VORTEX RESOURCES CORP.
Form 10-K
April 15, 2009

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-KSB

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008
OR

o TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________to_________________

Commission File Number 001-12000

VORTEX RESOURCES CORP.
(Name of small business issuer as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3696015 (I.R.S. Employer Identification No.)

9107 Wilshire Blvd., Suite 450, Beverly Hills, CA 90210
(Address of principal executive offices)

Issuer's telephone number, including area code: (310) 461-3559

Issuer's facsimile number, including area code: (310) 461-1901

Securities registered under Section 12(g) of the Exchange Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, par value $.001 per share	OTC BB
Preferred Stocks Series B par value $0.001 Per share	OTC BB

Check whether the issuer is not required to file reports pursuant to Section 13 or 15 (d) of the Exchange Act. o

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes o No x

The registrant's total revenues for the year ended December 31, 2008 were $0.

The aggregate market value of the registrant's common stock (the only class of voting stock) held by non-affiliates of the Company as of April 14, 2009 was $5,889,256 based on the closing price of the registrant's common stock on such date of $0.625 as reported by the Over the Counter Bulletin Board.

At April 15, 2009, 97,884,347 shares of common stock were outstanding of which 9,422,809 were held by non-affiliates of the Company (said number of shares is post reverse split of 1:100 that became effective on February 24, 2009).

Transitional Small Business Disclosure Format (check one): Yes o No o

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ITEM 1. DESCRIPTION OF BUSINESS

History of Business

Vortex Resources Corp, formerly known as (“f/k/a”) Euroweb International Corp. and Emvelco Corp., is a Delaware corporation and was organized on November 9, 1992. It was a development stage company through December 1993. Vortex Resources Corp. and its consolidated subsidiaries are collectively referred to herein as “Vortex” or the “Company”. Vortex’s business that was first implemented in 1997 was identifying, developing and operating companies within emerging industries for the purpose of consolidation and sale if favorable market conditions exist. Through December 31, 2007, the Company invested in the real estate development, and in the financing business through Emvelco RE Corp. (“ERC”) and its subsidiaries in the United States of America (“US”) and in Europe. The Company commenced operations in the investment real estate industry through the acquisition of an empty, non-operational, wholly-owned subsidiary ERC, which was acquired in June 2006. Primary activity of ERC included investment, development and subsequent sale of real estate, as well as investment in the form of loans provided to, or ownership acquired in, property development companies, directly or via majority or minority owned affiliates. The Company’s headquarters are located in Beverly Hills, California.

Through its subsidiaries and series of agreements with ERC, the Company developed and sold in 2007 three properties in the Los Angeles vicinity. The balance of the Company real estate interests were sold during 2008. The Company does not have currently any further properties in the real estate industry.

In 2008, the Company changed or amended its business model to focus on the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders. Effective August 19, 2008, the Company changed its name to Vortex Resources Corp., which was accomplished by merger of a wholly owned subsidiary into the Company with the Company being the survivor entity. On May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the “DCG Agreement”) with Davy Crockett Gas Company, LLC (“DCG”) and its members (“DCG Members”). Pursuant to the DCG Agreement, the Company acquired and the DCG Members sold, 100% of the outstanding membership in DCG. DCG is a limited liability company organized under the laws of the State of Nevada and headquartered in Bel Air, California. As a newly formed designated LLC, DCG holds certain development rights for gas drilling in Crockett County, Texas. DCG has entered into the final DCG Agreement with the Company, which provided that the members sold all of their membership units to the Company in exchange for 50 million preferred shares of the Company. The sales price was $50 million, as calculated by the 50 million shares at an agreed price of $1.00

The Company elected to move from The NASDAQ Stock Market to the OTCBB to reduce, and more effectively manage, its regulatory and administrative costs, and to enable Company’s management to better focus on its business of developing the natural gas drilling rights recently acquired in connection with the acquisition of DCG.

DCG, a wholly owned subsidiary is a limited liability company and was organized in Nevada on February 22, 2008. The Company’s members’ capital accounts consist of 10,000 units. As of December 31, 2008, 10,000 member’s units are issued and outstanding. DCG has obtained drilling rights from a third party in Wolfcamp Canyon Sandstone Field in West Texas and entering the natural gas production & exploration, drilling, and extraction business. DCG has the option to purchase rights on up to 180 in-fill drilling locations on about specific 3,600 acres, based on a 20 acres spacing. The field was first developed in the 1970s on a 160 acre well spacing and was later reduced based on a small radius of the wells drainage. The spacing has subsequently been reduced to 40 acres, 20 acres, and 10 acres accordingly. DCG’s drilling program is based on 20 acres spacing.

DCG has obtained a current reserve evaluation report from an independent engineering firm, which classifies the gas reserves as “proven undeveloped”. According to the independent well evaluation, each well contains approximately 355

MMCF (355,000 cubic feet) of recoverable natural gas.

