypass the qualitative test and perform the quantitative test. If it is not more likely than not that the asset is impaired, the entity does not have to calculate the fair value of the intangible asset and perform the quantitative impairment test. If it is more likely than not that the asset is impaired, the entity must perform the quantitative impairment test and calculate the fair value of an indefinite-lived intangible asset.

If performing the qualitative assessment, the entity needs to identify and consider those events and circumstances that, individually or in the aggregate, most significantly affect an indefinite-lived intangible asset's fair value.

During the three months ended March 31, 2016, we recognized \$507,875 impairment of the intangible asset due to no revenue being recognized to support cash flows.

Fair Value of Financial Instruments

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

EAGLE MOUNTAIN CORPORATION AND SUBSIDIARIES

Notes to the Unaudited Condensed Consolidated Financial Statements

Note 2 Summary of Significant Accounting Policies (continued)

Stock-based Compensation

The Company's stock option expenses are recorded in accordance with ASC 718, Compensation — Stock Compensation, and ASC 505, Equity.

The fair value of the stock option is estimated using the Black-Scholes model. The Company's expected volatility assumption is based on the historical volatility of Company's stock or the expected volatility of similar entities. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock-based compensation expense is recognized based on awards expected to vest, and there were no estimated forfeitures as the Company has a short history of issuing options. ASC 718-10 requires forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

Income Taxes

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

Loss per Common Share

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

The Company had the following potential common stock equivalents at March 31, 2016:

Series E Convertible	40,000,000
Preferred Stock	
Convertible notes	500,000

Since the Company reported a net loss at March 31, 2016, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

Revenue Recognition

The Company's revenue recognition policies are in compliance with FASB ASC 605 Revenue Recognition (formerly SEC Staff Accounting Bulletin (SAB) 104). Revenue is recognized when services are rendered to customers when a

formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue.

Reclassification

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

F-8

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

Note 2 Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

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

Note 3 Going Concern

The Company has incurred net losses since a change of business in early 2015, and had a working capital deficit of \$2,597,515 at March 31, 2016 and \$3,060,658 at December 31, 2015. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans.

Note 4 Discontinued Operations

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

Upon the closing, the Company changed its business from the sales and distribution of smartphones, electronic products and components to operations in the natural resources, EPC (Engineering, Procurement, and Construction) and oil & gas sector. The major classes of assets and liabilities from discontinued operations as of March 31, 2016 and December 31, 2015 are Nil included in the consolidated balance sheets, are as gathered from the records transferred to the Company, unaudited, and subject to further verification, are reported below as follows:

	Three Months Ended March 31,	
	2016	2015
Net sales	\$ -	\$ 560,000
Costs of sales	-	480,000
Gross profit (loss)	-	80,000
Operating Expenses		
Selling and distribution costs	-	49,280
General and administrative expenses	-	181,363

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Total operating expenses	-	230,643
Income (loss) from operations	-	(150,643)
Income (loss) from discontinued operations	-	(150,643)

F-9

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

Note 5 Other Assets

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

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

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

(b) Intangible Assets

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

During the three months ended March 31, 2016, we recognized \$507,875 impairment of the intangible asset.

Note 6 Deferred Revenue

In September 2015, the Company received \$350,000 from a client in respect to an invoice issued with respect to certain consulting services to be rendered including the acquisition of engineering, geological and geophysical data and the completion of pre-feasibility work on a potential mining project in Panama. As at March 31, 2016 the Company had not yet completed the scope of work and has recorded the amount received as deferred revenue. Scope of work is expected to be completed when the client obtains a release from the Panamanian government for certain required data to complete the work in progress.

Note 7 Notes Receivable

Edgar Filing: Eagle Mountain Corp - Form 10-Q

During the year ended December 31, 2015, the Company provided \$175,000 in operating capital to a third party in the form of a two-year note, bearing interest at 2% plus the USD Libor rate. The loan is unsecured.

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

F-10

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

Note 8 Convertible Notes

1. 6% convertible Notes with various investors:

During the year ended December 31, 2015, the Company entered into various 6% convertible notes with investors, having a maturity date as of September 1, 2015 and with conversion prices varying from \$0.05 to \$0.10 per share. We received a total of \$1,140,000 in respect of these convertible notes.

As at the date of issue, these convertible notes were considered to have a beneficial conversion feature ("BCF") because the conversion price was less than the quoted market price at the time of issuance. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of issue to be \$1,150,000, or the face value of the notes. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount for the period ended December 31, 2015 was \$1,140,000.

