Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Castellum, Inc.

A Nevada Corporation

3 Bethesda Metro Center, Suite 700
Bethesda, MD 20814

(301) 961-4895
Website: http://castellumus.com
info@castellumus.com
SIC Code: 2879

Quarterly Report
For the Period Ending: June 30, 2022
(the "Reporting Period")

As of August 12, 2022, the number of shares outstanding of our Common Stock was:

495,762,646

As of June 30, 2022, the number of shares outstanding of our Common Stock was:

495,762,646

As of March 31, 2022, the number of shares outstanding of our Common Stock was:

399,962,646

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

399,212,646

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):
Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:
Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Yes: ☐ No: ☒

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities and the dates of the name changes.

Castellum, Inc. since January 24, 2020;
BioNovelus, Inc. until January 23, 2020;
Firstin Wireless Technology, Inc. until March 15, 2015;
Passionate Pet, Inc. until January 31, 2013

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

September 30, 2010 in the State of Nevada. The Corporation is active and in good standing.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

The Company acquired Mainnerve Federal Services, Inc. dba MFSI Government Group, a Delaware corporation ("MFSI"), effective as of January 1, 2021. This acquisition closed on February 11, 2021.

The Company acquired Merrison Technologies, LLC, ("Merrison") a Virginia limited liability company on August 5, 2021.

The Company on August 12, 2021 acquired Specialty Systems, Inc. ("SSI") a New Jersey based government contractor.

SSI acquired certain assets of The Albers Group, LLC which represented the Pax River business ("Pax River"). This transaction closed on November 16, 2021.

The Company's subsidiary, Corvus Consulting LLC ("Corvus"), acquired the assets and assumed certain liabilities of Lexington Solutions Group, LLC ("LSG") on April 15, 2022. LSG is a government contractor focused in information operations.

The address(es) of the issuer's principal executive office:

3 Bethesda Metro Center, Suite 700
Bethesda, MD 20814

The address(es) of the issuer's principal place of business:
Check box if principal executive office and principal place of business are the same address: ☒

3 Bethesda Metro Center, Suite 700
Bethesda, MD 20814

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

2) Security Information

Trading symbol:	ONOV	
Exact title and class of securities outstanding:	Common	
CUSIP:	14838T105	
Par or stated value:	$0.0001	
Total shares authorized:	3,000,000,000	as of date: June 30, 2022
Total shares outstanding:	495,762,646	as of date: June 30, 2022
Number of shares in the Public Float[2]:	245,540,938	as of date: June 30, 2022
Total number of shareholders of record:	256	as of date: June 30, 2022

All additional class(es) of publicly traded securities (if any):

Trading symbol:	N/A	
Exact title and class of securities outstanding:	Series A Preferred	
CUSIP:	N/A	
Par or stated value:	$0.0001	
Total shares authorized:	10,000,000	as of date: June 30, 2022
Total shares outstanding:	5,875,000	as of date: June 30, 2022

Trading symbol:	N/A	
Exact title and class of securities outstanding:	Series B Preferred	
CUSIP:	N/A	
Par or stated value:	$0.0001	
Total shares authorized:	10,000,000	as of date: June 30, 2022
Total shares outstanding:	3,075,000	as of date: June 30, 2022

Trading symbol:	N/A	
Exact title and class of securities outstanding:	Series C Preferred	
CUSIP:	N/A	
Par or stated value:	$0.0001	
Total shares authorized:	10,000,000	as of date: June 30, 2022
Total shares outstanding:	770,000	as of date: June 30, 2022

Transfer Agent

Name: Nevada Agency and Transfer Company
Phone: 775-322-0626
Email: tiffany@natco.org
Address: 50 West Liberty Street, Suite 880, Reno NV 89501

Is the Transfer Agent registered under the Exchange Act?[3] Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

[2] "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

[3] To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Shares Outstanding as of January 1, 2020		Opening Balance: Common: 294,890,659 Preferred A: 5,875,000 Preferred B: 3,610,000 Preferred C: 0	.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
5/2/2020	New Issuance	11,000,000	Common	$0.005-$0.01	Yes	Jay Wright	Debt/Liability Conversion	Restricted	N/A
6/12/2020	New Issuance	200,000	Common	$0.05	Yes	Bernard Champoux	Cash	Restricted	N/A
6/12/2020	New Issuance	2,000,000	Common	$0.05	Yes	Daniel Fuller	Cash	Restricted	N/A
8/10/2020	New Issuance	134,626	Common	$0.07428	Yes	James Enicks	Cash	Restricted	N/A
4/29/2021	New Issuance	1,687,213	Common	$0.08	No	Evan Bailey	Acquisition	Restricted	N/A
4/29/2021	New Issuance	553,904	Common	$0.08	No	Brian Binash	Acquisition	Restricted	N/A
4/29/2021	New Issuance	81,674	Common	$0.08	No	John F Campbell	Acquisition	Restricted	N/A
4/29/2021	New Issuance	81,674	Common	$0.08	No	Bernard Champoux	Acquisition	Restricted	N/A
4/29/2021	New Issuance	235,035	Common	$0.08	No	Mark Chappelle Fuller Revocable Trust (Mark Fuller, Trustee)	Acquisition	Restricted	N/A
4/29/2021	New Issuance	277,407	Common	$0.08	No	Glen Ives	Acquisition	Restricted	N/A
4/29/2021	New Issuance	243,674	Common	$0.08	No	Larry Reback	Acquisition	Restricted	N/A

4/29/2021	New Issuance	203,062	Common	$0.08	No	Jeffrey Logsdon	Acquisition	Restricted	N/A
4/29/2021	New Issuance	71,975	Common	$0.08	No	Expansion Services LLC (Michael McHale)	Acquisition	Restricted	N/A
4/29/2021	New Issuance	36,665	Common	$0.08	No	Derrick Millett	Acquisition	Restricted	N/A
4/29/2021	New Issuance	553,904	Common	$0.08	No	Torrance Moran	Acquisition	Restricted	N/A
4/29/2021	New Issuance	81,674	Common	$0.08	No	Nixon Six Solutions LLC (James Craig Nixon)	Acquisition	Restricted	N/A
4/29/2021	New Issuance	23,359	Common	$0.08	No	Sungjoo Park	Acquisition	Restricted	N/A
4/29/2021	New Issuance	101,531	Common	$0.08	No	Michael Phillips	Acquisition	Restricted	N/A
4/29/2021	New Issuance	14,843,311	Common	$0.08	No	George Tronsrue	Acquisition	Restricted	N/A
4/29/2021	New Issuance	553,904	Common	$0.08	No	James Voelker	Acquisition	Restricted	N/A
5/12/2021	Cancellation	5,000,000	Common	$0.005	No	MainNerve Federal Services (George M. Tronsrue CEO)	Part of Acquisition of MFSI	N/A	N/A
6/15/2021	New Issuance	253,133	Common	$0.08	No	Evan Bailey	Acquisition	Restricted	N/A
6/15/2021	New Issuance	69,653	Common	$0.08	No	Brian Binash	Acquisition	Restricted	N/A
6/15/2021	New Issuance	30,642	Common	$0.08	No	John F Campbell	Acquisition	Restricted	N/A
6/15/2021	New Issuance	30,642	Common	$0.08	No	Bernard Champoux	Acquisition	Restricted	N/A
6/15/2021	New Issuance	88,178	Common	$0.08	No	Mark Chappelle Fuller Revocable Trust (Mark Fuller, Trustee)	Acquisition	Restricted	N/A
6/15/2021	New Issuance	34,884	Common	$0.08	No	Glen Ives	Acquisition	Restricted	N/A
6/15/2021	New Issuance	30,642	Common	$0.08	No	Larry Reback	Acquisition	Restricted	N/A