As a result of the series of these reverse merger transactions described above, the Company's ownership structure at December 31, 2008 is as follows (designated for sale – see subsequent events):

100% of DCG – discontinued operations
50% of Vortex Ocean One, LLC
7% of Micrologic, (Via EA Emerging Ventures Corp)
100% of 610 N. Crescent Heights, LLC and 50% of 13059 Dickens, LLC – both properties divested

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for at least one year and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Vortex Strategy

2008 - INVESTMENTS AND DEVELOPMENT OF RESOURCES

In 2008, the Company changed or amended its business model to focus on the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders. Effective August 19, 2008, the Company changed its name to Vortex Resources Corp., which was accomplished by merger of a wholly owned subsidiary into the Company with the Company being the survivor entity. On May 1, 2008, the Company entered into the DCG Agreement with DCG and divested during 2008 its real estate interests.

Although the Company primarily focuses on the operation and development of its core businesses, the Company pursues consolidations and sale opportunities as presented in order to develop its core businesses as well as outside of its core business. The Company may invest in other unidentified industries that the Company deems profitable. If the opportunity presents itself, the Company will consider implementing its consolidation strategy with its subsidiaries and any other business that it enters into a transaction. However, except as set forth below, the Company does not presently have any plans, proposals or arrangements to redeploy its remaining capital funds or engage in any specific acquisitions. The Company has not yet identified any additional specific industries in which to invest, other than disclosed on subsequent events, which are part of this filing.

On January 20, 2009, the Company entered into a Term Sheet (the "Term Sheet") with Yasheng Group ("Yasheng") a group of companies engaged in the agriculture, chemicals and biotechnology businesses in the Peoples Republic of China and the export of such products to the United States, Canada, Australia, Pakistan and various European Union countries. Yasheng is also developing a logistics centre and eco-trade cooperation zone in California (the "Project"). Yasheng purchased 80 acres of property located in Victorville, California (the "Project Site") to be utilized for the Project. It is intended that the Project will be implemented in two phases, first, the logistic centre, and then the development of an eco-trade cooperation zone. The preliminary budget for the development of the Project is estimated to be approximately $400M. As set forth in the Term Sheet, Yasheng has received an option to merge all or part of its assets as well as the Project into the Company. As an initial stage, Yasheng will contribute the Project Site to the Company which will be accomplished through either the transferring title to the Project Site directly to the Company or the acquisition of the entity holding the Project Site by the Company. As consideration for the Project, the Company will issue Yasheng 130,000,000 shares of common stock (on a post reverse split basis). In addition, the Company will be required to issue Capitol Properties, an advisor, 100,000,000 shares of common stock (on a post reverse split basis). At the second stage, if Yasheng exercises its option within its sole discretion, it may merge additional assets that it owns into the Company in consideration for shares of common stock of the Company. In the event that Yasheng exercises this option, the number of shares to be delivered by the Company will be calculated by dividing the value of the assets by the volume weighted average price for the ten days preceding the closing date. The value of the assets contributed by Yasheng will be based upon the asset value set forth in its audited financial statements. On March 2009, the Company and Yasheng entered into an amendment of the Term Sheet (the

"Amendment"), pursuant to which the parties agreed to explore various areas including an alliance with third parties, a joint venture with various Russian agencies floating nuclear power plants and the lease of an existing logistics center in Inland Empire, California; in accordance with the Amendment, the Company, as an advance issuance, has agreed to issue 50,000,000 shares to Yasheng and 38,461,538 shares to Capitol in consideration for exploring the above ventures

The above transaction is subject to the drafting and negotiation of a final definitive agreement, performing due diligence as well as board approval of the Company. As such, there is no guarantee that the Company will be able to successfully close the above transaction.

Due to current issues in the development of the oil and gas project in Crockett County, Texas, the board obtained a current reserve report for the Company's interest in DCG and Vortex One, which report indicated that the DCG properties as being negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property and/or desert the project in its entirety.

2007 - INVESTMENTS AND REAL ESTATE DEVELOPMENT IN THE UNITED STATES OF AMERICA

In June 2006, the Company commenced its financial investments in the real estate industry through the acquisition of ERC. ERC was a shell corporation with no operations seeking opportunities in the real estate industry. Based on the parameters set by the Board of Directors, ERC's opportunities were limited as follows:

- any investment in the real estate opportunity (the "Proposed RE Investment"), including loans, shall not exceed a planned period of three years;

- the expected return on investment on the Proposed real estate Investment must be a minimum of 15% per year;

- the Proposed RE Investment shall not be leveraged in excess of more than $1.50 for each $1.00 invested in equity; and

- each Proposed RE Investment shall have a clear exit strategy (i.e. purchase, development and sale) and no Proposed RE Investment will be intended to acquire income producing real estate.

OTHER INVESTMENTS

EA Emerging Ventures Corp. ("EVC").

