

## **SMC ENTERTAINMENT, INC.**

### **FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets as of December 31, 2022 and 2021	F-3
Statements of Operations for the Years ended December 31, 2022 and 2021	F-4
Statement of Changes in Stockholders' Deficit for the Years ended December 31, 2022 and 2021	F-4
Statements of Cash Flows for the Years ended December 31, 2022 and 2021	F-6
Notes to Financial Statements	F-7

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**OLAYINKA OYEBOLA & Co.**  
Chartered Accountants

**Report of Independent Registered Public Accounting Firm  
To the shareholders and the board of directors of  
SMC Entertainment, Inc.**

***Opinion on the Financial Statements***

We have audited the accompanying balance sheets of **SMC Entertainment, Inc.** (the "Company") as of December 31, 2022, and 2021, and the related statements of operations, changes in shareholders' equity and cash flows, for the year ended December 31, 2022, and the related notes collectively referred to as the "financial statements". In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

***Going Concern***

The accompanying financial statements have been prepared assuming the company will continue as a going concern as disclosed in Note 3 to the financial statement, the Company has continuously incurred a net loss of \$(1,230,295) for the year ended December 31, 2022, a working capital deficit of \$(2,355,358) and an accumulated deficit of \$(16,000,004) at December 31, 2022. The continuation of the Company as a going concern through December 31, 2022, is dependent upon improving profitability and the continuing financial support from its stockholders. Management believes the existing shareholders or external financing will provide additional cash to meet the Company's obligations as they become due.

These factors raise substantial doubt about the company ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of the uncertainty.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

***Critical Audit Matters***

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole and we are not, by communicating the critical audit matters, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate. As of December 31, 2022, there are no critical audit matters to be communicated.

**OLAYINKA OYEBOLA & CO.**  
**(Chartered Accountants)**

We have served as the Company's auditor since March 2022.

**April 24th, 2023**  
**Lagos Nigeria**

**SMC ENTERTAINMENT, INC.**  
**BALANCE SHEETS**

	December 31, 2022	December 31, 2021
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 2,350	\$ 3,445
Receivable	300,000	—
Prepays and other current assets	6,000	—
Total Current Assets	<u>308,350</u>	<u>3,445</u>
Total Assets	<u>\$ 308,350</u>	<u>\$ 3,445</u>
<u>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 30,044	\$ 14,000
Accrued compensation	926,835	499,375
Due to related parties	15,625	15,625
Convertible notes and accrued interest	1,154,805	1,033,542
Derivative liability	536,399	2,215,981
Total Current Liabilities	<u>2,663,708</u>	<u>3,778,523</u>
Total Liabilities	<u>2,663,708</u>	<u>3,778,523</u>
Shareholders' Deficit:		
Series A Preferred stock, \$0.001 par value, 1,000,000 shares authorized; 990,346 shares issued and outstanding	990	990
Series B Preferred stock, \$10.00 par value, 4,500,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock \$0.001 par value, 1,450,000,000 shares authorized; 962,535,830 and 722,126,974 shares issued and outstanding, respectively	962,536	722,127
Common stock to be issued	23,500	68,450
Additional paid-in capital	12,657,620	10,203,064
Accumulated deficit	(16,000,004)	(14,769,709)
Total Stockholders' Deficit	<u>(2,355,358)</u>	<u>(3,775,078)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 308,350</u>	<u>\$ 3,445</u>

*The accompanying notes are an integral part of these financial statements.*

**SMC ENTERTAINMENT, INC.**  
**STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2022	2021
Operating Expenses:		
General and administrative	\$ 229,258	\$ 242,930
Compensation expense – related party	2,936,475	1,865,950
Total operating expenses	3,165,733	2,108,880
Loss from operations	(3,165,733)	(2,108,880)
Other income (expense):		
Interest expense	(64,144)	(107,708)
Change in fair value of derivative	1,679,582	1,343,636
Loss on issuance of derivative	—	(65,658)
Gain on extinguishment of debt	—	600,000
Other income	320,000	101,980
Total Other Income	1,935,438	1,872,250
Net Loss	\$ (1,230,295)	\$ (236,630)
Net loss per share	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding, basic and diluted	933,446,931	604,220,125

*The accompanying notes are an integral part of these financial statements.*

**SMC ENTERTAINMENT, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**For the Years Ended December 31, 2022 and 2021**

