squarmilner

Certified Public Accountants
and Financial Advisors

WR Entertainment AS

Consolidated Financial Statements
Years Ended December 31, 2013
and 2014 and Eleven Months
Ended November 30, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders
WR Entertainment AS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of WR Entertainment AS, (the "Company") which comprise the balance sheets as of December 31, 2013 and 2014 and November 30, 2015, and the related statements of comprehensive loss, shareholders' (deficit) equity and cash flows for the years ended December 31, 2013 and 2014, and eleven months ended November 30, 2015 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WR Entertainment AS, as of December 31, 2013 and 2014 and November 30, 2015 and the results of its operations and its cash flows for each of the years ended December 31, 2013 and 2014 and eleven months ended November 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Emphasis on Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has negative working capital and accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described under "Capital Resources and Liquidity" in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SQUAR MILNER LLP

Squar Milner LLP

Los Angeles, California
January 4, 2016

WR ENTERTAINMENTAS
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2014 and November 30, 2015

	December 31,		November 30,
ASSETS	**2013**	**2014**	**2015**
Current Assets			
Cash	$ 14,642	$ 3,794	$ 8,085
Accounts receivable	403	1,792	318
Receivables from employees	–	13,159	42,128
Prepaid expenses and other current assets	–	1,558	4,000
Total current assets	15,045	20,303	54,531
PROPERTY AND EQUIPMENT, net	22,737	20,979	15,189
CAPITALIZED DEVELOPMENT COSTS	294,423	634,542	636,308
DEFERRED OFFERING COSTS	–	210,408	219,825
DEFERRED FILM FUND COSTS	159,721	159,721	79,860
ELECTRONIC BOOK (“eBook”) PRODUCTION COSTS	48,081	117,844	123,283
DEPOSITS	30,000	–	–
Total assets	$ 570,007	$ 1,163,797	$ 1,128,996
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
Current Liabilities			
Accounts payable	$ 18,056	$ 72,906	$ 46,709
Accrued royalties	10,331	19,500	15,997
Accrued interest	9,053	40,960	75,319
Other accrued liabilities	–	14,574	32,772
Notes and loans payable, current portion	698,513	931,572	–
Total current liabilities	735,953	1,079,512	170,797
Notes and loans payable, net of current portion	–	–	756,765
Total liabilities	735,953	1,079,512	927,562
Commitments and Contingencies			
Shareholders’ (Deficit) Equity			
Capital stock, 67,131,200, 72,422,425 and 75,252,300 shares issued and outstanding at December 31, 2013 and 2014, and November 30, 2015, respectively	154,268	166,428	172,930
Additional paid-in capital	2,806,382	3,372,090	3,892,118
Accumulated other comprehensive income	–	–	4,733
Accumulated deficit	(3,126,596)	(3,454,233)	(3,868,347)
Total shareholders' (deficit) equity	(165,946)	84,285	201,434
Total liabilities and shareholders' (deficit) equity	$ 570,007	$ 1,163,797	$ 1,128,996

The accompanying notes form an integral part of these financial statements.

WR ENTERTAINMENTAS
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2013 and 2014 and Eleven Months Ended November 30, 2015

	Year Ended December 31, 2013	Year Ended December 31, 2014	Eleven Months Ended November 30, 2015
SALES FROM eBooks	$ 13,022	$ 11,184	$ 26,001
COST OF SALES			
Minimum annual royalties	24,000	42,136	44,000
Amortization of eBook production costs	1,565	439	3,693
	25,565	42,575	47,693
GROSS LOSS	(12,543)	(31,391)	(21,692)
OPERATING EXPENSES			
General and administrative	149,812	263,389	277,683
Impairment loss	–	–	79,861
LOSS FROM OPERATIONS	(162,355)	(294,780)	(379,236)
OTHER EXPENSES			
Interest expense, net	18,870	31,882	34,627
Exchange loss (gain)	36	175	(549)
California franchise tax	800	800	800
TOTAL OTHER EXPENSES	19,706	32,857	34,878
NET LOSS	(182,061)	(327,637)	(414,114)
OTHER COMPREHENSIVE INCOME FOREIGN CURRENCY TRANSLATION	–	–	4,733
COMPREHENSIVE LOSS	$ (182,061)	$ (327,637)	$ (409,381)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	65,175,760	69,612,660	75,010,105

The accompanying notes are an integral part of these statements.