6/15/2021	New Issuance	25,535	Common	$0.08	No	Jeffrey Logsdon	Acquisition	Restricted	N/A
6/15/2021	New Issuance	27,003	Common	$0.08	No	Expansion Services LLC (Michael McHale)	Acquisition	Restricted	N/A
6/15/2021	New Issuance	4,611	Common	$0.08	No	Derrick Millett	Acquisition	Restricted	N/A
6/15/2021	New Issuance	69,653	Common	$0.08	No	Torrance Moran	Acquisition	Restricted	N/A
6/15/2021	New Issuance	30,642	Common	$0.08	No	Nixon Six Solutions LLC (James Craig Nixon)	Acquisition	Restricted	N/A
6/15/2021	New Issuance	6,333	Common	$0.08	No	Sungjoo Park	Acquisition	Restricted	N/A
6/15/2021	New Issuance	12,767	Common	$0.08	No	Michael Phillips	Acquisition	Restricted	N/A
6/15/2021	New Issuance	1,866,532	Common	$0.08	No	George Tronsrue	Acquisition	Restricted	N/A
6/15/2021	New Issuance	69,653	Common	$0.08	No	James Voelker	Acquisition	Restricted	N/A
8/6/2021	New Issuance	10,000,000	Common	$0.17	No	Andrew Merriman	Acquisition	Restricted	N/A
8/25/2021	New Issuance	39,000,000	Common	$0.10	No	Emil Kaunitz	Acquisition	Restricted	N/A
8/25/2021	New Issuance	13,000,000	Common	$0.10	No	William Cabey	Acquisition	Restricted	N/A
9/16/2021	New Issuance	220,000	Preferred C	$1.00	N/A	Glen Ives	Cash	N/A	N/A
9/16/2021	New Issuance	440,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Glen Ives	Cash	N/A	N/A
9/16/2021	New Issuance	100,000	Preferred C	$1.00	N/A	Cindy Tronsrue	Cash	N/A	N/A
9/16/2021	New Issuance	200,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Cindy Tronsrue	Cash	N/A	N/A
9/16/2021	New Issuance	100,000	Preferred C	$1.00	N/A	Binash Investment LP (Brian Binash)	Cash	N/A	N/A

9/16/2021	New Issuance	200,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Binash Investment LP (Brian Binash)	Cash	N/A	N/A
9/23/2021	New Issuance	100,000	Preferred C	$1.00	N/A	Eric Handa	Cash	N/A	N/A
9/23/2021	New Issuance	200,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Eric Handa	Cash	N/A	N/A
10/20/2021	New Issuance	50,000	Preferred C	$1.00	N/A	George Conwill	Cash	N/A	N/A
10/20/2021	New Issuance	100,000	Common	N/A – part of subscription agreement for Preferred C	N/A	George Conwill	Cash	N/A	N/A
10/26/2021	New Issuance	481,419	Common	$0.10	No	Emil Kaunitz	Acquisition	Restricted	N/A
10/26/2021	New Issuance	160,473	Common	$0.10	No	William Cabey	Acquisition	Restricted	N/A
11/18/2021	New Issuance	9,625,000	Common	$0.20	No	The Albers Group LLC (John Albers)	Acquisition	Restricted	N/A
11/23/2021	New Issuance	50,000	Preferred C	$1.00	N/A	Richard Hyde	Cash	N/A	N/A
11/23/2021	New Issuance	100,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Richard Hyde	Cash	N/A	N/A
12/9/2021	New Issuance	200,000	Common	$0.04	No	Ann Austin	Exercise of Stock Options	Restricted	N/A
2/23/2022	New Issuance	25,000	Preferred C	$1.00	N/A	Michael McHale	Cash	N/A	N/A
2/23/2022	New Issuance	50,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Michael McHale	Cash	N/A	N/A
2/23/2022	New Issuance	100,000	Preferred C	$1.00	N/A	Emil Kaunitz	Cash	N/A	N/A

2/23/2022	New Issuance	200,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Emil Kaunitz	Cash	N/A	N/A
3/2/2022	New Issuance	25,000	Preferred C	$1.00	N/A	Nixon Six Solutions, LLC (James Nixon)	Cash	N/A	N/A
3/2/2022	New Issuance	50,000	Common	N/A – part of subscription agreement for Preferred C	N/A	Nixon Six Solutions, LLC (James Nixon)	Cash	N/A	N/A
3/8/2022	New Issuance	300,000	Common	$0.04	N/A	Raymond Reyes	Cash – exercise of options	N/A	N/A
3/29/2022	New Issuance	150,000	Common	$0.19	N/A	Charles Thomas McMillen	Services	N/A	N/A
4/12/2022	New Issuance	25,000,000	Common	$0.02	Yes	Crom Cortana Fund LLC (Liam Sherif)	Cash	N/A	N/A
4/12/2022	New Issuance	2,500,000	Common	$0.19	No	Crom Cortana Fund LLC (Liam Sherif)	Fee for entering into stock purchase agreement	N/A	N/A
4/13/2022	New Issuance	2,500,000	Common	$0.2015	No	Robert Eisiminger	Fee for entering into note payable	N/A	N/A
4/19/2022	New Issuance	75,000	Common	$0.20	No	Daniel Turissini	Services	N/A	N/A
4/19/2022	New Issuance	75,000	Common	$0.20	No	Nixon Six Solutions LLC (James Nixon)	Services	N/A	N/A
5/4/2022	New Issuance	12,000,000	Common	$0.19	No	Barton B Brown II	Acquisition	N/A	N/A
5/16/2022	Cancellation	(35,000)	Series B Preferred	N/A	N/A	Matthew Finocchiaro	Conversion	N/A	N/A
5/16/2022	New Issuance	3,500,000	Common	N/A	N/A	Matthew Finocchiaro	Conversion	N/A	N/A
5/16/2022	Cancellation	(30,000)	Series B Preferred	N/A	N/A	Glen Ives	Conversion	N/A	N/A
5/16/2022	New Issuance	3,000,000	Common	N/A	N/A	Glen Ives	Conversion	N/A	N/A