	Series A Preferred Stock		Common Stock		Additional	Common	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Stock to	Deficit	Stockholders'
						Be Issued		Deficit
Balance, December 31, 2020	990,346	\$ 990	346,626,974	\$ 346,627	\$ 8,157,328	\$ —	\$ (14,533,079)	(6,028,134)
Common stock issued for conversion of debt	—	—	80,500,000	80,500	625,236	—	—	705,736
Common stock issued for services – related party	—	—	245,000,000	245,000	1,385,000	68,450	—	1,698,450
Common stock issued for services	—	—	10,000,000	10,000	75,500	—	—	85,500
Common stock issued for acquisition	—	—	40,000,000	40,000	(40,000)	—	—	—
Net loss	—	—	—	—	—	—	(236,630)	(236,630)
Balance, December 31, 2021	990,346	990	722,126,974	722,127	10,203,064	68,450	(14,769,709)	(3,775,078)
Common stock issued for conversion of debt	—	—	72,000,000	72,000	59,040	—	—	131,040
Common stock issued for services – related party	—	—	190,000,000	190,000	2,283,925	(59,950)	—	2,413,975
Common stock issued for services	—	—	21,408,856	21,409	68,591	15,000	—	105,000
Common stock cancelled	—	—	(43,000,000)	(43,000)	43,000	—	—	—
Net loss	—	—	—	—	—	—	(1,230,295)	(1,230,295)
Balance, December 31, 2022	990,346	\$ 990	962,535,830	\$ 962,536	\$ 12,657,620	\$ 23,500	\$ (16,000,004)	\$ (2,355,358)

*The accompanying notes are an integral part of these financial statements.*

**SMC ENTERTAINMENT, INC.**  
**STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,	
	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (1,230,295)	\$ (236,630)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services – related party	2,413,975	1,698,450
Common stock issued for services	105,000	85,500
Gain on debt assumption	—	(600,000)
Change in fair value of derivative	(1,679,582)	(1,343,636)
Loss on issuance of derivative	—	65,658
Debt discount	4,600	—
Other income from agreement rescission fee	(300,000)	—
Changes in operating assets and liabilities:		
Other receivables and prepaids	(6,000)	—
Accounts payable and accrued liabilities	16,044	(2,671)
Accrued interest	59,545	107,708
Accrued compensation – related party	427,460	167,500
Net cash used in operating activities	(189,253)	(58,121)
<b>Cash Flows from Investing Activities:</b>	—	—
<b>Cash Flows from Financing Activities:</b>		
Proceeds from loans	188,158	50,737
Advances from a related party	—	10,510
Net cash provided by financing activities	188,158	61,247
Net change in cash	(1,095)	3,126
Cash at beginning of period	3,445	319
Cash at end of period	\$ 2,350	\$ 3,445
<b>Supplemental schedule of cash flow information:</b>		
Cash paid for interest	\$ —	\$ —
Cash paid for taxes	\$ —	\$ —

*The accompanying notes are an integral part of these financial statements.*

**SMC ENTERTAINMENT, INC.**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 1 - DESCRIPTION OF BUSINESS AND HISTORY**

SMC Entertainment, Inc. (the “Company” or “SMC”) was incorporated in the State of Nevada on January 23, 1998, under the name of Professional Recovery Systems, Ltd.

**NOTE 2 - SUMMARY OF SIGNIFICANT POLICIES**

*Basis of presentation*

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

*Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Significant estimates include the fair value for derivatives. Actual results could differ from those estimates.

*Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Significant estimates include the fair value for derivatives. Actual results could differ from those estimates.

*Concentrations of Credit Risk*

We maintain our cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and consequently have not experienced any losses in our accounts. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurable amount (“FDIC”).

*Cash equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents for the years ended December 31, 2022 or 2021.

*Basic and Diluted Earnings Per Share*

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that the Company incorporated as of the beginning of the first period presented. There were no potentially dilutive securities outstanding at December 31, 2022 and 2021. Additionally, diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

*Stock-based Compensation*

We account for equity-based transactions with employees and non-employees under the provisions of *FASB ASC Topic 718, “Compensation – Stock Compensation” (Topic 718)*, which establishes that equity-based payments to employees and non-employees are recorded at the grant date the fair value of the equity instruments the entity is obligated to issue when the employees and non-employees have rendered the requisite service and satisfied any other conditions necessary to earn the right to benefit from the instruments. Topic 718 also states that observable market prices of identical or similar equity or liability instruments in active markets are the best evidence of fair value and, if available, should be used as the basis for the measurement for equity and liability instruments awarded in these share-based payment transactions. However, if observable market prices of identical or similar equity or liability

instruments are not available, the fair value shall be estimated by using a valuation technique or model that complies with the measurement objective, as described in FASB ASC Topic 718.

#### Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to tax net operating loss carryforwards. The deferred tax assets and liabilities represent the future tax return consequences of these differences, which will either be taxable or deductible when assets and liabilities are recovered or settled, as well as operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established against deferred tax assets when in the judgment of management, it is more likely than not that such deferred tax assets will not become available. Because the judgment about the level of future taxable income is dependent to a great extent on matters that may, at least in part, be beyond the Company's control, it is at least reasonably possible that management's judgment about the need for a valuation allowance for deferred taxes could change in the near term.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of December 31, 2022 and 2021, no liability for unrecognized tax benefits was required to be reported.

#### Derivative Financial Instruments

The Company evaluates its convertible notes to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a weighted-average Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period.

#### Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company's notes payable amates the fair value of such instruments as the notes bear interest rates that are consistent with current market rates.



The following table classifies the Company's asset measured at fair value on a recurring basis into the fair value hierarchy as of December 31, 2022:

Description	Level 1	Level 2	Level 3
Derivative	\$ —	\$ —	\$ 536,399
Total	\$ —	\$ —	\$ 536,399

The following table classifies the Company's liabilities measured at fair value on a recurring basis into the fair value hierarchy as of December 31, 2021:

Description	Level 1	Level 2	Level 3
Derivative	\$ —	\$ —	\$ 2,215,981
Total	\$ —	\$ —	\$ 2,215,981

#### Recently issued accounting pronouncements

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

### **NOTE 3 - GOING CONCERN**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has suffered recurring losses since inception and has no assurance of future profitability. The Company will continue to require financing from external sources to finance its operating and investing activities until sufficient positive cash flows from operations can be generated. There is no assurance that financing or profitability will be achieved, accordingly, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these uncertainties.

### **NOTE 4 – MATERIAL TRANSACTIONS**

On March 1, 2021, the Company rescinded its agreement with FiberSKY Networks, Inc. ("FiberSKY"). The Company issued 2,000,000 shares of common stock to Ted Lasser, a controlling person of FiberSKY, for consideration of the cancellation.

On March 25, 2021, the Company terminated its agreement with WiMundo. The Company received a waiver of share issuance for the 20,000,000 shares of common stock never issued to WiMundo. The Company issued 1,500,000 shares each to two individuals related to the WiMundo.

On March 30, 2021, the Company sold, transferred and assigned all rights and ownership to SMC's wholly owned subsidiary iPTerra Technologies, Inc. ("iPTerra"), iPMine software intellectual property ("iPMine-IP"), and Aktiv-Trak software intellectual property (Aktiv-Trak-IP") to Wyoming-based privately held Aktiv-Trak, Inc. ("Aktiv-Trak").

On October 12, 2021, the Company announced it entered in discussion with the former members of Spectrum Entertainment LLC ("Spectrum") to rescind SMC's acquisition of Spectrum. As part of the rescission agreement, SMC is seeking (i) the repayment of \$145,274.93 which includes payments made to Spectrum's lenders, legal and accounting fees paid by the Company; and (ii) the return and cancellation of 40,000,000 common shares issued to Spectrum members as consideration for acquiring Spectrum. The Company's acquisition of Spectrum was initiated, lead, and concluded by the Company's former Chief Executive Officer.

On November 2, 2021, the Company filed a Uniform Commercial Code (UCC) filing in the states of Michigan and Wisconsin against Spectrum to secure its rightful ownership until Spectrum repays amounts owed and the return of 40,000,000 shares for cancellation. The Company took these extra measures to secure its ownership title, protect and preserve shareholders equity. The Company's attorney is drafting a demand letter to Spectrum seeking an amicable resolution to unwind the acquisition of Spectrum by the Company. In the event Spectrum decides to be uncooperative, the Company will explore other options including but not limited to seizing and selling off Spectrum's equipment to recover what's owed to the Company plus additional costs.