WR ENTERTAINMENTAS
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
For the Years Ended December 31, 2013 and 2014 and
Eleven Months Ended November 30, 2015

	Capital Stock		Additional	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
	Shares	Amount	Paid-in Capital	Income	Deficit	(Deficit) Equity
BALANCE – January 1, 2013	64,782,600	$ 148,871	$ 2,587,806	$ –	$ (2,944,535)	$ (207,858)
Issuances of stock	2,348,600	5,397	202,972	–	–	208,369
Stock-based compensation	–	–	15,604	–	–	15,604
Net loss	–	–	–	–	(182,061)	(182,061)
BALANCE – December 31, 2013	67,131,200	154,268	2,806,382	–	(3,126,596)	(165,946)
Issuances of stock	5,008,520	11,510	462,070	–	–	473,580
Conversion of debt into stock	282,705	650	93,208	–	–	93,858
Stock-based compensation	–	–	10,430	–	–	10,430
Net loss	–	–	–	–	(327,637)	(327,637)
BALANCE – December 31, 2014	72,422,425	166,428	3,372,090	–	(3,454,233)	84,285
Issuances of stock	2,712,025	6,231	355,299	–	–	361,530
Conversion of debt into stock	117,850	271	164,729	–	–	165,000
Other comprehensive income - foreign currency translation gain	–	–	–	4,733	–	4,733
Net loss	–	–	–	–	(414,114)	(414,114)
BALANCE – November 30, 2015	72,252,300	$ 172,930	$ 3,892,118	$ 4,733	$ (3,868,347)	$ 201,434

,

The accompanying notes are an integral part of these statements.

WR ENTERTAINMENTAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2014 and Eleven Months Ended November 30, 2015

	Year Ended December 31,		Eleven Months Ended November 30,
	2013	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (182,061)	$ (327,637)	$ (414,114)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	8,966	6,807	9,485
Stock-based compensation	15,604	10,430	–
Non-cash interest	11,645	–	–
Loss on disposal of assets	–	175	–
Impairment loss	–	–	79,861
Changes in operating assets and liabilities:			
Accounts receivable	3,514	(1,389)	1,474
Prepaid expenses and other current assets	–	(1,558)	(2,442)
Deposits	4,500	30,000	–
Accounts payable	103	54,850	(26,195)
Other current liabilities	12,944	55,650	51,935
Net cash used in operating activities	(124,785)	(172,672)	(299,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property and equipment	–	(4,785)	–
Receivables from employees	–	(13,159)	(28,969)
Investments in eBooks	(1,453)	(70,202)	(9,134)
Investments in capitalized development costs	(14,375)	(40,119)	(1,766)
Net cash used in investing activities	(15,828)	(128,265)	(39,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of stock	208,369	473,580	361,530
Deferred offering costs	–	(210,408)	(9,417)
Proceeds from long-term debt	82,559	218,584	87,259
Payments of long-term debt	(137,525)	(191,667)	(97,066)
Payments on auto loans	(449)	–	–
Net cash provided by financing activities	152,954	290,089	342,306
EFFECTS OF EXCHANGE RATES	–	–	1,850
NET INCREASE (DECREASE) IN CASH	12,341	(10,848)	4,291
CASH – beginning of period	2,301	14,642	3,794
CASH – end of period	$ 14,642	$ 3,794	$ 8,085

The accompanying notes are an integral part of these statements.

WR ENTERTAINMENTAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2014 and Eleven Months Ended November 30, 2015

	Year Ended December 31, 2013	Year Ended December 31, 2014	Eleven Months Ended November 30, 2015
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION			
Cash paid during the period for:			
Interest	$ 18,870	$ –	$ –
Income taxes	$ 800	$ 800	$ 800
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES			
Conversion of notes payable to equity	$ –	$ 93,858	$ 165,000
Capitalized development costs paid through issuance of debt	$ –	$ 300,000	$ –

