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June 26, 2013

The Board of Directors
Federated States of Micronesia Petroleum Corporation

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Federated States of Micronesia Petroleum Corporation (the Company), a component unit of the FSM National Government, as of December 31, 2012, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated and have issued our report thereon dated June 26, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated November 26, 2012. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the presentation in the Company's basic financial statements and to disclaim an opinion on the required supplementary information for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects; and

- To report on the Company's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2012 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, management's estimate of inventory obsolescence, which is based on management's evaluation of the inventory's realizable value, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended December 31, 2012, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter, as Appendix B to Attachment I, a summary of misstatements corrected by management.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2012 financial statements. During the year ended December 31, 2012, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Company:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred *Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Company.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Company.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended December 31, 2012.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2012 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated June 26, 2013, on the Company's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*.

We have also communicated to management, in a separate letter also dated June 26, 2013, certain control deficiencies and other matters that we identified during our audit.

* * * * * *

This report is intended solely for the information and use of management, the Board of Directors, others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte + Touche LLP

ATTACHMENT I

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File Ref. PC/F/10/FSA

June 26, 2013

Deloitte & Touche LLP

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Tamuning GU 96913-3911

We are providing this letter in connection with your audits of the statements of net position of the Federated States of Micronesia Petroleum Corporation (the Company) and its discretely presented component unit, together a component unit of Federated States of Micronesia (FSM) National Government, as of December 31, 2012 and 2011 and the related statements of revenues, expenses and changes in net positions and of cash flows for the years then ended and for the period from inception (February 10, 2012) to December 31, 2012, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with GAAP;

b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements;

c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud;

d. Establishing and maintaining effective internal control over financial reporting; and

e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of financial statements was a matter of convenience rather than necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. In addition, we concur with the adjusting entries included in Appendix B.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:

   a. Net position components (invested in capital assets, net of related debt; restricted and unrestricted) are properly classified and, if applicable, approved;

   b. Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis;

   c. Revenues are appropriately classified in the statement of activities;

   d. Deposits are properly classified in category of custodial credit risk;

   e. Capital assets, including infrastructure assets, are properly capitalized and reported, and, if applicable, depreciated;

   f. Required supplementary information is measured and presented in prescribed guidelines; and

   g. Applicable laws and regulation are followed in adopting, approving and amending budgets.

2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The Company has provided you:

   a. Contracts and grant agreements (including amendments, if any);

   b. Financial records and related data for all financial transaction of the Company. The records, books and accounts, as provided to you, record the financial and fiscal operations of the Company and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared; and

   c. Resolutions and minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Board meetings were held on the following dates:

      - February 7 to 10, 2012
      - May 9 to 12, 2012
      - October 9 to November 1, 2012
      - December 3 to 6, 2012
      - February 4 to 8, 2013

4. There have been no:

   a. Actions taken by the Company's management that contravenes the provisions of federal laws and FSM laws and regulations; and

   b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are

regarded as more than clearly trivial are attached as Appendix C. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.

7. The Company has not performed a risk assessment, including the assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. However, management has made available to you its understanding about the risks of fraud in the Company and does not believe that the consolidated financial statements are materially misstated as a result of fraud.

8. We have no knowledge of any fraud or suspected fraud affecting the Company involving:

   a. Management

   b. Employees who have significant roles in the Company's internal control over financial reporting

   c. Others, if the fraud could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others.

10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*).

11. Significant assumptions used by us in making accounting estimates are reasonable.

12. During the year 2012, the Company implemented the following pronouncements:

    - GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.

    - GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

    - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

13. In December 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this

statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Company.

14. In April 2012, GASB issued Statement No. 66, Technical Corrections - 2012, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the Company.

15. In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Company.

16. There are no reportable conditions including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Company's ability to initiate, record, process, and report financial information.

17. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Company's ability to initiate, record, process, and report financial information.

18. We are aware of our requirements to disclose to you any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting and we advise you that no such changes have occurred.

19. Management has identified and disclosed to you all laws and regulations that have direct and material effect on the determination of financial statement amounts.

20. We believe that we are not subject to 21 percent income tax assessed by the government of FSM on major corporations and are in the process of obtaining a written legal opinion.

Except where otherwise stated below, immaterial matters less than $157,200 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

21. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

22. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

23. Regarding related parties:

    a. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware

    b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

24. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

25. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

26. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

    b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you.

27. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in note 5 to the financial statements.

28. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

29. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Company and do not include any items consigned to it or any items billed to customers.

30. We believe that all expenditures that have been deferred to future periods are recoverable.

31. At December 31, 2012 and 2011, construction in-progress of $5,320,502 and $2,456,104, respectively, represent capitalizable costs incurred on ongoing projects.

32. The Company purchases commercial insurance to cover its potential risks from refueling operations, inventory and facilities. It also maintains workmen's compensation coverage. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

33. The Company has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.

34. No department or agency of the Company has reported a material instance of noncompliance to us.

35. No events have occurred after December 31, 2012, but before June 26, 2013, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.