5/18/2022	Cancellation	(60,000)	Series B Preferred	N/A	N/A	Harold Stoller	Conversion	N/A	N/A
5/18/2022	New Issuance	6,000,000	Common	N/A	N/A	Harold Stoller	Conversion	N/A	N/A
5/24/2022	Cancellation	(385,000)	Series B Preferred	N/A	N/A	William Forkner	Conversion	N/A	N/A
5/24/2022	New Issuance	38,500,000	Common	N/A	N/A	William Forkner	Conversion	N/A	N/A
5/27/2022	Cancellation	(5,000)	Series B Preferred	N/A	N/A	Tyler Stierman	Conversion	N/A	N/A
5/27/2022	New Issuance	500,000	Common	N/A	N/A	Tyler Stierman	Conversion	N/A	N/A
5/27/2022	New Issuance	150,000	Common	$0.24	No	James Moran	Services	N/A	N/A
5/31/2022	Cancellation	(20,000)	Series B Preferred	N/A	N/A	Robert Eisiminger	Conversion	N/A	N/A
5/31/2022	New Issuance	2,000,000	Common	N/A	N/A	Robert Eisiminger	Conversion	N/A	N/A
Shares Outstanding on June 30, 2022	Ending Balance: Common 495,762,646 Preferred A 5,875,000 Preferred B 3,075,000 Preferred C 770,000								
August 12, 2022	Common 495,762,646 Preferred A 5,875,000 Preferred B 3,075,000 Preferred C 770,000								

Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended September 30, 2019, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2017 through September 30, 2019 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

The Company filed a Certificate of Amendment on July 19, 2021. All series of common stock and preferred stock now have a par value of $0.0001.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
11/21/2019	5,600,000	5,600,000	0	9/30/2024 (a)	N/A	Robert Eisiminger	Financing for Acquisition
2/1/2021	0	4,279,617	0	9/30/2024 (a)	Convertible at $0.013 per share	The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee)	Acquisition
8/12/2021	2,961,301	4,000,000	13,921	8/11/2024	N/A	Live Oak Bank Company (James S. (Chip) Mahan III, CEO)	Acquisition
8/12/2021	400,000	400,000	0	12/31/2024	N/A	Emil Kaunitz	Acquisition
2/28/2022	500,000	500,000	0	9/30/2024	N/A	Robert Eisiminger	Acquisition Financing, Working Capital
4/4/2022	3,709,617	3,709,617	64,126	9/30/2024 (b)	Convertible at $0.013 per share	The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee)	Acquisition
4/4/2022	1,050,000	1,050,000	0	4/4/2023	Convertible at $0.08	Crom Cortana Fund, LLC	Working Capital
4/12/2022	300,025	300,025	1,192	3/28/2029	N/A	Live Oak Bank Company (James S. (Chip) Mahan III, CEO) (Revolver Credit Line - up to $950,000)	Working Capital

Use the space below to provide any additional details, including footnotes to the table above:

(a) The Company amended certain debt instruments as a condition of closing the Live Oak Bank note, to extend the maturity dates to September 30, 2024 and remove the monthly principal payments on The Buckhout Charitable Remainder Trust note. These amendments constitute a modification of the debt agreement and did not require accounting extinguishment.

(b) On April 4, 2022, the Company entered into a letter agreement with The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee) whereby the Company made a partial repayment of $500,000 ("First Payment") to reduce the note from $4,209,617 to $3,709,617. The Company is obligated to make a second payment ("Second Payment") of $2,709,617 at the time of an anticipated secondary offering, originally expected to occur on or about August 1, 2022, subject to extensions through October 31, 2022. At the time of the Second Payment, the remaining $1,000,000 of the note will be converted into shares of common stock at the conversion price in the note of $0.013 per share. The Company shall accrue interest commencing March 1, 2022, however, no payment of interest is due through October 31, 2022. The First Payment of $500,000 was paid from proceeds from Crom Cortana Fund, LLC ("Crom") as part of a unit agreement under the Securities Purchase Agreement ("SPA") entered into with Crom on April 4, 2022.

The Company entered into an Amended and Restated Convertible Promissory Note (issued on April 4, 2022) ("Amendment #2 – BCT") which summarizes the terms of the letter agreement. As the amendment resulted in an accounting extinguishment, the remaining note balance along with all unamortized discounts and premiums associated with the note were extinguished with the resulting gain being reflected in additional paid in capital as this is a related party transaction. The Company recorded the Amendment #2 – BCT and the discount on April 4, 2022, and will amortize the discount through the life of the note based on the effective interest method.

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)[4]:

Name:	**Michael Pollack, CPA**
Company Name:	**KBL, LLP**
Title:	**Partner-in-Charge, Public Company Practice Group**
Relationship to Issuer:	**Accountant**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

C. Balance sheet;
D. Statement of income;
E. Statement of cash flows;
F. Statement of Changes in Shareholders' Equity; and
G. Financial notes

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

The consolidated financial statements are included below as follows:

Condensed Consolidated Balance Sheets – June 30, 2022 (unaudited) and December 31, 2021
Condensed Consolidated Statements of Operations for the six months ended June 30, 2022 and 2021 (unaudited)
Condensed Consolidated Statements of Operations for the three months ended June 30, 2022 and 2021 (unaudited)
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021 (unaudited)
Condensed Consolidated Statements of Changes in Stockholders Equity (Deficit) for the six months ended June 30, 2022 and 2021 (unaudited)
Notes to Condensed Consolidated Financial Statements (unaudited)

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

[4] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Castellum, Inc. is focused on acquiring and growing technology companies in the areas of information technology, electronic warfare, information warfare and cybersecurity with businesses in the governmental and commercial markets. Services include intelligence analysis, software development, software engineering, program management, strategic planning, information assurance and cybersecurity and policy along with analysis support. These services which largely focus on securing data and establishing related policies are applicable to customers in the federal government, financial services, healthcare and other users of large data applications. The services can be delivered to legacy, customer owned networks or customers who rely upon cloud-based infrastructures. The Company will continue to work with multiple business brokers and contacts within their business network to identify potential acquisitions. Management has also reached out to their network of funding sources to ensure capital is available to execute on Letters of Intent provided to companies as part of the acquisition process.

Corvus is a wholly owned subsidiary of Castellum, Inc. Glenn Ives is the current CEO of Corvus, which provides scientific, engineering, technical, operational support, and training services to federal government and commercial clients. Corvus focuses on Cyberspace Operations, Electronic Warfare, Information Operations, Intelligence and Joint/Electromagnetic Spectrum Operations. The specialties of Corvus range from high-level policy development and Congressional liaison to requirements analysis, DOTMLPF-p development assistance and design services for hardware and software systems fulfilling the mission needs of the Department of Defense and Intelligence Communities.

MFSI is a wholly owned subsidiary of Castellum, Inc. George Tronsrue is the current CEO. MFSI is a government contractor that has built strong relationships with numerous customers, in the software engineering and IT arena. MFSI provides services in data security and operations for the United States ("US") Army, US Navy and US Intelligence Community clients, and currently works as a software engineering/development, database administration and data analytics subcontractor.

Merrison was acquired August 5, 2021. Merrison is a government contractor with expertise in software engineering and IT in the classified arena.

SSI was acquired August 12, 2021. SSI is a New Jersey based government contractor that provides critical mission support to the US Navy at Joint Base McGuire-Dix-Lakehurst in the areas of software engineering, cyber security, systems engineering, program support and network engineering. On November 16, 2021, SSI acquired certain assets of The Albers Group, LLC representing their Pax River business.