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

On November 30, 2015, WR Entertainment AS, a Norwegian private limited liability company organized in January 2015, (the "Company") entered into an agreement with WR Films Entertainment Group, Inc. ("WR Inc."), a California corporation organized in September 2009, pursuant to which the shareholders of WR Inc. exchanged their shares of WR Inc. with shares of the Company, (the "Exchange"). Accordingly, from a historical perspective, WR Inc. was deemed to have been the acquirer in the reverse merger. As a result, the consolidated financial statements of the Company presented reflect the historical results of WR Inc. prior to the Exchange, and of the combined entities, subsequent to the Exchange. Common stock has been retroactively restated to reflect the number of shares received by WR Inc. shareholders in the Exchange after giving effect to the difference in par value, with the offset to additional paid-in capital. The equity of the Company survives the Exchange. The Company is an independent producer of feature-length motion pictures and publisher of electronic books ("eBooks"). In developing and acquiring intellectual properties for motion picture production, the Company also acquired rights for television, eBook and book publishing, music publishing, games, video games, toys, merchandising and licensing. The Company conducts operations under its two divisions, WR Pictures and WR Publishing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Resources and Liquidity

The Company has earned minimal eBook revenue since inception and its operations have been funded primarily by raising capital and proceeds from issuance of debt. The Company has incurred losses from inception through December 31, 2014 and November 30, 2015 and has a current working capital deficit of $1,059,209 and $116,266 and accumulated deficit of $3,454,233 and $3,868,347 as of December 31, 2014 and November 30, 2015, respectively.

The Company plans to offer shares of its capital stock to raise an estimated $6 million in additional capital from a private placement. The proceeds will provide funds to cover certain pre-production costs of the Company's first feature-length motion picture based on the Morgan Kane book series (see Note 4), fund the Company's electronic books ("eBooks") marketing program based on the Morgan Kane series, and add to the Company's working capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Resources and Liquidity (continued)

There is no assurance that the proceeds will be sufficient to provide the Company with adequate resources to fund future operations, and the Company may need additional financing to continue with their plan of film production and for general working capital. No assurance can be given that any form of additional financing can be obtained, that the terms of such financing will be acceptable or that such financing would not be dilutive to existing shareholders.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate our continuation as a going concern, and assumes continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The matters described in the preceding paragraphs raise substantial doubt about our ability to continue as a going concern. Recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheets is dependent upon our ability to meet our financing requirements on a continuing basis, and become profitable in our future operations. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP").

Revenue Recognition

WR Pictures Division While the Company has not yet produced a motion picture, revenue from the theatrical release of feature films will be recognized at the time of exhibition based on our participation in box office receipts. Revenue from the sale of DVDs/Blu-ray discs in the retail market, net of an allowance for estimated returns and other allowances, will be recognized on the later of receipt by the customer or "street date" (when it is available for sale or rental to the consumer). Under revenue sharing arrangements, rental revenue will be recognized when the Company is entitled to receipts and such receipts are determinable. Revenues from television licensing will be recognized when the feature film or television program is available to the licensee for telecast. For television licenses that include separate availability "windows" during the license period, revenue is to be allocated over the "windows." Revenue from sales to international territories will be recognized when access to the feature film or television program has been granted or delivery has occurred, as required under the sales contract and the right to exploit the feature film or television program has commenced.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Cash payments received will be recorded as deferred revenue until all the conditions of revenue recognition have been met. Long-term, non-interest bearing receivables will be discounted to present value.

WR Publishing Division The Company recognizes income from the sale of eBooks based on monthly sales reports from electronic retailers such as iTunes (Apple), Amazon (Kindle) and Barnes & Noble (Nook) and receives payment generally within 60 to 90 days from the month of sale. The Company records its eBook sales net of sales commissions retained by the retailers. As the Company develops its marketing and sales programs for other products based on its intellectual properties, revenue–will be recognized based on several factors, including the right to receive income, transfer of title, and contractual rights and obligations. When collections appear to be impaired, the Company will value the receivables in question at their estimated net collectible value.

Cost of Sales

Cost of sales represent the cost of eBook sales, and include (1) royalties paid to holders of copyrights and (2) the amortization of eBook production costs. For the years ended December 31, 2013 and 2014, eBook royalties were approximately $24,000 and $42,000, respectively. For the eleven months ended November 30, 2015, eBook royalties were approximately $44,000. The eBook production costs are amortized on a straight-line basis, using management's estimate of sales over a three-year period (see *eBook Production Costs*, below).