On August 30, 2006, the Company entered into an agreement by and between the Company and Ashfield Finance LLC ("Ashfield"), a Delaware limited liability company to form, develops and initially funds EVC, a Nevada Corporation. The agreement was developed for the purpose of identifying Electronic Design Automation ("EDA") and IT development projects, as well as potential financing of real estate properties related thereto and other business ventures and investments. EVC was owned 50% by the Company and 50% by Ashfield. The Company shall provide the initial funds for implementation of the business purposes of the joint venture and shall be entitled to a first priority return on any proceeds or income received by EVC. Ashfield shall provide services in the area of business, finance and taxation advice and has entered into a Consulting Agreement with EVC regarding these services. In consideration for such services, Ashfield shall receive its 50% interest as well as a payment of $10,000 per month. EVC is evaluated various projects, yet at the relevant time, had not presented the Company with a specific project for consideration. AS lack of vital project to EVC, the company and Ashfield amended their holdings, so the Company own 100% of EVC effective from inception. The company vested its holding in Micrologic via EVC.

Micrologic, Inc.

On October 11, 2006, as the first transaction in connection with the agreement with Ashfield (where Ashfield and EVC accepted no consideration) (see above), the Company entered into a Term Sheet that will be formally documented in a contract with associated exhibits, License Agreement and Warrants by and between the Company and Dr. Danny Rittman - a third party, in connection with the formation and initial funding of Micrologic, Inc. ("Micrologic"), a Nevada corporation, for the design and production of EDA applications and Integrated Circuit ("IC") design processes; specifically, the development and production of the NanoToolBox TM tools suite which shortens the time to market factor. NanoToolBox TM is a smart platform that is designed to accelerate IC's design time and shrink time to market factor. The Term Sheet provides for an initial investment by the Company of up to $1.0 million, with warrants to purchase additional equity for additional investment. Initially, the Company owned 25.1% and Dr. Rittman owned 74.9% of Micrologic, Inc. however, the Company has no influence over the operation of Micrologic.

The Company's interest in Micrologic has been consolidated as of January 1, 2007 in accordance with FIN46R, "Consolidation of Variable Interest Entities", due to Micrologic's sole reliance on the Company to finance its' ongoing business activities. Emvelco has exposure to a majority of the expected losses and/or expected residual returns of Micrologic. On November 15, 2007, the Company entered into a Settlement and Release Agreement and Amendment No. 1 (the "Amendment") to that certain Term Sheet Agreement (the "Agreement") which was entered into by and between Dr. Danny Rittman ("Rittman") and the Company and which the Amendment is entered into by and between the same parties. Pursuant to the Agreement, the Company was obligated to fund Micrologic $1 million and has funded $400,000 to date. Pursuant to the Amendment, the Company shall only be required to fund an additional $50,000 for a total investment of $450,000, and shall receive 100,000 shares of Micrologic (vested via EVC) represents about ten percent (10%) equity ownership in Micrologic, prior to further dilution.

The Amendment also contains a settlement and release clause releasing the parties from any further obligations to each other. As of December 31, 2007, the Company has consolidated the results of operation of Micrologic, however, pursuant to the Settlement and Release Agreement, the Company did not consolidate the balance sheet at December 31, 2007, nor will it consolidate future results of operations. During 2008, Micrologic raised about $1,500,000 in gross proceeds via private placement to third parties. Post the placement, the Company was diluted to about 6.161% holding with Micrologic, and to about 5.294% based on fully diluted basis per said placement.

DCG Transaction:

Based on series of agreements commonly known as "reverse merger" which were formalized on May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with Davy Crockett Gas Company, LLC ("DCG") and its members ("DCG Members"). Pursuant to the DCG Agreement, the Company acquired and the DCG Members sold, 100% of the outstanding membership in DCG. DCG is a limited liability company organized under the laws of the State of Nevada and headquartered in Bel Air, California. DCG held certain development rights for gas drilling in Crockett County, Texas. DCG has entered into the final DCG Agreement with the Company, which provided that the members sold all of their membership units to the Company in exchange for 50 million preferred shares of the Company. The sales price was $50 million, as calculated by the 50 million shares at an agreed price of $1.00.

Based on a new current reserve report (see supplemental information on gas and oil – financial statements), in lieu of the world economy turmoil and in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" - goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management evaluates the recoverability of goodwill by comparing the carrying value of the Company's reporting units to their fair value. Fair value is determined based a market approach. For the year ended December 31, 2008, an analysis was performed on the goodwill associated with the investment in DCG, and impairment was charged against the P&L for approximately $35.0 million.