Corvus acquired the assets and assumed certain liabilities of LSG on April 15, 2022. LSG specializes in planning and intelligence support for Information Warfare / Information Operations ("IW / IO"). The LSG experts develop IW / IO plans, exercises, doctrine, and training for the military Services and the Combatant Commands in the US and deployed overseas locations.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of such entity's business, contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Corvus Consulting LLC – 100% owned subsidiary (which include the assets of LSG) - See description in 5.A.
Mainnerve Federal Services Inc – 100% owned subsidiary- See description in 5.A.
Merrison Technologies, LLC – 100% owned subsidiary– See description in 5.A.
Specialty Systems, Inc. – 100% owned subsidiary (which include the assets of the Pax River business of The Albers Group, LLC) – See description in 5.A.

C. Describe the issuers' principal products or services, and their markets

See description in 5.A.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company's headquarters is at 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814. This is a shared space (Regus is the lessor) that is leased on a month-to-month basis at the rate of $219 per month.

Corvus maintains office space for its headquarters at First Central Tower, Suite 811, 360 Central Avenue, St. Petersburg, FL 33701. This office space is a shared space arrangement (Regus is the lessor) that is leased on a month-to-month basis at a rate of $806 per month. Corvus also maintains an office adjacent to a customer at 100 Grace Hopper Lane, Suite 3701, Augusta, GA 30901. This office space is a shared space arrangement with the Clubhouse Group that is leased on a month-to-month basis at a rate of $999 per month which includes parking. Generally, all other employees work "on site" at customers' locations.

MFSI maintains office space for its headquarters in Ponte Verde Beach, FL. This office space is a shared space arrangement (Regus is the lessor) that is leased on a month-to-month basis at a rate of $1,406 per month. MFSI also leases an automobile with the lease term expiring January 2023.

Merrison maintains office space for its headquarters in Vienna, VA. This office space is a shared space arrangement that is leased on a month-to-month basis at a rate of $225 per month. The lease term is month-to-month.

SSI leases approximately 8,000 square feet of office space in Toms River, NJ at a rate of $8,349 per month. The lease runs through January 31, 2023. In addition, SSI currently leases two automobiles for its executive officers that run through May 2024 and July 2025, respectively.

7) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% of more of any class of the issuer's securities, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned (as converted)	Share type/class	Ownership Percentage of Class Outstanding (as converted)	Note
Jean and Nathalie Ekobo	Owners of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	158,735,718	Common and Series A Preferred Series A Preferred	11.81% 100%	A

Jay Wright	Officer, Director and Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	205,510,123	Common and Series B Preferred Series B Preferred	14.33% 51.07%	B
Mark Fuller	Officer, Director and Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	177,424,050	Common and Series B Preferred Series B Preferred	12.34% 48.93%	C
Laurie Buckhout	Officer, Director and Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	285,355,128	Common	23.70%	D
William Andrew Forkner	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	32,500,000	Common	6.56%	
Glen Ives	Officer and Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	2,750,000	Series C Preferred	28.57%	
Binash Investment LP (Brian Binash)	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	1,250,000	Series C Preferred	12.99%	
Pacific Premier Trust (Cindy Tronsrue)	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	1,250,000	Series C Preferred	12.99%	
Eric Handa	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	1,250,000	Series C Preferred	12.99%	
George Conwill	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700,	625,000	Series C Preferred	6.49%	

		Bethesda, MD 20814				
Richard Hyde	Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	625,000	Series C Preferred	6.69%	
Emil Kaunitz	Director and Owner of more than 5%	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	40,931,419 39,681,419 1,250,000	Common stock and Series C Preferred Common Series C Preferred	2.91% 8.00% 12.99%	
David Bell	Officer	c/o Castellum, Inc. 3 Bethesda Metro Center, Suite 700, Bethesda, MD 20814	36,000,000	Stock Options	2.48%	

Explanatory Notes:

(A) Jean and Nathalie Ekobo

Jean Ekobo includes a combination of family-related shareholdings made up of the following shares:

Jean Machetel Ekobo Embessee:	2,159,950
Jean Machetel Ekobo Embesse & Nathalie Fournier Ekobo Ttee:	129,415,202
Nathalie Fournier Ekobo:	24,733,333
LePrince Pierre Ekobo:	1,377,233
Rachel Ekobo:	1,050,000

(B) Jay Wright

Includes 1,570,500 of Series B Preferred Shares that convert into 157,050,000 common shares, and 24,318,683 warrants that are exercisable into 24,318,683 shares of common stock.

(C) Mark Fuller

Mark Fuller may be deemed to be the beneficial owner of 173,658,876 common shares, which total includes (i) 500,367 common shares held by The Mark Chappelle Fuller Revocable Trust, Mark Fuller, TTEE, of which Mr. Fuller is the trustee, (ii) 1,000,000 common shares held by Janice Lynn Dudley Revocable Trust, Janice Lynn Dudley TTEE, of which Ms. Dudley is the trustee, (iii) 500,000 common shares held by Katherine Fuller, and (iv) 500,000 common shares held by Michael Fuller and (y) 1,504,500 of Series B Preferred Shares that convert into 150,450,000 common shares held by The Mark Chappelle Fuller Revocable Trust, Mark Fuller, TTEE of which Mr. Fuller is the trustee. Mark Fuller also has 24,318,683 warrants that are exercisable into 24,318,683 shares of common stock.

(D) Laurie Buckhout

Represents shares issuable upon conversion of a convertible note from The Buckhout Charitable Remainder Trust in which Laurie Buckhout is the sole trustee. Laurie Buckhout, Colonel, U.S. Army (Retired) and the founder and previous CEO of Corvus Consulting LLC., became Director of Castellum, Inc. subsequent to the acquisition of Corvus by Castellum and is also the Chief Revenue Officer of Castellum.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

NO

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

NO

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

NO

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

NO

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

NONE

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Nicole Islinger
Firm: Pillsbury Winthrop Shaw Pittman LLP
Address 1: 1200 Seventeenth Street NW
Address 2: Washington, DC 20036-3006
Phone: 202-663-8207
Email: Nicole.islinger@pillsburylaw.com

Accountant

Name: Michael Pollack, CPA
Firm: KBL, LLP
Address 1: 1350 Broadway, Suite 1510
Address 2: New York, NY 10018
Phone: 212-785-9700
Email: mpollack@kbl.com

Auditor

Name: Steve Corns, CPA
Firm: RSM US LLP
Address 1: 919 East Main Street, Suite 1800
Address 2: Richmond, VA 23219
Phone: 804-281-6828
Email: steve.corns@rsmus.com

Investor Relations

Name: N/A
Firm: N/A
Address 1: N/A
Address 2: N/A
Phone: N/A
Email: N/A

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: N/A
Firm: N/A
Nature of Services: N/A
Address 1: N/A
Address 2: N/A
Phone: N/A
Email: N/A

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Mark C. Fuller certify that:

1. I have reviewed this Quarterly Report of Castellum, Inc. for the fiscal period ended June 30, 2022;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