The notes became due and payable on September 1, 2015 and are now considered demand notes which continue to accrue interest at a rate of 6% per annum. As at March 31, 2016 all the notes issued have been converted to shares of common stock, save 2 original notes with face value of \$50,000.

2. 6% convertible note of \$250,000 with an investor

On August 18, 2015, the Company entered into a 6% convertible note of \$250,000, with an investor, having a maturity date as of September 1, 2015 with conversion prices at \$0.10 per share. We received a total of \$60,000 in respect of the convertible note.

During the period ended March 31, 2016, 2,500,000 shares were issued under this convertible note and we recorded \$190,000 in unreceived funds under equity as subscription receivable.

Interest expenses:

	For the three months ended March 31,	
	2016	2015
Interest at contractual rate	3,665	-
Totals	\$ 3,665	\$ -

Note 9 Agreement for Services and Stock Options

On January 4, 2016, the Company entered into a one-year term Service Agreement with an independent consultant. Under the service agreement, the consultant will provide qualified projects in accordance with the Company's requirements and refer those projects to the Company for further consideration, clearance and/or prequalification. In consideration for the services provided, the Company will pay eight million (8,000,000) common share stock options exercisable in full or in increments at \$0.01 per option until January 2nd 2020. At the Consultant's decision, they may be registered in full or in part on the next Registration Statement on Form S-1 or S-8 that it files with the Securities and Exchange Commission.

Edgar Filing: Eagle Mountain Corp - Form 10-Q

As a result, the Company granted a total of 8,000,00 stock options which were fully vested on issue date.

The following table summarizes information concerning stock options outstanding as of March 31, 2016:

	Shares	Weighted Average Grant Date Fair Value
December 31, 2015	-	-
Granted	8,000,000	\$ 0.01
Vested	8,000,000	
Forfeited	-	
Unvested, at March 31, 2016	-	\$ 0.01

F-11

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

Note 9 Agreement for Services and Stock Options (continued)

On January 4, 2016 the Company issued 8,000,000 shares of common stock in respect to the aforementioned option for cash proceeds of \$80,000. There were no options outstanding as at March 31, 2016.

The Company recognized a consultant fee of \$10,721,600 with respect to the issuance during the three months ended March 31, 2016. On November 17, 2016, the independent consultant who exercised a stock option issued January 4, 2016 under the terms of a services agreement for a total of 8,000,000 shares at 0.01 per share entered into an agreement with the Company to cancel the shares and return them to treasury.

Valuation Assumptions

The Company accounts for share-based payments pursuant to ASC 718, “Stock Compensation” and, accordingly, the Company records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options and restricted stock awards using the Black-Scholes option pricing model. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the Company’s stock price and expected dividends.

Stock compensation expense for stock options is recognized over the vesting period of the award or expensed immediately under ASC 718 and EITF 96-18 when options are given for service without further recourse. The Company issued stock options to contractors to provide services to the Company during the fiscal year. However, the stock options have already been granted to the service providers and there is no claw back provision in the options if services are not performed. Under ASC 718 and EITF 96-18 these options were recognized as expense in the period issued because they were given as a form of compensation for services to be rendered with no recourse.

The following table presents the range of the weighted average fair value of options granted and the related assumptions used in the Black-Scholes model for stock option grants made during the three months ended March 31, 2016:

	Options Granted January 4, 2016
Fair value of options granted (a)	\$ 1.35
Assumptions used:	
Expected life (years) (b)	1.00
Risk free interest rate (c)	0.57%
Volatility (d)	318.90%
Dividend yield (e)	0.00%

- a) Fair Value: The fair value of the Company's common stock was obtained from the closing price on the OTC Bulletin Board as of the dates of grant.
- b) Expected life: The expected term of options granted is determined using the “shortcut” method allowed by SAB No.107. Under this approach, the expected term is presumed to be the mid-point between the vesting date and the end of the

contractual term.

- c) Risk-free interest rate: The rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected life of the options.
- d) Volatility: The expected volatility of the Company's common stock is calculated by using the historical daily volatility of the Company's stock price calculated over a period of time representative of the expected life of the options.
- e) Dividend yield: The dividend yield rate is not considered in the model, as the Company has not established a dividend policy for the stock.

F-12

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

Note 9 Agreement for Services and Stock Options (continued)

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) Level 1 inputs include:

Fair value of common stock on date of grant- Obtained from the closing price of the Company's common stock quoted on the OTC Bulletin Board as of the date of grant.