On December 12, 2022, the Company entered into a Rescission and Release Agreement with Genesis Financial, Inc ("GFL"), that effectively terminated its Stock Purchase Agreement, that was executed on November 18, 2021. Per the terms of the Agreement GFL agreed to pay a rescission fee of \$300,000, \$50,000 of which was to be paid within 21 days and the balance within 60 days. As certain requirements to complete the acquisition were never completed, there was never a formal closing and the financial statements of the Company were never consolidated, the transaction has been unwound and is not reflected in the financial statements of the Company.

## NOTE 5 – CONVERTIBLE NOTES PAYABLE

On January 12, 2022, Kanno entered into a Debt Purchases and Assignment Agreement with Mammoth Corporation, whereby Kanno assigned the remaining principal balance of \$399,046, from its note originally issued on February 3, 2018, to Mammoth. No accrued interest was assigned.

On January 21, 2022, the Company issued a Convertible Promissory Note to Mammoth Corporation in the amount of \$550,000. The Note will be funded in tranches, with the initial tranche of \$110,400, net of \$4,600 OID and fees, paid on February 1, 2022. Interest will not accrue on the note, unless an uncured default occurs.

A summary of all the Company's convertible loans is as follows.

	Date Issued	Maturity Date	Rate	Balance 12/31/2021	Additions	Conversions/ Payments	Balance 12/31/2022	Conv Terms
FV Investments	5/27/2016	5/27/2017	12%	\$ 16,596	\$ —	\$ —	\$ 16,596	\$0.001
FV Investments	3/14/2017	3/14/2018	12%	\$ 15,000	\$ —	\$ —	\$ 15,000	\$0.001
Christopher Whitcomb	7/7/2016	7/7/2017	18%	\$ 2,393	\$ —	\$ —	\$ 2,393	(1)
Christopher Whitcomb	1/25/2017	1/25/2018	18%	\$ 29,050	\$ —	\$ —	\$ 29,050	(1)
Christopher Whitcomb	5/30/2017	5/30/2018	18%	\$ 32,640	\$ —	\$ —	\$ 32,640	(1)
Kanno Group Holdings II Ltd	2/3/2018	2/3/2019	12%	\$ 399,046	\$ —	\$ (399,046)	\$ —	(2)
Kanno Group Holdings II Ltd	10/1/2019	10/1/2020	n/a	\$ 42,601	\$ —	\$ —	\$ 42,601	\$0.00466
Kanno Group Holdings II Ltd	1/6/2020	1/6/2021	n/a	\$ 14,977	\$ —	\$ —	\$ 14,977	\$0.00615
Kanno Group Holdings II Ltd	6/30/2020	6/30/2021	n/a	\$ 7,732	\$ —	\$ —	\$ 7,732	\$0.00615
Kanno Group Holdings II Ltd	12/31/2020	12/31/2021	n/a	\$ 9,527	\$ —	\$ —	\$ 9,527	\$0.00185
Kanno Group Holdings II Ltd	3/31/2021	3/31/2022	n/a	\$ 5,112	\$ —	\$ —	\$ 5,112	\$0.00628
Kanno Group Holdings II Ltd	7/24/2021	7/24/2022	n/a	\$ 5,406	\$ —	\$ —	\$ 5,406	\$0.00603
Kanno Group Holdings II Ltd	11/1/2021	11/1/2022	n/a	\$ 2,828	\$ —	\$ —	\$ 2,828	\$0.00544
Kanno Group Holdings II Ltd	12/31/2021	12/31/2022	n/a	\$ 37,391	\$ —	\$ —	\$ 37,391	\$0.00509
Mammoth Corporation	1/12/2022	1/12/2023	n/a	\$ —	\$ 399,406	\$ (131,040)	\$ 268,366	(3)
Kanno Group Holdings II Ltd	3/31/2022	3/31/2023	n/a	\$ —	\$ 7,606	\$ —	\$ 7,606	\$0.00222
Kanno Group Holdings II Ltd	4/25/2022	4/25/2023	n/a	\$ —	\$ 50,000	\$ —	\$ 50,000	\$0.00206
Kanno Group Holdings II Ltd	7/12/2022	7/12/2023	n/a	\$ —	\$ 2,388	\$ —	\$ 2,388	\$0.00163
Kanno Group Holdings II Ltd -	11/3/2022	11/3/2023	n/a	\$ —	\$ 11,357	\$ —	\$ 11,357	\$0.00167
Kanno Group Holdings II Ltd -	12/31/2022	12/31/2023	n/a	\$ —	\$ 6,407	\$ —	\$ 6,407	\$0.00096
				<u>\$ 620,299</u>	<u>\$ 477,164</u>	<u>\$ (530,086)</u>	<u>\$ 567,377</u>	

(1) 75% discount to the lowest closing price within the 60 previous trading sessions.