Cash Equivalents

The Company defines cash equivalents as highly liquid, short-term investments with an original maturity at the date of acquisition of three months or less. As of December 31, 2013 and 2014, and November 30, 2015, the Company did not have any cash equivalents.

Accounts Receivable

Accounts receivable result from the sale of eBooks by electronic retailers. Management determines the allowance for doubtful accounts receivable based on factors surrounding the credit risk of specific customers, historical trends and other information. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received to income. As of December 31, 2013 and 2014, and November 30, 2015, the Company did not record allowances for doubtful accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risks

The Company maintains all of its cash balances with a high quality financial institution. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation. The Company does not have a significant amount of credit risk. No one customer represents more than 10% of the outstanding account receivable or revenue as of and for the years ended December 31, 2013 and 2014 and as of and or for the eleven months ended November 30, 2015.

Property and Equipment, Net

Property and equipment is carried at cost less accumulated depreciation. Depreciation is provided for using the following estimated useful lives and methods:

Camera equipment	5 year life, straight-line method
Automotive equipment	5 year life, straight-line method
Office equipment	7 year life, straight-line method
Office furniture	7 year life, straight-line method

Costs related to the acquisition and improvement of property and equipment are capitalized, while other costs, including repairs and maintenance are expensed as incurred.

The Company does not own real estate.

Capitalized Development Costs

The Company's investment in capitalized development costs represents the unamortized costs of the acquisition of intellectual properties from authors, creators, heirs and owners of books, screenplays, and other material for use in the production of motion pictures, television shows, book publishing and other products. Capitalized costs include payments to rights holders, legal and professional fees, and travel. Also included are the costs of producing documentary and promotional productions, and pre-production costs including screenwriting, editing and auditions. Upon commencement of production, these costs will be transferred to production costs. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned. At December 31, 2013 and 2014, capitalized development costs totaled $294,423 and $634,542, respectively, and $636,308 at November 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalized Development Costs (continued)

The costs of acquiring and producing films, electronic books and other products, including the cost of intellectual properties, will be capitalized and amortized using the individual-film-forecast method, whereby the costs will be amortized and participations and residuals costs will be accrued in the proportion that revenue for a given year bears to management's estimate of ultimate revenue at the beginning of that year that is expected to be recognized from the exploitation, exhibition or sale of the films or television programs.

Ultimate revenue will include estimates over a period not to exceed ten years following the date of initial release or from the date of delivery of the first episode for episodic television series. For titles included in acquired libraries, ultimate revenue will include estimates over a period not to exceed twenty years following the date of acquisition.

Investment in films and television programs will be stated at the lower of amortized cost or estimated fair value. The valuation of investment in films and television programs will be reviewed on a title-by-title basis, when an event or change in circumstances indicates that the fair value of a film or television program is less than its unamortized cost. The fair value of any film costs associated with a film or television program that management plans to abandon is zero. Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film or television program. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

Deferred Film Fund Costs

The Company has underwritten the costs of organizing a film fund, to provide from between $60 to $90 million in equity for production of a slate of twelve motion pictures over a six-year period. During the eleven months ended November 30, 2015, the Company recorded an impairment loss of $79,861. Capitalized costs at December 31, 2013 and 2014 totaled $159,721. Capitalized costs at November 30, 2015 totaled $79,860. These costs will be recovered from the film fund or written off if the fund is unable to raise capital.

Electronic Book ("eBook") Production Costs, Net

Production costs for eBooks include the costs of artwork and design of electronic book covers, text editing, translations and marketing costs. These costs are amortized based on management's estimate of eBook sales. If management determines that the realizable net amortized value of these costs is impaired, the costs will be written down to their estimated net realizable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

The Company is required, under current accounting standards to review the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2013 and 2014 and November 30, 2015, management has determined that no impairment exists. Accordingly, no adjustments have been made to the carrying values of long-lived assets.

Deposits

At December 31, 2013, deposits included the $30,000 security deposit paid in connection with a one-year lease of real property. This deposit was reimbursed during the year ended December 31, 2014.