(2) Level 2 inputs include:

Expected volatility- Based on historical volatility of the closing price of the Company's common stock quoted on the OTC Bulletin Board.

Risk-free rate- The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the options.

(3) Level 3 inputs include:

Expected lives- The expected lives of options granted were derived from the output of the option valuation model and represented the period of time that options granted are expected to be outstanding.

Note 10 Related Party Transactions

Transactions with Ronald Cormick, CEO, Officer and Director of the Company

During the three months ended March 31, 2016, the Company accrued \$30,000 to Mr. Ronald Cormick as consulting fees allocated to exploration expenses. As of March 31, 2016, \$17,920 remained on the balance sheet as accounts payable and accrued liabilities.

During the three months ended March 31, 2016, Mr. Ronald Cormick advanced \$13,683 to the Company's subsidiary TSO. As of March 31, 2016, \$423,517 remained on the balance sheets as advances payable. (December 31, 2015, \$409,834).

Transactions with Ehud Amir, COO, Officer and Director of the Company

During the three months ended March 31, 2016, the Company accrued \$30,000 to Mr. Ehud Amir as consulting fees allocated to exploration expenses. As of March 31, 2016, \$30,000 remained on the balance sheet as accounts payable and accrued liabilities.

During the three months ended March 31, 2016, Mr. Ehud Amir advanced \$22,425 to the Company's subsidiary TSO. As of March 31, 2016, \$28,900 remained on the balance sheets as advances payable (December 31, 2015, \$6,475).

Transactions with Larry Eastland, Director of the Company

Edgar Filing: Eagle Mountain Corp - Form 10-Q

During the three months ended March 31, 2016, the Company accrued \$25,000 in consulting fees from Mr. Larry Eastland. As of March 31, 2016, \$221,667 remained on the balance sheets as accounts payable and accrued liabilities (December 31, 2015 - \$196,667).

F-13

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

Note 11 Common Stock

On January 4, 2016 the Company issued 8,000,000 shares of common stock to a third party in respect of a share purchase agreement where under the purchaser had the option to acquire shares at a price of \$0.01 per share. The Company received cash proceeds of \$80,000 prior to the fiscal year end in respect of this share purchase agreement. No underwriters were utilized in connection with this sale of securities. (ref Note 9 - Agreement for Services and Stock Options)

On January 6, 2016 the Company issued a total of 50,000 shares to two individuals as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue. The new shares were issued prior to receipt of the canceled shares, which return and cancelation occurred January 23, 2016.

On January 21, 2016, the Company issued a total of 13,000,000 shares at \$0.05 in respect to certain convertible notes entered into during fiscal 2015 which came due and payable September 1, 2015 to two individual investors.

On January 23, 2016 the Company issued 700,000 shares to an individual as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue. The new shares were issued concurrent to receipt of the canceled shares, which return and cancelation occurred January 23, 2016.

On January 23, 2016 the Company issued 2,000,000 shares to an individual as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue. The new shares were issued concurrent to receipt of the canceled shares, which return and cancelation occurred January 23, 2016.

On January 23, 2016 a shareholder of the Company returned a total of 8,895,000 common shares for reissue. Upon receipt the shares were canceled and returned to treasury pending instruction for reissue from the shareholder.

On January 23, 2016, the Company issued a total of 2,500,000 shares of common stock to an investor. (Ref Note 8 – Convertible Notes 2)

On March 9, 2016 the Company issued 1,000,000 shares to a private individual in respect of a private placement at \$0.10 per share for total cash proceeds of \$100,000, of which \$50,000 was received in the three months ended March 31, 2016 and \$50,000 was provided as cash proceeds to TSO during fiscal 2014.

On March 10, 2016 the Company issued a total of 10,000,000 shares of common stock in respect of the acquisition of an engineering, construction and procurement project in the country of Cyprus. Subsequently the Company determined the services required in respect of the shares were unable to be fulfilled and the shares will be returned for cancelation during the 4th quarter of fiscal 2016.

The Company had 363,720,926 and 335,365,926 shares of common stock outstanding at March 31, 2016 and December 31, 2015.

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

Note 12 Other Events

Entry into a material agreement

In January 2016 we announced the signing of a formal Heads of Agreement to pursue mutually beneficial management and financing projects in the oil, gas and natural resources industries with Shandong Pusheng Petrochemical Co., Ltd. (“SPPCL”).

Under the terms of the agreement, for the initial naphtha trading project, Eagle Mountain will provide sourcing, purchasing and management of transportation logistics for the oil, gas, and refined products to be delivered and sold into the Chinese market.