Vortex Ocean One, LLC

On June 30, 2008, the Company formed a limited liability company with Tiran Ibgui, an individual ("Ibgui"), named Vortex Ocean One, LLC (the "Vortex One"). The Company and Ibgui each own a fifty percent (50%) membership interest in Vortex One. The Company is the Manager of the Vortex One. Vortex One has been formed and organized to raise the funds necessary for the drilling of the first well being undertaken by the Company's wholly owned subsidiary DCG (as reported on the Company's Form 8-Ks filed on May 7, 2008 and May 9, 2008 and amended on June 16, 2008). The Company and Ibgui entered into a Limited Liability Company Operating Agreement which sets forth the description of the membership interests, capital contributions, allocations and distributions, as well as other matters relating to Vortex One. Mr. Ibgui paid $525,000 as cash consideration for his 50% ownership in Vortex One and the Company issued 525,000 common shares at an establish $1.00 per share price for its 50% ownership in Vortex One. In essence the agreements between the Company and Ibgui, allow him to recover his cash investment based on obtaining 80% from any future proceeds from specific 4 wells, and then after Ibgui has retained his investment, the parties would share future income based on 50/50 split. Mr. Ibgui was also granted security in form of mortgage 4 wells, until he recovered his investment in full. In October and November 2008, the Company entered into settlement arrangements with Mr. Ibgui, whereby the Company agree to transfer the 525,000 common shares previously owned by Vortex, as well as pledging its interests with the 4 wells.

Due to current issues in the development of the oil and gas project in Crockett County, Texas, the board obtained a current reserve report for the Company's interest in DCG and Vortex One, which report indicated that the DCG properties as being negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property and/or desert the project in its entirely. On October 29, 2008, the Company entered into a settlement arrangement with Mr. Ibgui, whereby the Company agreed to transfer the 525,000 common shares previously owned by Vortex One to Mr. Ibgui. Further, in February 28, 2009, Ibgui, as the secured lender to Vortex One, directed Vortex One to assign the term assignments with 80% of the proceeds being delivered to Ibgui, as secured lender, and 20% of the proceeds being delivered to the Company - as per the original agreement.

The transaction closed on February 28, 2009 in consideration of a cash payment in the amount of $225,000, a 12 month promissory note in the amount of $600,000 and a 60 month promissory note in the amount of $1,500,000. Mr. Ibgui paid $25,000 fee, and from the net consideration of $200,000 Mr. Ibgui paid the Company its 20% portion of $40,000 on March 3, 2009. No relationship exists between Ibgui, the assignee of the leases and the Company and/or its affiliates, directors, officers or any associate of an officer or director.

Crescent Heights and Dickens LLC

The Company formed and organized 610 N Crescent Heights LLC and 13059 Dickens LLC, for the purpose of developing two separate single family homes for future sales.. The Company owns 100% of subsidiary 610 N. Crescent Heights, LLC, which is located in Los Angeles, CA. On April 2008, the Company obtained Certificate of Occupancy from the City of Los Angles, and listed the property for sale at selling price of $2,000,000. At September 30, 2008, the Company sold the property for the gross sale price of $1,990,000. The Company has resolved to discontinue its real estate operations. (Note 10)

The Company owns 50% of 13059 Dickens, LLC, as reported by the Company on Form 8-K on December 21, 2007, through a joint venture with a third party at no cost to the Company. As all balances due under this venture is via All Inclusive Trust Deed, and in lieu of the Company new strategy, the Company entered advanced negotiations with regards to selling its interest to the other party at no cost to the Company, or liability, by conveying back title of said property, and releasing the Company from any associated liability. As of September 30, 2008, the project was sold back to the third party, by reversing the transaction, at no cost to the Company.

We formed and organized 13059 Dickens LLC, a California limited liability company (the "Dickens LLC") on November 20, 2007 to purchase and develop that certain property located at 13059 Dickens Street, Studio City, California 91604 (the "Dickens Property"). On December 5, 2007, the Dickens LLC entered into an All Inclusive Deed of Trust, All Inclusive Promissory Note in the principal amount of $1,065,652.39, Escrow Instructions and Grant Deed in connection with the purchase of the Dickens Property. Pursuant to the All Inclusive Deed of Trust and All Inclusive Promissory Note, the Dickens LLC purchased the Dickens Property for the total consideration of $1,065,652.39 from Kobi Louria ("Seller"), an unrelated third party and fifty percent (50%) owner of the Dickens LLC. The Company and Seller formed the Dickens LLC to own and operate the Dickens Property and to develop a single family residence at the location. The Dickens LLC is owned 50/50 by the Company and Seller.

History of Acquisitions and Dispositions - ISP and IT industry

The Company participated in the ISP market in Central Europe through various acquisitions of companies in that geographic area. In 2005, the scope of the Company's business activity was changed by the decision to sell the Company's operations in the ISP market and furthermore by the acquisition of Navigator, a company active in the IT services industry. In 2007, the Board also approved the exit from IT service industry, and completed the exit with the sale of Navigator. Currently, the Company has no operations in Hungary. A history of the Company's acquisitions and disposals within the ISP and IT industry are presented below.