Jared Morris
Chief Executive Officer

Mathias Lawrence
Chief Financial Officer

FSM Petroleum Corporation
December 31, 2012 Audit

Appendix A

Description of Misstatement	Indicate if Known or Likely Misstatement	Account Balance	Assets	Liabilities	Equity	Income	TOTAL
Current-Period Uncorrected Misstatements							
PAJE <1> To record in 2012 LTFV prepayment, cut off and included in 2013							-
	Known	(DR) Prepayment	62,733				62,732.92
	Known	(DR) Consignment payable - LTFV		62,733			(62,732.92)
PAJE <2> To record net understatement of inventory based on test counts and rollforward							-
	Known	(DR) Inventory	42,782				42,782
	Known	(CR) Cost of goods sold				42,782	(42,782)
PAJE <3> To record net understatement of inventory based on inventory costs tests							-
	Known	(DR) Inventory	48,071				48,071
	Known	(CR) Cost of goods sold				48,071	(48,071)
Total Misstatements			153,586	- - 62,733	- -	- 90,853	(0)

Mathias Lawrence
Chief Accounting Officer

FSM Petroleum Corporation
December 31, 2012 Audit

Appendix B

Description of Misstatement	Account Balance	Assets Dr.	Assets Cr.	Liabilities Dr.	Liabilities Cr.	Equity Dr.	Equity Cr.	Income Dr.	Income Cr.	TOTAL
Current-Period Corrected Misstatements										
RJE <1> To reclassify for presentation purposes										-
	(DR) Fixed notes payable-noncurrent			587,629						587,629
	(CR) Fixed notes payable-current				587,629					(587,629)
AJE <2> To correct cut-off of inventory and sales										-
	(DR) Inventory	39,585								39,585
	(CR) Cost of goods sold								39,585	(39,585)
AJE <7> To record capitalizable interest										-
	(DR) CIP	137,385								137,385
	(CR) Interest expense								137,385	(137,385)
AJE <10> To adjust unrecorded inventory										-
	(DR) Inventory	94,172								94,172
	(CR) Cost of goods sold								94,172	(94,172)
AJE <11> To record cash under FSMPC's name										-
	(DR) Cash	70,532								70,532
	(CR) Due to Vital Energy Guam				70,532					(70,532)
CAJE <1> To record book reconciling adjustments in checking										-
	(DR) Cash - checking account	155,690								155,690
	(CR) Customer credit balance				155,690					(155,690)
CAJE <3> To record adjustments to fixed assets										-
	(DR) Depreciation expense							46,913		46,913
	(DR) Supplies expense							2,451		2,451
	(DR) Computer hardware/software equpt	8,836								8,836
	(CR) Accumulated depreciation		46,913							(46,913)
	(CR) CIP - Corp		9,065							(9,065)
	(CR) Office equipment		2,222							(2,222)
CAJE <4> To correct PY transfers from CIP to FA										-
	(DR) Property plant/building	86,479								86,479
	(CR) CIP - PNI		86,479							(86,479)
CAJE <5> To record PY AJE										-
	(DR) Property plant/building	3,139								3,139
	(DR) Machinery and equipment	5,165								5,165
	(CR) CIP - PNI		3,139							(3,139)
	(CR) CIP - YAP		5,165							(5,165)

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CAJE <6> To close out CIP to FA									-
(DR) Tanks	474,898								474,898
(DR) Machinery and equipment	201,628								201,628
(DR) Motor vehicles	152,940								152,940
(DR) Computer hardware/software equpt	55,426								55,426
(CR) CIP - PNI		627,838							(627,838)
(CR) CIP - KOS		201,628							(201,628)
(CR) CIP - CORP		55,426							(55,426)
CAJE <8> To disaggregate corp exp									-
(DR) Various expense							1,448,085		1,448,085
(CR) Corporate expense allocation								1,448,085	(1,448,085)
CAJE <9> To provide allowance for lubricants									-
(DR) Slow moving inventory expense							50,587		50,587
(CR) Allowance for slow moving inventory		50,587							(50,587)
CAJE <12> To adjust CIP - Energy for Life									-
(DR) Other professional fees							214,022		214,022
(CR) CIP		214,022							(214,022)
Total Misstatements Adjusted	1,485,874	1,302,483	587,629	813,851	-	-	1,762,057	1,719,226	0

Mathias Lawrence
Chief Accounting Officer

FSM Petroleum Corporation
December 31, 2012 Audit

Appendix C

Disclosure Title		Description of Disclosure Misstatement	Authoritative Literature Guidance	Amount of Disclosure Misstatement (if applicable)
1	Related Party Transactions	Rental agreement of Shina Lawrence, wife of Matthias Lawrence, with Elizabeth Llavore, for her apartment. FSMPC pays for the rental consideration as employee benefit	If the enterprise fund has engaged in material related party transactions, the notes should disclose the terms of the transactions and the balance of related receivables not visible on the face of the basic financial statements.	7,200
2	Related Party Transactions	Purchase of LPG from a director' personal business		-

Mathias Lawrence
Chief Accounting Officer