08/12/2022 [Date]

/s/ Mark C. Fuller [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, David T. Bell certify that:

1. I have reviewed this Quarterly Report of Castellum, Inc. for the fiscal period ended June 30, 2022;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

08/12/2022 [Date]

/s/ David T. Bell [PFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

CASTELLUM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022 (UNAUDITED) AND DECEMBER 31, 2021

	JUNE 30, 2022 (unaudited)	DECEMBER 31, 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 2,057,752	$ 2,017,915
Accounts receivable	6,638,396	5,414,401
Contract asset	1,043,348	591,055
Prepaid expenses and other current assets	254,643	185,824
Total current assets	9,994,139	8,209,195
Fixed assets, net	196,287	145,792
NON-CURRENT ASSETS		
Deferred tax asset	-	610,033
Right of use asset – operating lease	94,318	132,690
Intangible assets, net	7,629,552	7,595,599
Goodwill	15,533,964	14,062,964
Total non-current assets	23,257,834	22,401,286
TOTAL ASSETS	$ 33,448,260	$ 30,756,273
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 890,068	$ 1,437,827
Accrued payroll and payroll related expenses	1,962,811	1,511,622
Due to seller	651,003	200,000
Obligation to issue common and preferred stock	125,000	25,000
Contingent consideration	-	275,000
Contingent earnout	257,000	257,000
Derivative liabilities	865,000	-
Revolving credit facility	300,025	-
Current portion of notes payable, net of discount	1,124,112	1,279,390
Current portion of lease liability – operating lease	73,732	111,999
Total current liabilities	6,248,751	5,097,838
LONG-TERM LIABILITIES		
Lease liability – operating lease, net of current portion	19,166	18,715
Note payable – related party, net of current portion	400,000	400,000
Convertible promissory notes – related parties, net of discount, net of current portion	338,543	2,805,184
Notes payable, net of discount, net of current portion	7,308,423	7,112,419
Total non-current liabilities	8,066,132	10,336,318
TOTAL LIABILITIES	14,314,883	15,434,156
STOCKHOLDERS' EQUITY		
Preferred stock, 50,000,000 shares authorized		
Series A Preferred stock, par value $0.0001; 10,000,000 shares authorized; 5,875,000 and 5,875,000 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	588	588
Series B Preferred stock, par value $0.0001; 10,000,000 shares authorized; 3,075,000 and 3,610,000 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	307	361
Series C Preferred stock, par value $0.0001; 10,000,000 shares authorized; 770,000 and 620,000 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	77	62

Common stock, par value $0.0001; 3,000,000,000 shares authorized, 495,762,646 and 399,212,646 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	49,576	39,921
Additional paid in capital	36,329,735	26,367,201
Accumulated deficit	(17,246,906)	(11,086,016)
Total stockholders’ equity	19,133,377	15,322,117
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 33,448,260	$ 30,756,273

See notes to condensed consolidated financial statements.

CASTELLUM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	2022	2021
REVENUES	$ 21,045,392	$ 8,209,152
COST OF REVENUES	12,224,559	4,611,714
GROSS PROFIT	8,820,833	3,597,438
OPERATING EXPENSES:		
Indirect costs	5,327,806	774,131
Overhead	759,542	183,447
General and administrative	6,335,745	3,707,888
Total operating expenses	12,423,093	4,665,466
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE)	(3,602,260)	(1,068,028)
OTHER EXPENSE:		
Realized gain on investment	-	38,851
Gain on disposal of fixed assets	303	-
Change in fair value of derivative liabilities	(173,000)	-
Interest expense, net of interest income	(1,601,601)	(1,189,857)
Total other expense	(1,774,298)	(1,151,006)
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(5,376,558)	(2,219,034)
INCOME TAX (PROVISION) BENEFIT	(743,794)	562,260
NET LOSS	(6,120,352)	(1,656,774)
Less: Preferred Stock Dividends	40,538	-
NET LOSS TO COMMON SHAREHOLDERS	$ (6,160,890)	$ (1,656,774)
NET LOSS PER SHARE		
Basic and diluted	$ (0.01)	$ (0.00)
SHARES USED IN CALCULATION OF NET LOSS PER SHARE		
Basic and diluted	449,585,559	357,044,124

See notes to condensed consolidated financial statements.

CASTELLUM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
THREE MONTHS ENDED JUNE 30, 2022 AND 2021

	2022	2021
REVENUES	$ 11,055,251	$ 4,187,848
COST OF REVENUES	6,368,918	2,382,411
GROSS PROFIT	4,686,333	1,805,437
OPERATING EXPENSES:		
Indirect costs	3,598,611	370,686
Overhead	340,572	94,453
General and administrative	3,493,605	1,882,247
Total operating expenses	7,432,788	2,347,386
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE)	(2,746,455)	(541,949)
OTHER EXPENSE:		
Realized gain on investment	-	38,851
Gain on disposal of fixed assets	303	-
Change in fair value of derivative liabilities	(173,000)	-
Interest expense, net of interest income	(911,975)	(600,619
Total other expense	(1,084,672)	(561,768)
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(3,831,127)	(1,103,717
INCOME TAX (PROVISION) BENEFIT	(893,422)	276,475
NET LOSS	(4,724,549)	(827,242)
Less: Preferred Stock Dividends	29,626	-
NET LOSS TO COMMON SHAREHOLDERS	$ (4,754,175)	$ (827,242)
NET LOSS PER SHARE		
Basic and diluted	$ (0.01)	$ (0.00)
SHARES USED IN CALCULATION OF NET LOSS PER SHARE		
Basic and diluted	477,834,138	362,572,834

See notes to condensed consolidated financial statements.

CASTELLUM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net loss	$ (6,120,352)	$ (1,656,774)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	1,005,400	750,011
Amortization of discount, premium and deferred costs	1,154,062	883,806
Stock-based compensation	3,736,197	859,068
Deferred tax provision	610,033	(608,225)
Gain on disposal of fixed assets	(303)	-
Realized gain on investment	-	(38,851)
Lease cost	556	250
Financing fee and bank charges for note payable and advances on revolving credit line	3,775	-
Legal fees paid out of proceeds from a note payable	30,000	-
Change in fair value of derivative liabilities	173,000	-
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	(810,386)	(634,897)
Prepaid expenses and other current assets	(2,125)	(14,213)
Contract asset (liability)	(452,293)	-
Accounts payable and accrued expenses	(96,570)	(258,655)
Net cash (used in) operating activities	(769,006)	(718,480)
Cash flows from investing activities:		
Cash received in acquisition of MFSI	-	93,240
Sale of investment	-	365,572
Cash paid in acquisition of LSG	(250,000)	-
Purchases of fixed assets	(80,545)	-
Net cash (used in) provided by investing activities	(330,545)	458,812
Cash flows from financing activities:		
Proceeds from revolving credit line	300,000	-
Proceeds from note payable	1,470,000	-
Proceeds from preferred and common stock to be issued	625,000	220,000
Preferred stock dividend	(40,538)	-
Proceeds from exercise of stock options	12,000	-
Repayment of convertible note payable – related party	(500,000)	(50,000)
Repayment of amounts due to seller	(100,000)	-
Repayment of line of credit, net	-	(12,220)
Repayment of notes payable	(627,074)	-
Net cash provided by financing activities	1,139,388	157,780
NET INCREASE (DECREASE) IN CASH	39,837	(101,888)
Cash - beginning of period	2,017,915	2,412,382
Cash - end of period	$ 2,057,752	$ 2,310,494
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 379,784	$ 306,144
SUMMARY OF NONCASH ACTIVITIES:		
Cancellation of shares offsetting acquisition of MFSI	$ -	$ 400,000
Debt discount on note payable applied to obligation to issue common stock	$ 500,000	$ -
Adjustment to contingent consideration and customer relationships	$ 275,000	$ -
Gain on extinguishment of convertible note payable – related party applied to APIC	$ 2,667,903	$ -
Common shares issued for obligation to issue common stock	$ 533,750	$ -
Derivative liability recognized as discount of note payable	$ 692,000	$ -
Deferred issuance costs recognized for note payable	$ 59,300	$ -