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Hungary

On January 2, 1997, the Emvelco acquired all of the outstanding stock of three Hungarian ISPs for a total purchase price of approximately $1,785,000, consisting of 28,800 shares of common stock of the Company and $1,425,000 in cash (collectively, the "1997 Acquisitions"). The 1997 Acquisitions included the following:

- Eunet (Hungary Ltd.) for a cost of $1,000,000 in cash, and the assumption of $128,000 in liabilities;

- E-Net Hungary Telecommunications and Multimedia for a cost of $200,000 in cash and $150,000 in stock (12,000 shares); and

- MS Telecom Rt. for a cost of $225,000 in cash and $210,000 in stock (16,800 shares).

Subsequent to completion of these acquisitions, all three Hungarian companies were combined and merged into a new Hungarian entity, Euroweb Hungary. On November 22, 1998, the Company sold 51% of the outstanding shares of Euroweb Hungary to Pantel Rt. ("Pantel") for $2,200,000 in cash and an agreement to increase the share capital of Euroweb Hungary by $300,000 without changing the ownership ratio. In February 2004, the Company acquired the 51% of Euroweb Hungary that it had sold to Pantel. The consideration paid by the Company for the 51% interest comprised $2,105,000 in cash and a guarantee that Euroweb Hungary will purchase at least $3,000,000 worth of services from Pantel in each of the three years ending December 31, 2006. The purchase commitment was fulfilled by Euroweb Hungary. On June 9, 2004, the Company acquired all of the outstanding shares of Elender, an ISP located in Hungary that provides Internet access to the corporate and institutional (public) sector and, amongst others, 2,300 schools in Hungary. Consideration paid in the amount of $9,350,005 consisted of $6,500,000 in cash and 677,201 of the Company's shares of common stock, valued at $2,508,353 excluding registration cost, and $391,897 in transaction costs (consisting primarily of professional fees incurred related to attorneys, accountants and valuation advisors). Under the terms of this agreement, the Company placed 248,111 unregistered shares of newly issued stock (in the name of the Company) with an escrow agent as security for approximately $1.5 million loans payable to former shareholders of Elender. The shares will be returned to the Company from escrow once the outstanding loans have been fully repaid. However, if there is a default on the outstanding loan, then the shares will be issued to the other party and the Company is then obliged to register the shares. As of December 31, 2005, the Company repaid all of the loans that were outstanding. In January 2006, the Company acquired and subsequently cancelled the shares that were put into escrow.

On October 7, 2005, the Company acquired all of the outstanding shares of Navigator, a Hungary-based provider of IT outsourcing, applications development and IT consulting services. Consideration paid in the amount of $10,760,772 consisted of $8,500,000 in cash and 441,566 shares of the Company's common stock valued at $1,752,134 excluding registration cost, and $508,638 in transaction costs (consisting primarily of professional fees incurred related to attorneys, accountants and valuation advisors). On December 19, 2005, the Company entered into a share purchase agreement with Invitel for the sale of Euroweb Hungary and Euroweb Romania. The purchase price for the subsidiaries specified in the share purchase agreement was approximately $30 million. As part of the closing, approximately $6 million of the cash proceeds paid by Emvelco were paid to Euroweb Hungary in exchange for the 85% ownership of Navigator currently held by Euroweb Hungary. This cash was used by Euroweb Hungary for the repayment of an approximately $6 million bank loan obtained for the acquisition of Navigator. The closing of the sale of Euroweb Hungary and Euroweb Romania occurred on May 23, 2006. On February 16, 2007, the Company completed the disposal of Navigator. The purchase price paid to the Company is $3,200,000 in cash and the transfer to the Company of 622,531 shares of the Company. On May 3, 2007 the Company surrendered 622,531 stock certificates together with stock powers to American Stock Transfer & Trust Company, the Company's transfer agent for cancellation and return to Treasury.

Romania

On May 19, 2000, the Company purchased all of the Internet related assets of Sumitkom Rokura, S.R.L., an ISP in Romania, for $1,561,125 in cash. The acquisition was accounted for as an asset purchase with a value of $1,150,000 being assigned to the customer lists acquired. On June 14, 2000, the Company acquired all of the outstanding shares of capital stock of Mediator S.A., an ISP in Romania for $2,040,000 in cash and the assumption of a $540,000 liability to the former owner payable in annual installments of $180,000, commencing on June 1, 2001. Goodwill arising on this purchase was $2,455,223. Immediately after the purchase, the name of this company was changed to Euroweb Romania. This acquisition was effective as of July 1, 2000. On December 19, 2005, The Company entered into a share purchase agreement with Invitel for the sale of Euroweb Hungary and Euroweb Romania. The purchase price for the subsidiaries specified in the share purchase agreement was approximately $30 million. As part of the closing, approximately $6 million of the cash proceeds paid by Emvelco were paid to Euroweb Hungary in exchange for the 85% ownership of Navigator currently held by Euroweb Hungary. This cash was used by Euroweb Hungary for the repayment of an approximately $6 million bank loan obtained for the acquisition of Navigator. The closing of the sale of Euroweb Hungary and Euroweb Romania occurred on May 23, 2006.