SPPCL is an international oil and gas trading and development company, globally engaged in a wide range of businesses in the oil industry, with extensive partnerships with many State-owned companies. The company has organized consortiums for multiple international projects in the oil, gas, petrochemical and mining industries.

Further in April of 2016 we announced a Joint-Venture Agreement between SPPCL and Eagle Mountain for oil, gas and petroleum products trading as well as an initial purchase order to purchase light naphtha through the established Joint Venture Company. The contract calls for Eagle Mountain to source and negotiate the purchase and delivery of approximately 300,000 metric tonnes of light naphtha per month for five years. At the time of the origination of the purchase order, light naphtha has been in the range of \$330 to \$380/tonne FOB U.S. Gulf Coast.

A subsidiary of Eagle Mountain based in Hong Kong to be formed will be joint-ventured 40/60 with a Hong-Kong subsidiary of Shandong Pusheng where the Irrevocable Documentary Letter of Credit (DLC) is established and ready to proceed with the first purchase during the early fall of 2016. Eagle Mountain is responsible for arranging the purchase and delivery of the naphtha. Shandong Pusheng is responsible for sale of the naphtha into the Southeast Asian markets, in cooperation with China’s state enterprises.

Note 13 Subsequent Events

Shares issued subsequent to fiscal year end

On April 5 the Company issued a total of 4,900,000 shares of common stock in respect of the acquisition of an engineering, construction and procurement project in the country of Cyprus. Under the terms of the agreement the Company has been assigned the rights to participate in a Memorandum of Understanding (“MOU”) amongst various parties granting the rights to develop an oil & gas complex including an LNG Processing Plant, Power Plant, Refinery, Oil Storage Depot and associated port facilities. The project are is located in Greek Cyprus on property owned by the Greek Orthodox Church which agreed to grant a 100-year lease. The parties to the MOU have access to certain gas fields located in the Eastern Mediterranean and Western Iraq.

n April 5 and April 7, 2016 respectively, the Company issued a total of 5,500,000 shares to an individual and a corporate entity as part of a share transfer between shareholders where under certain shares were returned to the company for cancellation on January 23, 2016, and subsequent reissue.

On May 5, 2016 the Company issued a total of 1,500,000 shares to five individuals as part of a share transfer between shareholders where under certain shares were returned to the company for cancellation on January 23, 2016, and subsequent reissue.

Departure of Director and Officer

On September 29, 2016, Mr. Ehud Amir tendered his resignation as Chairman and Director of Eagle Mountain Corporation, (the “Company”) effective immediately. His resignation was for personal reasons. Subsequently, the remaining Board members met and voted that in the best interests of the Company and Mr. Amir, his role as COO is hereby terminated with his duties absorbed by the CEO until a suitable replacement is found.

Cancellation of Shares Issued under Stock Option

On November 17, 2016, an independent consultant who exercised a stock option issued January 4, 2016 under the terms of a services agreement (Note 9 above) for a total of 8,000,000 shares at 0.01 per share entered into an agreement with the Company to cancel the shares and return them to treasury.

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

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

The information contained in this Form 10-Q is intended to update the information contained in our annual report on Form 10-K for the year ended December 31, 2015, (the "Form 10-K"), filed with the Securities and Exchange Commission ("SEC"), and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operation," our consolidated financial statements and the notes thereto, and other information contained in the Form 10-K. The following discussion and analysis also should be read together with our condensed consolidated financial statements and the notes to the condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q.

Forward-Looking Statements

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

Corporate Overview and Background

Eagle was primarily engaged in the business of distribution of memory products mainly under "Samsung" brand name which principally comprised DRAM, Graphic RAM and Flash for the Hong Kong and PRC markets ("Samsung Business"). After April 1, 2012, the Samsung Business was transferred to ATMD, a joint venture with Tomen. We indirectly own 30% equity interest in ATMD. On September 27, 2013, we sold the entire 30% equity interest of ATMD. Through the acquisition of Jussey on September 28, 2012, we have diversified our product portfolio and customer network, obtained design and manufacturing capabilities, and tapped into the blooming telecommunication industry with access to the 3G baseband licenses acquired by Jussey's subsidiaries. On September 30, 2014, the Company disposed all of the equity interest held in ACL International Holdings Limited ("ACL Holdings").