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts receivable, auto loans and notes and loans payable. The Company believes that the fair value of cash and accounts receivable approximates their carrying amounts based on current market indicators, such as prevailing market rates. Management has concluded that it is not practical to determine the estimated fair value of notes and loans payable due to their related party nature.

Income Taxes

Income taxes are accounted for using an asset and liability approach for financial accounting and reporting for income taxes and recognition and measurement of deferred assets are based upon the likelihood of realization of tax benefits in future years. Under this method, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established when management determines that it is more likely than not that some portion or all of the net deferred tax asset will not be realized. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under this accounting guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, this accounting guidance provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Management believes that the Company did not have any uncertain tax positions at December 31, 2013 and 2014 or during the years then ended, or at November 30, 2015 or during the eleven months then ended.

Stock-Based Compensation

The Company records employee stock-based compensation by measuring the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

Estimates of the fair value of stock-based compensation awards are not intended to predict actual future events or the value ultimately realized by employees who receive such awards and subsequent events are not indicative of the reasonableness of the (continued) original estimates of fair value made by the Company. Changes to the Company's assessment of the probability of achieving performance criteria or the satisfaction of such criteria for performance-based awards granted to employees could significantly affect compensation expense to be recognized in future periods. Compensation expense associated with stock options is recognized on a straight-line basis over the shorter of the vesting period or the minimum required service period.

Net Loss Per-Share

Basic net loss per-share is calculated based on the weighted average common shares outstanding for the period. When dilutive, the Company calculates diluted earnings per common share based on share purchase options using the treasury stock method and any contingently issuable shares. Diluted earnings per-share is not presented due to the losses in all periods presented.

For each of the years ended December 31, 2013 and 2014, 3,560,000 and 2,607,000 shares related to stock options were excluded from diluted net loss per common share because their inclusion would have had an anti-dilutive effect, respectively. There were no outstanding stock options at November 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates made by management in the preparation of the financial statements relate to ultimate revenue and costs for investment in films and television programs; estimates of sales returns and other allowances and provisions for doubtful accounts; income taxes and accruals for contingent liabilities; and impairment assessments for investment in films, television programs, publishing, property and equipment. Actual results could differ from such estimates.

Subsequent Events

The Company evaluated subsequent events through the issuance of these financial statements on January 4, 2016.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	December 31,		November 30,
	2013	**2014**	**2015**
Camera equipment	$ 12,073	$ 12,073	$ 12,073
Automotive equipment	30,334	30,334	30,334
Office equipment	20,562	25,172	25,172
Office furniture	4,656	4,656	4,656
	67,625	72,235	72,235
Less: Accumulated depreciation	(44,888)	(51,256)	(57,046)
	$ 22,737	$ 20,979	$ 15,189

4. CAPITALIZED DEVELOPMENT COSTS

Capitalized development costs include the unamortized costs of acquisition of intellectual properties from authors, creators, heirs and owners of books, screenplays, and other material for use in the production of motion pictures, television shows, book publishing and other products. Also included are the costs of producing documentary and promotional productions, pre-production costs including screenwriting, editing, auditions, legal and professional fees, and travel.

4. CAPITALIZED DEVELOPMENT COSTS (continued)

Currently, management's primary focus is on the development and production of a series of motion pictures and the publication and sale of electronic books ("eBooks"), based on the *Morgan Kane* book series. The *Morgan Kane* books were written by Louis Masterson (born Kjell Hallbing, 1934-2004), a Norwegian author. Masterson stories the life and adventures of Morgan Kane, a Texas Ranger and later a U.S. Marshal in the Wild West.

The first *Morgan Kane* book was published in 1966 and Masterson wrote 83 *Morgan Kane* books in total, of which 41 are translated into English, and the series has been published in another nine languages. At December 31, 2013 and 2014, capitalized development costs pertaining to the Morgan Kane projects were $196,086 and $514,809, respectively. In March 2014, the Company exercised its option to produce and otherwise exploit the *Morgan Kane* rights for a four-year period ending in March 2018, totaling $300,000. Capitalized development costs pertaining to the *Morgan Kane* projects were $514,809 at November 30, 2015. Other capitalized development costs include the costs of two screenplays with book publishing rights and the costs associated with the development of a documentary on the history of the Company and a promotional film.

Upon commencement of production, these costs will be transferred to either film or book production costs. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned.