(2) Note was assigned to Mammoth Corporation

(3) Conversion rate depends on what part of the loan and when the conversion occurs.

A summary of the activity of the derivative liability for the notes above and for amounts due under the consulting agreements with Mr. Hughes and Mr. Blum (Note 8) is as follows:

Balance at December 31, 2020	\$	4,085,966
Increase to derivative due to new issuances		65,658
Decrease to derivative due to conversion		(592,006)
Derivative (gain) due to mark to market adjustment		(1,343,636)
Balance at December 31, 2021	\$	2,215,981
Derivative (gain) due to mark to market adjustment		(1,679,582)
Balance at December 31, 2022	\$	536,399

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company's derivative liability that are categorized within Level 3 of the fair value hierarchy as of December 31, 2022 is as follows:

Inputs	December 31, 2022	Initial Valuation
Stock price	\$ 0.0017	\$ 0.006 – 0.0115
Conversion price	\$ 0.001 - 0.0016	\$ 0.0016 – 0.0098
Volatility (annual)	148.84%	163.53% - 214.94%
Risk-free rate	442%	.39% - 1.55%
Dividend rate	—	—
Years to maturity	.25	1

The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's management.

#### NOTE 6 - COMMON STOCK

On January 9, 2021, Kanno Group Holdings II converted \$31,880 of debt into 32,000,000 shares of common stock.

On January 28, 2021, the Company granted 5,000,000 shares of common stock to a service provider for services. The shares were valued at \$0.01 for total non-cash stock compensation expense of \$50,000.

On January 29, 2021, the board adopted and ratified a resolution to increase the Company's authorized common shares to 1,4500,000,000 from 500,000,000. The increase was approved by the Nevada Secretary of State on February 5, 2021.

On March 1, 2021, the Company granted 2,000,000 shares of common stock to Ted Lasser per the terms of the cancellation agreement with FiberSKY (Note 4). The shares were valued at \$0.0092 for total non-cash stock compensation expense of \$18,400.

On March 3, 2021, Christopher Whitcomb converted \$18,870 and \$12,580 of principal and interest, respectively, into 18,500,000 shares of common stock.

On April 14, 2021, the Company granted 3,000,000 shares of common stock for services. The shares were valued at \$0.0057, the closing stock price on the date of grant, for total non-cash stock compensation expense of \$17,100.

On December 14, 2021, Kanno Group Holdings II converted \$50,400 of debt into 30,000,000 shares of common stock.

On January 20, 2022, 3,000,000 shares of common stock previously issued were cancelled and returned to the Company.

On January 20, 2022, the 40,000,000 shares of common stock originally issued to Spectrum were cancelled and returned to the Company.

During the year ended December 31, 2022, the Company granted 28,158,856 shares of common stock to a service provider for services. The shares were valued at the closing stock price on the date of grant for total non-cash stock compensation expense of \$105,000. As of December 31, 2022, 6,750,000 shares have not yet been issued by the transfer agent and are presented as \$15,000 of common stock to be issued.

Refer to Note 8 for shares issued to related parties.

## **NOTE 7 – PREFERRED STOCK**

### **Series A Preferred Stock**

The Company has 1,000,000 shares of preferred stock designated as Series A. The Series A preferred stock, par value \$0.001, are entitled to dividends, if declared, and are convertible into common stock by dividing the issue price of \$1.00 by a 20% discount to the current market price.

### **Series B Preferred Stock**

On December 16, 2021, the Company amended its Articles of Incorporation, creating a series of Preferred Stock designating 4,500,000 shares of Series B Convertible Preferred Stock, par value \$10.00 per share. The Series B preferred stock, are entitled to dividends, if declared, and are convertible into common stock at a rate of 10% to the preceding ten day weighted average price.

## **NOTE 8 - RELATED PARTY TRANSACTIONS**

On January 28, 2021, the Company granted 20,000,000 shares of common stock to Rick Bjorklund, former CEO for services. The shares were valued at \$0.01 for total non-cash stock compensation expense of \$200,000.