Fair value adjustment recognized on issuance of common stock in Securities Purchase Agmt	$	93,000	$	-
Common shares issued in conversion of Series B Preferred shares	$	5,350	$	-

For the non-cash activities related to the Company’s acquisitions, see Note 3, “Acquisitions.”

See notes to condensed consolidated financial statements.

CASTELLUM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

	Series A Preferred		Series B Preferred		Series C Preferred		Common		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2020	5,875,000	$588	3,610,000	$361	-	$-	308,225,285	$30,822	$6,104,051	$(3,527,296)	$2,608,526
Stock-based compensation – options	-	-	-	-	-	-	-	-	451,796	-	451,796
Net loss for the period	-	-	-	-	-	-	-	-	-	(829,532)	(829,532)
Balances at March 31, 2021	5,875,000	588	3,610,000	361	-	-	308,225,285	30,822	6,555,847	(4,356,828)	2,230,790
Shares issued in acquisition of MFSI	-	-	-	-	-	-	22,280,469	2,228	1,780,209	-	1,782,437
Cancellation of shares in acquisition of MFSI	-	-	-	-	-	-	(5,000,000)	(500)	(399,500)	-	(400,000)
Stock-based compensation - options	-	-	-	-	-	-	-	-	407,272	-	407,272
Net loss for the period	-	-	-	-	-	-	-	-	-	(827,242)	(827,242)
Balances at June 30, 2021	5,875,000	$ 588	3,610,000	$361	-	$-	325,505,754	$ 32,550	$8,343,828	$(5,184,070)	$ 3,193,257
Balances at December 31, 2021	5,875,000	$588	3,610,000	$361	620,000	$62	399,212,646	$39,921	$26,267,201	$(11,086,016)	$15,322,117
Shares issued for services, net of amounts prepaid	-	-	-	-	-	-	150,000	15	6,173	-	6,188
Shares issued for the exercise of stock options	-	-	-	-	-	-	300,000	30	11,970	-	12,000
Shares issued for cash in Series C Preferred Subscription Agreements	-	-	-	-	150,000	15	300,000	30	149,955	-	150,000
Stock-based compensation – options	-	-	-	-	-	-	-	-	875,640	-	875,640
Stock-based compensation – restricted shares	-	-	-	-	-	-	-	-	30,937	-	30,937
Net loss for the period	-	-	-	-	-	-	-	-	-	(1,406,715)	(1,406,715)
Balances at March 31, 2022	5,875,000	588	3,610,000	361	770,000	77	399,962,646	39,996	27,441,876	(12,492,731)	14,990,167

Shares issued for services, net of amounts prepaid	-	-	-	-	-	-	150,000	15	11,925	-	11,940
Shares issued for cash, including fair value adjustment	-	-	-	-	-	-	25,000,000	2,500	590,500	-	593,000
Shares issued for commitment fees	-	-	-	-	-	-	2,500,000	250	59,050	-	59,300
Shares issued to satisfy obligation to issue common stock	-	-	-	-	-	-	2,650,000	265	533,485	-	533,750
Shares issued to acquire LSG	-	-	-	-	-	-	12,000,000	1,200	2,278,800	-	2,280,000
Conversion of Series B Preferred to Common Shares	-	-	(535,000)	(54)	-	-	53,500,000	5,350	(5,296)	-	-
Stock-based compensation - options	-	-	-	-	-	-	-	-	1,117,335	-	1,117,335
Stock-based compensation - warrants	-	-	-	-	-	-	-	-	1,603,219	-	1,603,219
Stock-based compensation – restricted shares	-	-	-	-	-	-	-	-	30,938	-	30,938
Gain on extinguishment of related party convertible note	-	-	-	-	-	-	-	-	2,667,903	-	2,667,903
Net loss for the period	-	-	-	-	-	-	-	-	-	(4,754,175)	(4,754,175)
Balances at June 30, 2022	5,875,000	$ 588	3,075,000	$308	770,000	$77	495,762,646	$ 49,576	$36,329,735	$(17,246,906)	$ 19,133,377

See notes to condensed consolidated financial statements.

NOTE 1: NATURE OF OPERATIONS

Castellum, Inc. (the "Company") is focused on acquiring and growing technology companies in the areas of information technology, electronic warfare, information warfare and cybersecurity with businesses in the governmental and commercial markets. Services include intelligence analysis, software development, software engineering, program management, strategic planning, information assurance and cybersecurity and policy along with analysis support. These services, which largely focus on securing data and establishing related policies, are applicable to customers in the federal government, financial services, healthcare and other users of large data applications. The services can be delivered to legacy, customer owned networks or customers who rely upon cloud-based infrastructures. The Company has worked with multiple business brokers and contacts within their business network to identify potential acquisitions.

As described in the Annual Report for the year ended December 31, 2021, since November 2019, the Company has made the following acquisitions that specialize in the areas noted above:

- Corvus Consulting, LLC ("Corvus"),
- Mainnerve Federal Services, Inc. dba MFSI Government Group ("MFSI),
- Merrison Technologies, LLC ("Merrison"),
- Specialty Systems, Inc. ("SSI"),
- the business assets of Pax River from The Albers Group ("Pax River"), and
- Lexington Solutions Group, LLC ("LSG").

With the exception of Pax River, all of these acquisitions were considered business combinations under Topic 805 *Business Combinations* of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). See Note 3, "Acquisitions" for greater details on the acquisitions of the Company since January 1, 2021.

On July 19, 2021, the Company filed a Certificate of Amendment with the State of Nevada to change the par value of all common and preferred stock to all be $0.0001. All changes to the par value dollar amount for these classes of stock and adjustment to additional paid in capital have been made retroactively.

On April 7, 2022, the Company filed a Certificate of Amendment for their Series A Preferred Stock to (a) provide for an annualized dividend of $0.0125 per share to be paid monthly; (b) amend the conversion ratio for each share of Series A Preferred Stock converting into 2 shares of common stock from 20 shares of common stock; and (c) providing for the Company to have the option to repurchase the Series A Preferred Stock at any time at a price of $1 per share.