5. ELECTRONIC BOOK ("EBOOK") PRODUCTION COSTS, NET

Production costs for eBooks include the costs of artwork and design of electronic book covers, text editing, translations and marketing costs. These costs are amortized based on management's estimate of eBook sales over a three-year period, on a straight-line basis. If management determines that the realizable net amortized value of these costs is impaired, the costs will be written down to their estimated net realizable value.

The net unamortized eBook production cost balances consists of the following:

	December 31,		November 30,
	2013	2014	2015
eBook production costs	$ 54,900	$ 125,101	$ 134,236
Less: Accumulated amortization	(6,819)	(7,257)	(10,953)
eBook production costs, net	$ 48,081	$ 117,844	$ 123,283

6. NOTES AND LOANS PAYABLE

Notes and loans payable consist of the following:

	December 31, 2013	December 31, 2014	November 30, 2015
Note payable - Founder, 8%	$ 16,937	$ 343,854	$ 171,047
Loan payable – Related Party, 8%	281,576	187,718	185,718
Note payable to Appelsinhaugen AS	400,000	400,000	400,000
	$ 698,513	$ 931,572	$ 756,765

Note payable – Founder, 8% Since the Company has not had sufficient revenues or cash resources to finance its operations, beginning in August 2012, the Company's founder, Ryan Wiik, assumed certain obligations of the Company, and through December 31, 2013, paid or assumed liabilities for obligations totaling $16,937 at December 31, 2013, $343,854 at December 31, 2014 and $171,047 at November 30, 2015. The obligation is covered by a note payable, which bears interest at the rate of 8% per annum, and is secured by an assignment of the Company's unencumbered assets. Accrued and unpaid interest due was $9,053 at December 31, 2013, $25,115 at December 31, 2014, and $44,152 at November 30, 2015. During the eleven months ended November 30, 2015, $165,000 of principal was converted into 117,850 of common stock.

Loan payable – Related Party, 8% On January 9, 2014, a member of Ryan Wiik's family, paid off a loan due to Torvgarten 32 AS, a Norwegian company also owned by the Wiik family. Prior to the payoff the loan balance included accrued interest at LIBOR plus 2.75% per annum, and was due on demand, and using an annual LIBOR of 0.70%, the interest rate on the loan was calculated at 3.45%. A new loan agreement was entered into with interest at the annual rate of 8% per annum, compounded quarterly and providing for an 50% security interest in the Company's rights to the first Morgan Kane motion picture, until the loan is paid in full. The loan is due on June 30, 2017. In January 2014, the holder of the note received 282,705 shares of the Company's capital stock in exchange for a principal reduction in the loan of $93,858, resulting in a loan balance of $187,718 at December 31, 2014. The balance of this loan payable was $185,718 at November 30, 2015. Accrued interest was $15,845 and $31,167 at December 31, 2014 and November 30, 2015, respectively.

6. NOTES AND LOANS PAYABLE (continued)

Note payable to Appelsinhaugen AS (formerly Planbygg Inter AS)- Related Party The note is payable to Appelsinhaugan AS, a Norwegian company and shareholder. Of the original note payable of $1,620,000, $1,300,000 was converted into 371,500 shares of common stock of the Company in September 2011. The remaining $320,000 balance was due and payable on February 23, 2013. The holder of the note was to receive a premium of $80,000 upon repayment, but since the Company was unable to repay the note when it was due, the principal balance of the note has been increased by the amount of the premium. The note is secured by a 50% security interest in the Company's first Morgan Kane motion picture, and is due on June 30, 2017.

Note payable to Hoyen Eiendom AS- Related Party In March 2012, the note payable to Hoyen Eiendom AS, a Norwegian company and shareholder, was converted into 159,300 shares of the Company's common stock. As additional consideration for the exchange of debt for equity, the Company agreed to name as associate producers of the first motion picture produced by WR Pictures, the two majority owners of Hoyen Eiendom AS. In addition, Hoyen Eiendom AS would be paid a fee of $100,000, payable no later than 90 days after completion of principal photography, and would retain 1% of the net profits of the Company's first motion picture.