History of Acquisitions and Dispositions - Financial Investment and Real Estate Industry

On June 11, 2006, the Company commenced operations in the financial aspects of the real estate industry through the acquisition of a non-operational, wholly-owned subsidiary, ERC, which was acquired for a stock purchase price totally $1,000. The primary activity of ERC includes development and subsequent sale of real estate, as well as investment in the form of loans provided to, or ownership acquired in, property development companies, directly or via majority or minority owned affiliates. In the third quarter of 2006, ERC acquired the following non-operational asset holding companies: 51% in Huntley for a purchase price of $510, 66.67% of Stanley for a purchase price $667 and 100% of Lorraine for a capital contribution of $1,000. On December 31, 2006, The Company and its wholly-owned subsidiary ERC entered into an Exchange Agreement with Verge and its sole shareholder, TIHG. The Exchange Agreement closed on December 31, 2006. Pursuant to the Exchange Agreement, ERC issued 1,308 new shares to TIHG in exchange for 100% of the outstanding securities of Verge, resulting in TIHG having voting control over ERC. Subsequent to the exchange, The Company owned 43.33% of ERC, while TIHG owned the remaining 56.67%. Verge became a wholly-owned subsidiary of ERC.

On May 14, 2007, pursuant to the Stock Transfer Agreement, the Company transferred and conveyed its 1,000 Shares (representing a 43.33% interest) in ERC to TIHG to submit to ERC for cancellation and return to Treasury. ERC, TIHG and Verge agreed to assign to the Company all rights in and to the Investment Agreement. On October 15, 2007, The Company delivered that certain Notice of Exercise of Options (“Notice”) to ERC, TIHG, Verge and Darren C. Dunckel, individual, President of ERC and/or representative of the foregoing parties. Pursuant to the Notice, The Company, subject to performance under the Upswing Agreement (see below) intends to exercise its option (the “Verge Option”) to purchase a multi-use condominium and commercial property in Las Vegas, Nevada, via the purchase and acquisition of all outstanding shares of common stock of Verge. The Verge Option was exercisable in the amount of $5,000,000 payable in cash, but in no event is the option exercisable prior to Verge breaking ground, plus conversion of $10,000,000 loans given to Verge into Equity as consideration for 75,000 shares of Verge. Pursuant to the Notice, the Company, subject to performance under the Upswing Agreement, exercised its option (the “Sitnica Option”) to purchase ERC’s derivative rights and interest in Sitnica d.o.o. through ERC’s holdings (one-third (1/3) interest) in AP Holdings Limited (“AP Holdings”), a company organized under the Companies (Jersey) Law 1991, which equates to a one-third interest in Sitnica d.o.o. (excluding ERC’s interest in AP Holdings). The Sitnica Option to be exercised in the amount of $4,000,000, payable by reducing the outstanding loan amount owing to the Company under the Investment Agreement by $3,550,000 and reducing the Company’s deposit with Shalom Atia, Trustee of AP Holdings, by $450,000. Based on the actual closing and exchange of shares with AGL, where Sitnica became fully owned subsidiary of AGL, the Company did not exercise its Sitnica option.

Based on series of agreements commencing June 5, 2007 and following by July 23, 2007 (as reported on the Company’s Form 8-K filed June 11, 2007), the Company, the Company’s chief executive officer Yossi Attia, and Darren Dunckel - CEO of ERC and Verge (collectively, the “Investors”) entered into an Agreement (the “Upswing Agreement”) with a third party, Upswing, Ltd. (also known as Appswing Ltd., hereinafter referred to as “Upswing”). Pursuant to the Upswing Agreement, the Investors intend to invest in an entity listed on the Tel Aviv Stock Exchange – the Atia Group Limited, f/k/a Kidron Industrial Holdings Ltd (““AGL”). In addition, the Investors intend to transfer rights and control of various real estate projects to AGL. The Investors and AGL then effected a transaction, pursuant to which the Investors and/or the Investors’ affiliates acquired about 76% of the AGL in consideration of the transfer of the rights to the various real estate projects (including Verge) to AGL (the “Transaction”). Upswing, among other items, advised the Investors on the steps necessary to effectuate the contemplated transfer of real estate project rights to AGL. Pursuant to the Notice, the Company, subject to performance under the Upswing Agreement, intended to exercise its option (the “Sitnica Option”) to purchase ERC’s derivative rights and interest in Sitnica d.o.o. through ERC’s holdings (one-third (1/3) interest) in AP Holdings Limited (“AP Holdings”), a company organized under the Companies (Jersey) Law 1991, which equates to a one-third interest in Sitnica d.o.o. (excluding ERC’s interest in AP Holdings). The Sitnica Option was exercisable in the amount of $4,000,000, payable by reducing the outstanding loan amount owing to the Company under the Investment Agreement by $3,550,000 and reducing the Company’s deposit with