On January 28, 2021, the Company granted 25,000,000 shares of common stock to Ronald Hughes, COO for services. The shares were valued at \$0.01 for total non-cash stock compensation expense of \$250,000.

On May 3, 2021, the Company granted 100,000,000 shares of common stock to Rick Bjorklund, former CEO, for service. The shares were valued at \$0.0059, the closing stock price on the date of grant, for total non-cash stock compensation expense of \$590,000.

On May 3, 2021, the Company granted 100,000,000 shares of common stock to Ronald Hughes, COO for service. The shares were valued at \$0.0059, the closing stock price on the date of grant, for total non-cash stock compensation expense of \$590,000.

On October 1, 2021, the Company entered into a consulting agreement with Ronald Hughes and North Arm Capital LLC, in which Mr. Hughes was appointed CEO and Chairman of the Company. Per the terms of the agreement Mr. Hughes is to be compensated \$17,500 per month through October 1, 2022. In addition to his consulting fee Mr. Hughes will be granted 500,000 shares of common stock per month. During the fourth quarter of 2021, Mr. Hughes was granted 1,500,000 shares of common stock. The shares were valued at the closing stock price on the date of grant, for total non-cash compensation expense of \$14,000. As of December 31, 2021, the shares have not yet been issued, and have been recorded as common stock to be issued. The shares were issued in 2022. During the year ended December 31, 2022, the Company granted Mr. Hughes 6,000,000 shares of common stock per the terms of the consulting agreement. The shares were valued on the date of grant for total non-cash compensation expense of \$23,600.

Per the terms of the agreement Mr. Hughes has the right to convert all or a portion of any accrued amount of compensation into shares of common stock at a 10% discount to the VWAP of the average of the last five trading days before conversion. As of December 31, 2022 and 2021, there is \$221,000 and \$52,500 due under this agreement, respectively. There is an additional \$56,000 of accrued compensation due to Mr. Hughes under his prior agreement and \$11,810 due for cash advances to the Company.

On November 15, 2021, the Company entered into a consulting agreement with Erik Blum and J W Price LLC, in which Mr. Blum was appointed President of the Company. Per the terms of the agreement Mr. Blum is to be compensated \$20,000 per month through November 15, 2022, increasing to \$25,000 per month through November 15, 2023. In addition to his consulting fee Mr. Blum was granted 5,000,000 shares of common stock for a sign-up bonus. The shares were valued at the closing stock price on the date of grant, for total non-cash compensation expense of \$49,500. As of December 31, 2021, the shares have not yet been issued, and have been recorded as common stock to be issued. The shares were issued in 2022. During the year ended December 31, 2022, the Company granted Mr. Blum 6,000,000 shares of common stock per the terms of the consulting agreement. The shares were valued on the date of grant for total non-cash compensation expense of \$27,875.

Per the terms of the agreement Mr. Blum has the right to convert all or a portion of any accrued amount of compensation into shares of common stock at a 10% discount to the VWAP of the average of the last five trading days before conversion. As of December 31, 2022 and 2021, there is \$288,960 and \$30,000 due under this agreement, respectively.

On January 18, 2022, the Company issued 100,000,000 shares of common stock to JW Price LL for services. The shares were valued at \$0.0135, the closing price of on the date of grant, for total non-cash compensation expense of \$1,350,000.

On January 18, 2022, the Company issued 75,000,000 shares of common stock to Rony Hughes for services. The shares were valued at \$0.0135, the closing price of on the date of grant, for total non-cash compensation expense of \$1,012,500.

## NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855, *Subsequent Events*, from the balance sheet date through the date the financial statements were issued and has determined that the following material subsequent events exist.

On February 15, 2023, Kanno Group Holdings converted \$24,255 into 63,000,000 shares of common stock.

The Company recently announced its intent to acquire AI-enabled wealth management technology platform provider, Fyniti Global Equities EBT Inc. (“Fyniti”). Fyniti ([www.fyniti.com](http://www.fyniti.com), [www.fynitiiq.com](http://www.fynitiiq.com)) is a Fintech developer and provider of technology that combines Artificial Intelligence/Machine Learning (AI/ML) driven Quantitative investing (IQ Engine) with AI-enabled wealth management Electronic Block Trading (“EBT”) technology.