The events related to COVID-19, the disease caused by the novel coronavirus (SARS-CoV-2) and its variants, have had significant health, economic, and market impacts and may have short-term and long-term adverse effects on our business that we cannot predict as the global pandemic continues to evolve. The extent and effectiveness of responses by governments and other organizations also cannot be predicted. Our ability to access the capital markets and maintain existing operations has been little affected during the COVID-19 pandemic. Going forward any possible adverse effects on the business are uncertain given any possible limitations on available financing and how we conduct business with our customers and vendors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The interim condensed consolidated financial statements of the Company and its subsidiaries and the accompanying notes included in this Quarterly Report are unaudited. In the opinion of management, all adjustments necessary for the fair presentation of the condensed consolidated financial statements have been included. Such adjustments are of a normal, recurring nature.

The unaudited interim condensed consolidated financial statements, and the accompanying notes, are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and do not contain certain information included in the Company's Annual Report for the year ended December 31, 2021. Therefore, the interim unaudited interim condensed consolidated financial statements should be read in conjunction with that Annual Report.

The condensed consolidated financial statements include the accounts of Castellum, Inc. and its subsidiaries, collectively referred to as "the Company". All significant intercompany accounts and transactions have been eliminated in consolidation. The Company owns each of their subsidiaries 100%. The excess of the consideration paid over the net assets acquired in these business combinations was first attributed to identified intangible assets with the remainder being applied to goodwill. All goodwill other than that acquired in the acquisition of LSG is not deductible for tax purposes. The LSG-related goodwill is tax deductible.

Business Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's CODM, the Chief Executive Officer, reviews consolidated results of operations to make decisions. The Company maintains one operating and reportable segment, which is the delivery of products and services in the areas of information technology, electronic warfare, information warfare and cybersecurity in the governmental and commercial markets.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, management's estimate of provisions required for uncollectible accounts receivable, the acquired value of the intangible assets, impaired value of intangible assets, liabilities to accrue, cost incurred in the satisfaction of performance obligations, fair value for consideration elements of business combinations, permanent and temporary differences related to income taxes and determination of the fair value of stock awards. Actual results could differ from those estimates.

Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

The Company accounts for a contract with a customer that is within the scope of this Topic only when the five steps of revenue recognition under ASC 606 are met.

The five core principles will be evaluated for each service provided by the Company and is further supported by applicable guidance in ASC 606 to support the Company's recognition of revenue.

Revenue is derived primarily from services provided to the Federal government. The Company enters into agreements with customers that create enforceable rights and obligations and for which it is probable that the Company will collect the consideration to which it will be entitled as services and solutions are transferred to the customer. The Company also evaluates whether two or more agreements should be accounted for as one single contract.

When determining the total transaction price, the Company identifies both fixed and variable consideration elements within the contract. The Company estimates variable consideration as the most likely amount to which the Company expects to be entitled limited to the extent that it is probable that a significant reversal will not occur in a subsequent period.

At contract inception, the Company determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. For most contracts, the customers require the Company to perform several tasks in providing an integrated output and, hence, each of these contracts are deemed as having only one performance obligation. When contracts are separated into multiple performance obligations, the Company allocates the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised services underlying each performance obligation.

This evaluation requires professional judgment, and it may impact the timing and pattern of revenue recognition. If multiple performance obligations are identified, the Company generally uses the cost plus a margin approach to determine the relative standalone selling price of each performance obligation. The Company does not assess whether a contract contains a significant financing component if the Company expects, at contract inception, that the period between when payment by the client and the transfer of promised services to the client occur will be less than one year.

The Company currently generates its revenue from three different types of contractual arrangements: cost plus fixed fee ("CPFF"), firm-fixed-price contracts ("FFP") and time-and-materials ("T&M") contracts. The Company generally recognizes revenue over time as control is transferred to the customer, based on the extent of progress towards satisfaction of the performance obligation. The selection of the method used to measure progress requires judgment and is dependent on the contract type and the nature of the goods or services to be provided.

For CPFF contracts, the Company uses input progress measures to derive revenue based on hours worked on contract performance as follows: direct costs plus DCAA-approved provisional burdens plus fee. The provisional indirect rates are adjusted and billed at actual at year end. Revenue from FFP contracts is generally recognized ratably over the contract term, using a time-based measure of progress, even if billing is based on other metrics or milestones, including specific deliverables. For T&M contracts, the Company uses input progress measures to estimate revenue earned based on hours worked on contract performance at negotiated billing rates, plus direct costs and indirect cost burdens associated with materials and the direct expenses incurred in performance of the contract.

These arrangements generally qualify for the “right-to-invoice” practical expedient where revenue is recognized in proportion to billable consideration. FFP Level-Of-Effort contracts are substantially similar to T&M contracts except that the Company is required to deliver a specified level of effort over a stated period. For these contracts, the Company estimates revenue earned using contract hours worked at negotiated bill rates as the Company delivers the contractually required workforce.

Revenue generated by Contract Support Service contracts is recognized over time as services are provided, based on the transfer of control. Revenue generated by FFP contracts is recognized over time as performance obligations are satisfied. Most contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact of electing these transition practical expedients.

Revenue generated from contracts with Federal, state, and local governments, from these contracts is recorded over time, rather than at a point in time. Under the Contract Support Services contracts, the Company performs software design work as it is assigned by the customer, and bills the customer, generally semi-monthly, on either a CPFF or T&M basis, as labor hours are expended. Certain other government contracts for software development have specific deliverables and are structured as FFP contracts, which are generally billed as the performance obligations under the contract are met. Revenue recognition under FFP contracts require judgment to allocate the transaction price to the performance obligations. Contracts may have terms up to five years.

Contract accounting requires judgment relative to assessing risks and estimating contract revenue and costs and assumptions for schedule and technical issues. Due to the size and nature of contracts, estimates of revenue and costs are subject to a number of variables. For contract change orders, claims or similar items, judgment is required for estimating the amounts, assessing the potential for realization and determining whether realization is probable. Estimates of total contract revenue and costs are continuously monitored during the term of the contract and are subject to revision as the contract progresses. From time to time, facts develop that require revisions of revenue recognized or cost estimates. To the extent that a revised estimate affects the current or an earlier period, the cumulative effect of the revision is recognized in the period in which the facts requiring the revision become known.

The Company accounts for contract costs in accordance with ASC Topic 340-40, *Contracts with Customers*. The Company recognizes the cost of sales of a contract as expense when incurred or at the time a performance obligation is satisfied. The Company recognizes an asset from the costs to fulfill a contract only if the costs relate directly to a contract, the costs generate or enhance resources that will be used in satisfying a performance obligation in the future and the costs are expected to be recovered. The incremental costs of obtaining a contract are capitalized unless the costs would have been incurred regardless of whether the contract was obtained.

The following table disaggregates the Company’s revenue by contract type for the six months ended June 30:

	2022	2021
Revenue:		
Time and material	$ 10,946,928	$ 6,798,212
Firm fixed price	3,635,560	1,410,940
Cost plus fixed fee	6,462,904	-
Total	$ 21,045,392	$ 8,209,152

Derivative Financial Instruments

Derivatives are recorded on the consolidated balance sheet at fair value. The conversion features of certain of the convertible instruments are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Valuations derived from various models are subject to ongoing internal and external verification and review. The model used incorporates market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management’s judgment and may impact net income (loss).