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

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

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

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

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

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

Results of Operations

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

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

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ -	\$ -
Operating Expenses		
Depreciation	4,015	-
Exploration expenses	176,928	-
Professional fees	45,320	-
General and administrative expenses	193,006	-
Consulting fees	10,721,600	-
Impairment on intangible assets	507,875	-
Total operating expenses	11,648,744	-
Income (loss) from continuing operations	(11,648,744)	-
Other Income (expenses)		
Interest expenses	(3,870)	-
Interest income	2,474	-

Edgar Filing: Eagle Mountain Corp - Form 10-Q

Other Income (expenses)	(1,396)	-
Net Income (loss) from continuing operations	(11,650,140)	-
Net Income (loss) from discontinued operations	-	(150,643)
Net Income (loss)	\$ (11,650,140)	\$ (150,643)

5

Unaudited Comparisons for Three Months Ended March 31, 2016 to the Three Months Ended March 31, 2015

Exploration Expenses

During the three months ended March 31, 2016 the Company incurred \$176,928 in exploration expenses (2015- \$Nil) with respect to our newly acquired business operations in the oil and gas sector.

Impairment on Intangible Assets

During the three months ended March 31, 2016 the Company reported impairment of intangible assets of \$507,875 (2015- \$Nil) with respect to our newly acquired business operations in the oil and gas sector as a result of performance from the assets failing to meet projected cash flows.

Professional Fees

During the three months ended March 31, 2016 the Company incurred \$45,320 in professional fees paid for legal, accounting, audit and other professional expense compared to \$Nil in the prior comparative period.

Consulting Fees

During the three months ended March 31, 2016 the Company incurred \$10,721,600 in consulting fees to consultants compared to \$Nil in the prior comparative period. The fees incurred relate to a stock option issued under a Services Agreement allowing for the exercise of 8,000,000 shares at \$0.01 per share. The consultant exercised the option and provided the Company cash proceeds of \$80,000.

General and Administrative expenses

During the three months ended March 31, 2016 the Company incurred general and administrative expenses of \$193,006 as compared to \$Nil in the prior comparative period. General and administrative expenses include travel and entertainment expense, office expense, rent and other overhead, transfer agent and filing fees and fees paid to consultants.

Other Expenses

The Company recorded a loss on acquisition of property of \$3,340,000 as a result of the issuance of shares.

Discontinued operation

Expenses from discontinued operations totaled \$nil in the three months ended March 31, and \$150,643 in the three months ended March 31, 2015.

CAPITAL RESOURCES AND LIQUIDITY

At March 31, 2016, we had total current assets of \$116,928 including \$90,200 cash on hand, interest receivable of \$12,730, other receivable and deposits of \$13,998. Current liabilities totaling \$2,714,443 at March 31, 2016 include \$1,552,757 from accounts payable and accrued liabilities, \$275,109 from accounts payable and accrued liabilities – related parties, \$452,417 in other payables, \$50,000 in convertible notes payable, net, \$34,160 in loans payable, deferred revenue of \$350,000. Presently we rely on advances from third parties, sale of common stock and convertible loans from qualified investors to fund our general operating expenses.

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

Net Cash Provided by (Used for) Operating Activities

In the three months ended March 31, 2016, net cash provided by continuing operating activities was \$23,374 as compared to \$nil of cash provided by operating activities in the three months ended March 31, 2015.

Net Cash Provided by (Used for) Financing Activities

During the three months ended March 31, 2016, the Company received \$50,000 in proceeds from subscription for common shares as compared to \$nil of cash provided by financing activities in the three months ended March 31, 2015.

GOING CONCERN

The Company has incurred substantial net losses since inception and had a working capital deficiency of \$2,597,515 at March 31, 2016. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans.

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

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

CRITICAL ACCOUNTING POLICIES

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

Our significant accounting policies are summarized in Note 2 of our financial statements for the period ended March 31, 2016. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. This new standard provides guidance on how entities measure certain equity investments and present changes in the fair value. This standard requires that entities measure certain equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. ASU 2016-01 is effective for fiscal years beginning after December 31, 2017. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company's financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. The new standard will be effective for us on January 1, 2019. This standard is not expected to have a material impact on our financial position, results of operations or statement of cash flows upon adoption.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The new standard involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The new standard will be effective for us on January 1, 2017. This standard is not expected to have a material impact on our financial position, results of operations or statement of cash flows upon adoption.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for the Company beginning January 1, 2020, with early application permitted. This standard is not expected to have a material impact on our financial position, results of operations or statement of cash flows upon adoption.