7. INCOME TAXES

As of December 31, 2013 and 2014, and November 30, 2015, based on its cumulative net operating losses, the Company has an estimated net operating carryforward ("NOL") of $3.0, $3.2 and $3.5 million, respectively, which is available for future income tax liabilities, and which begins to expire in the year 2030. The income tax benefit of the NOL is not reflected in the Company's financial statements as the Company has determined that it is not more-likely-than-not to be realized. The Company's utilization of NOLs may be subject to annual limitations pursuant to Internal Revenue Code Section 382 which could reduce or defer the utilization of these losses.

8. CAPITAL STOCK - CAPITAL SHARES

The Company has 72,252,300 capital shares at November 30, 2015. As a result of the Exchange, common stock has been retroactively restated to reflect the number of shares received by WR Inc. shareholders in the Exchange after giving effect to the difference in par value, with the offset to additional paid-in capital. The equity of the Company survives the Exchange. These financial statements include the effect of the 5-for-1 stock completed in November 2015, as though the stock split took place at the beginning of 2013. The outstanding number of capital shares was 67,131,200 shares and 72,422,425 shares at December 31, 2013 and 2014, respectively, and 72,252,300 shares at November 30, 2015.

9. EQUITY PLANS AND STOCK-BASED COMPENSATION

In August 2011, the board of directors approved the Company's 2011 Stock Option Plan (the "Plan"), formed to provide its officers and key employees with options to acquire shares of the Company's common stock to develop a sense of personal involvement in the development and financial success of the Company, and to encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its stockholders. The Plan was terminated on November 19, 2015 and all outstanding options were canceled.

Stock based compensation expense recorded for the years ended December 31, 2013 and 2014 was $15,604 and $10,430, respectively. There was no stock based compensation for the eleven months ended November 30, 2015.

A summary of stock option transactions for the two years ended December 31, 2013 and 2014 and eleven months ended November 30, 2015 is as follows:

	Options	Weighted Average Exercise Price
Balance as of January 1, 2013	3,560,500	$ 0.12
Granted	–	
Exercised	–	
Forfeited or expired	–	
Balance as of December 31, 2013	3,560,500	$ 0.12
Granted	–	
Exercised	–	
Forfeited or expired	(953,500)	$ 0.12
Balance as of December 31, 2014	2,607,000	$ 0.12
Granted	–	
Exercised	–	
Forfeited or expired	(2,607,000)	$ 0.12
Balance as of November 30, 2015	–	$ 0.00

9. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION (continued)

Options outstanding that are expected to vest are net of estimated future forfeitures in accordance with the provisions of ASC 718, which are estimated when compensation costs are recognized. During the year ended December 31, 2014, unvested options to purchase 953,500 were forfeited.

The fair value of the options issued in 2011 was $135,854 calculated using the Black-Scholes Merton model using the following assumptions:

	2011
Expected life	6 years
Estimated volatility	39%
Risk-free interest rate	3.33%
Dividends	None

On November 19, 2015 the Company's shareholders passed a resolution to issue 12,500,000 capital stock warrants, to be issued to members of the board of directors and management as incentive compensation under the Company's Equity Incentive Plan and Warrant Terms. No capital stock warrants were issued as of November 30, 2015.

The shareholders also approved allocation of 9,893,500 warrants to members of the board and senior management, however the warrants have not yet been issued. The Company plans to issue the warrants in January 2016, in accordance with the terms and conditions of the Company's Equity Incentive Plan & Warrant Terms. The remaining 2,606,500 warrants are reserved for future grants to key personnel.

10. COMMITMENTS AND CONTINGENCIES

Legal

In the normal course of business, the Company may be subject to various lawsuits and claims, which management believes that the final outcome of these matters, either individually or in the aggregate, will not have a material effect on the consolidated financial statements.

Lease

The Company leased residential real estate under an extended lease agreement expiring June 30, 2014 at $15,000 per month. Since August 2012, the Company has subleased the property to Ryan Wiik. Rental income has been netted against rent expense in the accompanying statements of operations.

10. COMMITMENTS AND CONTINGENCIES (continued)

Employment Agreement

The Company has entered into an employment agreement with Ryan Wiik, the Company's founder, to provide acting services in the Company's motion picture project, "Morgan Kane I", calling for total compensation for those services of $200,000. Mr. Wiik will not receive residuals or participate in the revenue or net profits of the film. In addition, Mr. Wiik has agreed to provide acting services in the planned motion picture projects, "Morgan Kane II" and "Morgan Kane III", sequels to the first Morgan Kane picture, for total compensation of $400,000 per picture, without participation in the revenue or net profits from either picture.