Shalom Atia, Trustee of AP Holdings, by $450,000. On October 15, 2007, The Company delivered that certain Notice of Exercise of Options ("Notice") to ERC, TIHG, Verge and Darren C. Dunckel, individual, President of ERC and/or representative of the foregoing parties. Pursuant to the Notice, Emvelco, subject to performance under the Upswing Agreement, intends to exercise its option (the "Verge Option") to purchase a multi-use condominium and commercial property in Las Vegas, Nevada, via the purchase and acquisition of all outstanding shares of common stock of Verge. The Verge Option was exercisable in the amount of $5,000,000 payable in cash, but in no event is the option exercisable prior to Verge breaking ground, plus conversion of $10,000,000 loans given to Verge into Equity as consideration for 75,000 shares of Verge. The transaction was closed on November 2, 2007. Upon closing, Verge became a fully owned subsidiary of AGL and the Company owned 58.3% of AGL and consolidates AGL's results in its 2007 financial statements.

As part of the AGL closing, the Company undertook to indemnify the AGL in respect of any tax to be paid by Verge, deriving from the difference between (a) Verge's taxable income from the Las Vegas project, up to an amount of $21.7 million and (b) the book value of the project in Las Vegas for tax purposes on the books of Verge, at the date of the closing of the transfer of the shares of Verge to the Company. Accordingly, the amount of the indemnification is expected to be the amount of the tax in respect of the aforementioned difference, up to a maximum difference of $11 million. The Company believes it as no exposure under said indemnification. Atia Project undertook to indemnify AGL in respect of any tax to be paid by Sitnica, deriving from the difference between (a) Verge's taxable income from the Samobor project, up to an amount of $5.14 million and (b) the book value of the project in Samobor for tax purposes on the books of Sitnica, at the date of the closing of the transfer of the shares of Sitnica to the Company. Accordingly, the amount of the indemnification is expected to be the amount of the tax in respect of the aforementioned difference, up to a maximum difference of $0.9 million. The Atia Project undertook to bear any additional purchase tax (if any is applicable) that Sitnica would have to pay in respect of the transfer of the contractual rights in investment real estate in Croatia, from the Atia Project to Sitnica. On April 29, 2008, the Company entered into Amendment No. 1 ("Amendment No. 1") to that certain Share Exchange Agreement between the Company and Trafalgar Capital Specialized Investment Fund, ("Trafalgar"). Amendment No. 1 states that due to the fact that the Israeli Securities Authority ("ISA") delayed the issuance of the Implementation Shares issuable from the Atia Group to Trafalgar, that the Share Exchange Agreement shall not apply to 69,375,000 of the Implementation Shares issuable under the Committed Equity Facility. All other terms of the Share Exchange Agreement remain in full force and effect.

The above transactions were closed on November 2, 2007. Upon closing, Verge and Sitnica became fully owned subsidiaries of AGL and the Company owns 58.3% of AGL and consolidates AGL's results in 2007 financial statements.

Disposal of Atia Group LTD shares: On August 19, 2008 the Company entered into a final fee agreement with C. Properties Ltd. ("Consultant"), where the Company had to pay Consultant certain fees in accordance with the agreement entered into with the Consultant, the Consultant had agreed that, in lieu of cash payment, it would receive an aggregate of up to 734,060,505 shares of stock of the Atia Group Ltd. (the "Atia Shares"). The Consultant was not advised on the restructuring of the acquisition of DCG by the Company and in order to compensate the Consultant and avoid any potential litigation, the Company has agreed to waive the production requirements set forth in the Consultant Agreement and transfer all of the Atia Shares immediately which such transfer shall be considered effective January 1, 2008. There was goodwill recorded in the transaction with AGL totaling $1.2 million as of December 31, 2007. Since this subsidiary was divested as of January 1, 2008 in compliance with the C Properties Agreement, this goodwill was impaired during the first quarter of 2008 and presented as a consulting, director and professional fees in the P&L

Based on the agreement, the Company disposed all its holdings in AGL effective January 1, 2008, and the company financials reflect such disposal.

Products and Services

Year 2008 Forward

In 2008, the Company changed amended its business model to focus on the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders.. Based on series of agreements commonly known as "reverse merger" which were formalized on May 1, 2008, the Company entered into the DCG Agreement with DCG and DCG Members. Pursuant to the DCG Agreement, the Company acquired 100% of the outstanding membership in DCG. DCG is a limited liability company organized under the laws of the State of Nevada and headquartered in Bel Air, California. As a newly formed designated LLC, DCG holds certain development rights for gas drilling in Crockett County, Texas – See more discussion of Oil & Gas as supplemental information included in this filling.

On January 20, 2009, we entered into a Term Sheet (the "Term Sheet") with Yasheng Group ("Yasheng") a group of companies engaged in the agriculture, chemicals and biotechnology businesses in the Peoples Republic of China and the export of such products to the United States, Canada, Australia, Pakistan and various European Union countries. Yasheng is also developing a logistics centre and eco-trade cooperation zone in California (the "Project"). Yasheng purchased 80 acres of property located in Victorville, California (the "Project Site") to be utilized for the Project. It is intended that the Project will be implemented in two phases, first, the logistic centre, and then the development of an eco-trade cooperation zone. The preliminary budget for the development of the Project is estimated to be approximately $400M.