In August 2016, the FASB issued ASC Update No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (Topic 230 -Statement of Cash Flows): The amendments provide guidance in the presentation and classification of certain cash receipts and cash payments in the statement of cash flows including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investees. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption permitted. This standard is not expected to have a material impact on our financial position, results of operations or statement of cash flows upon adoption.

In October 2016, the FASB issued ASC Update No. 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory (Topic 740): This update simplifies the accounting for the income tax consequences of transfers of assets from one unit of a corporation to another unit or subsidiary by eliminating an accounting exception that prevents the recognition of current and deferred income tax consequences for such "intra-entity transfers" until the assets have been sold to an outside party. The amendment should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment directly to retained earnings as of the beginning of the period in which the guidance is adopted. This standard is not expected to have a material impact on our financial position, results of operations or statement of cash flows upon adoption.

OFF BALANCE SHEET ARRANGEMENTS

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

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

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

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

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

Evaluation of Disclosure Controls and Procedures. The Company's CEO and CFO have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of March 31, 2016, and based on this evaluation, the Company's principal executive and financial officers have concluded that the Company's disclosure controls and procedures were not effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder. The Company's principal executive and financial officer's conclusion regarding the Company's disclosure controls and procedures is based on management's conclusion that the Company's internal control over financial reporting are ineffective, as described in our Annual Report on Form 10K as filed with the SEC on April 16, 2015, which included a complete discussion relating to the foregoing evaluation of Disclosures on Controls and Procedures.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

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

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

On January 4, 2016 the Company issued 8,000,000 shares of common stock to a third party in respect of a share purchase agreement where under the purchaser had the option to acquire shares at a price of \$0.01 per share.

On January 6, 2016 the Company issued a total of 50,000 shares to two individuals as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue.

On January 21, 2016, the Company issued a total of 13,000,000 shares at \$0.05 in respect to certain convertible notes entered into during fiscal 2015 which came due and payable September 1, 2015 to two individual investors.

On January 23, 2016 the Company issued 700,000 shares to an individual as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue.

On January 23, 2016 the Company issued 2,000,000 shares to an individual as part of a share transfer between two shareholders where under certain shares were returned to the company for cancellation and reissue.

On January 23, 2016 a shareholder of the Company returned a total of 8,895,000 common shares for reissue. Upon receipt the shares were canceled and returned to treasury pending instruction for reissue from the shareholder.

On January 23, 2016, the Company issued a total of 2,500,000 shares of common stock to a private individual in respect to an Assignment and Assumption agreement.

On March 9, 2016 the Company issued 1,000,000 shares to a private individual in respect of a private placement at \$0.10 per share for total cash proceeds of \$100,000.

On March 10, 2016 the Company issued a total of 10,000,000 shares of common stock in respect of the acquisition of an engineering, construction and procurement project in the country of Cyprus. Subsequently the Company determined the services required in respect of the shares were unable to be fulfilled and the shares will be returned for cancellation during the 4th quarter of fiscal 2016.

On April 5 the Company issued a total of 4,900,000 shares of common stock in respect of the acquisition of an engineering, construction and procurement project in the country of Cyprus.

On April 5 and April 7, 2016 respectively, the Company issued a total of 5,500,000 shares to an individual and a corporate entity as part of a share transfer between shareholders where under certain shares were returned to the company for cancellation on January 23, 2016, and subsequent reissue.

Edgar Filing: Eagle Mountain Corp - Form 10-Q

On May 5, 2016 the Company issued a total of 1,500,000 shares to five individuals as part of a share transfer between shareholders where under certain shares were returned to the company for cancellation on January 23, 2016, and subsequent reissue.

On November 17, 2016, an independent consultant who exercised a stock option issued January 4, 2016 under the terms of a services agreement for a total of 8,000,000 shares at 0.01 per share entered into an agreement with the Company to cancel the shares and return them to treasury.

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Departure of Director and Officer

On September 29, 2016, Mr. Ehud Amir tendered his resignation as Chairman and Director of Eagle Mountain Corporation, (the “Company”) effective immediately. His resignation was for personal reasons. Subsequently, the remaining Board members met and voted that in the best interests of the Company and Mr. Amir, his role as COO is hereby terminated with his duties absorbed by the CEO until a suitable replacement is found.

10

Item 6. Exhibits

The following exhibits are filed as part of this Annual Report:

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

*Filed herewith.

**To be filed by Amendment.

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

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

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

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

SIGNATURES

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

EAGLE MOUNTAIN CORPORATION

Date: December 22, 2016

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

Date: December 22, 2016

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