Other

Under the terms of an agreement with Hoyen Eiendom AS to exchange debt for equity, the Company agreed to name as associate producers of the first motion picture produced by WR Pictures, the two majority owners of Hoyen Eiendom AS, and to pay Hoyen Eiendom AS a fee of $100,000, to be paid no later than 90 days after completion of principal photography of the Company's first picture, and retain 1% of the net profits from the picture.

The Loan payable - Related Party, 8% is secured by an 50% security interest in the Company's first Morgan Kane motion picture, and the note payable to Planbygg Inter AS is secured by a 20% security interest in the same motion picture.

The Note Founder- Founder 8% is secured by a security interest in the unencumbered assets of the Company.

11. RELATED PARTY TRANSACTIONS

WR Inc., the Company's subsidiary, has had the following transactions with major stockholders:

<u>Note payable – Founder, 8%</u>

In August 2012, Ryan Wiik, a shareholder and board member, assumed certain of WR Inc.'s obligations secured by an interest on WR Inc.'s unencumbered assets. The note bears interest at the rate of 8% per annum, and is due on June 30, 2017. Effective July 1, 2015, Mr. Wiik converted $165,000 principal amount of the note payable to equity, acquiring 117,850 shares of the WR, Inc.'s capital stock at a price of $1.40 per share.

11. RELATED PARTY TRANSACTIONS (continued)

The note payable due Mr. Wiik totaled $171,047 at November 30, 2015, and accrued and unpaid interest due was $44,152 at November 30, 2015.

Loan payable – Related Party, 8%

On January 9, 2014, a member of Ryan Wiik's family paid off a loan payable by WR Inc. to Torvgaten 32 AS, a Norwegian company, also owned by the Wiik family. A new loan agreement was entered into, with interest of 8% per annum, providing for a 50% security interest in WR Inc.'s rights to the first Morgan Kane motion picture. The loan is due no later than 30 days from the funding from an initial public offering by WR AS, or June 30, 2017, whichever is earlier. In January 2014, the holder of the note received 282,705 shares of the WR Inc.'s capital stock at a price of $0.33 in exchange for a principal reduction in the loan of $93,858.

The loan payable totaled $185,718 at November 30, 2015 and accrued and unpaid interest due was $31,167 at November 30, 2015.

Note payable to Appelsinhaugen AS (formerly Planbygg Inter AS) - Related Party

This non-interest bearing $400,000 note is payable to Appelsinhaugen AS, a Norwegian company and a WR shareholder. The note is secured by a 50% security interest in the first Morgan Kane motion picture, and is due on June 30, 2017.

Service Agreements

James Cardwell and Ryan Wiik have producers agreements and Duane Eberlein has an executive producers agreement with Morgan Kane I, LLC, calling for payments of $250,000 each upon obtaining sufficient funding to cover the $26.7 million budget for the Morgan Kane picture.

Ryan Wiik has an employment agreement to perform in the role of Morgan Kane in the first Morgan Kane picture, and will be paid $200,000 for such services. For the first and second sequel of the Morgan Kane pictures, Ryan Wiik will be paid $400,000 per picture.

12. SEGMENT INFORMATION

Accounting guidance requires the Company to make certain disclosures about each reportable segment. The Company's reportable segments are determined based on the distinct nature of their operations and each segment is a strategic business unit that offers different products and services and is managed separately. The Company has two reportable business segments: the WR Pictures division and the WR Publishing Division. To date, the Company's Picture Division has not produced a motion picture or generated revenue and therefore no comparative income statements are presented.

The Publishing Division has produced the following revenue and gross profit (loss) figures:

	December 31,		November 30,
	2013	2014	2015
Sales from eBooks	$ 13,022	$ 11,184	$ 26,001
Cost of sales	25,565	42,575	47,693
Segment gross loss	$ (12,543)	$ (31,391)	$ (21,692)

Net assets for the Book Division were $48,081, $117,844 and $123,283 at December 31, 2013 and 2014, and November 30, 2015, respectively.