As set forth in the Term Sheet, Yasheng has received an option to merge all or part of its assets as well as the Project into the Company. As an initial stage, Yasheng will contribute the Project Site to the Company which will be accomplished through either the transferring title to the Project Site directly to the Company or the acquisition of the entity holding the Project Site by the Company. As consideration for the Project, the Company will issue Yasheng 130,000,000 shares of common stock (on a post reverse split basis). On March 5, 2009, the Company and Yasheng implemented an amendment to the Term Sheet pursuant to which the parties agreed to explore further business opportunities including the potential lease of an existing logistics center located in Inland Empire, California, and/or alliance with other major groups complimenting and/or synergetic to the Vortex/Yasheng JV as approved by the board of directors on March 9, 2009. Further, in accordance with the amendment, the Company has agreed to issue 50,000,000 shares to Yasheng and 38,461,538 shares to Capitol in consideration for exploring the business opportunities, based on the pro-ration set in the January Term Sheet.

Year 2007

Upon completion of the sale of Navigator in February 2007 (which is presented as discontinued operations for the year ended December 31, 2006); the Company no longer operates within the IT outsourcing industry. The Company's business that was first implemented in 1997 is identifying, developing and operating companies within emerging industries for the purpose of consolidation and sale if favorable market conditions exist. Although the Company primarily focuses on the operation and development of its core businesses, the Company pursues consolidations and sale opportunities as presented in order to develop its core businesses as well as outside of its core business. Since June 2006, the Company has focused on the financial aspects of acquisition, development, management, rental and sale of commercial, multi-family and residential real estate properties located primarily the United States of America ("US") and Croatia. The Company is also engaged in investment and financing activities, as well as conducting real estate operations on its own properties. During 2007, the Company developed and sold three properties and as of December 31, 2007 the Company had two additional properties under development. In addition, the Company has entered into a term sheet and is conducting due diligence with respect an oil and gas oppurtunity.

Organization

Project management

The Company employs five full-time professionals including management personnel which are responsible for project management, bid-management and operations service management activities. Their main tasks involve creating business and interaction with subsidiaries and vendors.

Employees

As of April 15, 2009, the Company employed a total of five full-time employees, all of whom are in executive and administrative functions. We believe that our employee relations are good.

Competition

2007 - The real estate development business is highly competitive and fragmented. We competed with numerous real estate developers of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we made. Our dedication to customer satisfaction is evidenced by our consumer and value-based brand approach to product development, and we believe that this dedication distinguishes us in the homebuilding industry and would contribute to our long-term competitive advantage. The real estate industry in the United States, however, is highly competitive. In each of our market areas, there is numerous real estate developers with which we compete. We also compete with the resale of existing house inventory. Any provider of housing units, for-sale or to rent, including apartment builders, may be considered a competitor. Conversion of apartments to condominiums further provides certain segments of the population an alternative to traditional housing, as well as manufactured housing. We compete primarily on the basis of price, reputation, design, location and quality of our homes. The real estate industry is affected by a number of economic and other factors including: (1) significant national and world events, which impact consumer confidence; (2) changes in the costs of building materials and labor; (3) changes in interest rates; (4) changes in other costs associated with home ownership, such as property taxes and energy costs; (5) various demographic factors; (6) changes in federal income tax laws; (7) changes in government mortgage financing programs, and (8) availability of sufficient mortgage capacity. In addition to these factors, our business and operations could be affected by shifts in demand for new homes.

2008 - We believe the current market conditions for the energy sectors are less than adequate from the demand side as evidence by collapsing off mineral prices, especially oil and gas. Even though there is no sufficient growth in supply to meet the growing energy needs, the turmoil in the financial markets affected heavily the energy price. These trends are un-predicable by management, and maybe address by bigger corporations than that DCG hoped to capitalize on. Some of these opportunities include the consolidation and rationalization of global energy assets. The emergence of unconventional resources i.e. tight gas sands, shale gas, oil sands and coal bed methane to name a few. There are also niche opportunities in established producing regions in emerging markets. In the renewable and alternative energy segments investment opportunities are growing as a result of global trends that are influencing governmental policies. We operate in the highly competitive oil and gas areas of acquisition and exploration, areas in which other competing companies have substantially larger financial resources, operations, staffs and facilities. Such companies may be able to pay more for prospective oil and gas properties or prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit.

Sub-Prime Lending and World Economy Crisis

The mortgage credit markets in the U.S. have been experiencing difficulties as a result of the fact that many debtors are finding it difficult to obtain financing (hereinafter – the “Sub-prime crisis”). The sub-prime crisis resulted from a number of factors, as follows: an increase in the volume of repossessions of houses and apartments, an increase in the volume of bankruptcies of mortgage compa