With the issuance of the July 2017 FASB ASU 2017-11, *“Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815),”* which addresses the complexity of accounting for certain financial instruments.

Under current GAAP, an equity-linked financial instrument that otherwise is not required to be classified as a liability under the guidance Topic 480 is evaluated under the guidance in Topic 815, "*Derivatives and Hedging*," to determine whether it meets the definition of a derivative. If it meets that definition, the instrument (or embedded feature) is evaluated to determine whether it is indexed to an entity's own stock as part of the analysis of whether it qualifies for a scope exception from derivative accounting.

Generally, for warrants and conversion options embedded in financial instruments that are deemed to have a debt host (assuming the underlying shares are readily convertible to cash or the contract provides for net settlement such that the embedded conversion option meets the definition of a derivative). This results in a reporting entity being required to classify the freestanding financial instrument or the bifurcated conversion option as a liability, which the entity must measure at fair value initially and at each subsequent reporting date.

The amendments in this Update revise the guidance for instruments with embedded features in Subtopic 815-40, "*Derivatives and Hedging—Contracts in Entity's Own Equity*," which is considered in determining whether an equity-linked financial instrument qualifies for a scope exception from derivative accounting.

Income Taxes

Income taxes are accounted under the asset and liability method. The current charge for income tax expense is calculated in accordance with the relevant tax regulations applicable to the entity. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit 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. Differences between statutory tax rates and effective tax rates relate to permanent tax differences.

Uncertain Tax Positions

The Company follows ASC 740-10 *Accounting for Uncertainty in Income Taxes*. This requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. Management evaluates their tax positions on a quarterly basis.

Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax reporting purposes, net operating loss carryforwards, and other tax credits measured by applying currently enacted tax laws. When necessary, a valuation allowance is provided to reduce deferred tax assets to an amount that is more likely than not to be realized.

The Company files income tax returns in the US Federal tax jurisdiction and various state tax jurisdictions. The federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service ("IRS") and state taxing authorities, generally for three years after they were filed.

Share-Based Compensation

The Company follows ASC 718 *Compensation – Stock Compensation* and has adopted ASU 2017-09 *Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting*. The Company calculates compensation expense for all awards granted, but not yet vested, based on the grant-date fair values. The Company recognizes these compensation costs, on a pro rata basis over the requisite service period of each vesting tranche of each award for service-based grants, and as the criteria is achieved for performance-based grants.

The Company adopted ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*. Cash paid when shares are directly withheld for tax withholding purposes is classified as a financing activity in the statement of cash flows.

Fair Value of Financial Instruments

ASC 825 *Financial Instruments* requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments: The carrying amount of cash, accounts receivable, prepaid and other current assets, accounts payable and accrued liabilities, approximate fair value because of the short-term maturity of those instruments. The fair value of debt reflects the price at which the debt instrument would transact between market participants, in an orderly transaction at the measurement date. The fair value of the equity consideration from business combinations is measured using the price of our common stock at the measurement date, along with applying an appropriate discount for lack of marketability. For contingent liabilities from business combinations, the fair value is measured on the acquisition date using an option pricing model. The Company does not utilize derivative instruments for hedging purposes.

Earnings (Loss) Per Share of Common Stock

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding, as well as a warrant to purchase 21,614,349 shares of common stock for a total aggregate exercise price of $1 granted in connection with the $5,600,000 note payable maturing September 30, 2024, as the cash consideration for the holder/grantee to receive common shares was determined to be nonsubstantive. Diluted earnings per share ("EPS") include additional dilution from common stock equivalents, such as convertible notes, preferred stock, stock issuable pursuant to the exercise of stock options and all other warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for periods presented, so only the basic weighted average number of common shares are used in the computations. The Company subtracts dividends on preferred stock when calculating earnings (loss) per share.

Recent Accounting Pronouncements

The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 3: ACQUISITIONS

The Company has completed the following acquisitions to achieve its business purposes as discussed in Note 1. As the acquisitions made by the Company in 2021 and 2022 were of the common stock or membership interests of the companies, certain assets in some of the acquisitions (intangible assets and goodwill) are not considered deductible for tax purposes.

MFSI

The Company entered into a definitive merger agreement with MFSI, effective as of January 1, 2021. This acquisition closed on February 11, 2021. This acquisition was accounted for as a business combination whereby MFSI became a 100% owned subsidiary of the Company. The following represents the assets and liabilities acquired in this acquisition:

Cash	$	93,240
Accounts receivable		33,540
Unbilled receivable		45,316
Other assets		329,509
Right of use asset – operating lease		14,862
Customer relationships		348,000
Non-compete agreement		4,000
Goodwill		685,072
Deferred tax liability		(97,419)
Line of credit		(12,249)
Lease liability – operating lease		(13,862)
Accounts payable and accrued expenses		(47,572)
Net assets acquired	$	1,382,437

The consideration paid for the acquisition of MFSI was as follows:

Common stock	$	1,382,437

The MFSI acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the MFSI acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed for MFSI, we have engaged a third-party independent valuation specialist. The Company had estimated the preliminary purchase price allocations based on historical inputs and data as of January 1, 2021. The Company had a valuation prepared by an independent consultant. Upon the finalization of the valuation of MFSI, the Company reclassified $352,000 from goodwill into other intangible assets. There were no transactions costs that were material to this transaction.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. The Company had reclassified a portion of the goodwill upon the finalization of an independent valuation report during the year ended December 31, 2021.

Merrison

The Company entered into a definitive merger agreement with Merrison, effective as of August 5, 2021. This acquisition was accounted for as a business combination whereby Merrison became a 100% owned subsidiary of the Company. The following represents the assets and liabilities acquired in this acquisition:

Cash	$ 183,588
Accounts receivable and unbilled receivables	391,049
Customer relationships	322,000
Non-compete agreements	7,000
Trademarks	164,000
Backlog	115,000
Goodwill	780,730
Deferred tax liability	(243,730)
Accounts payable and accrued expenses	(102,354)
Net assets acquired	$ 1,617,283

The consideration paid for the acquisition of Merrison was as follows:

Common stock	$ 1,595,000
Cash	22,283
	$ 1,617,283

The Merrison acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the Merrison acquisition, and historical and current market data.

The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed for Merrison, we have engaged a third-party independent valuation specialist. The Company had estimated the preliminary purchase price allocations based on historical inputs and data as of August 5, 2021. The preliminary allocation of the purchase price is based on the best information available and is pending, amongst other things: (i) the finalization of the valuations and useful lives for the intangible assets acquired; (ii) finalization of the valuation of accounts payable and accrued expenses; and (iii) finalization of the fair value of non-cash consideration. Upon finalization of the valuation, the Company allocated $608,000 from goodwill to other intangible assets. There was a $105,000 adjustment in total purchase consideration upon finalization of the valuations that was applied to goodwill. There were no transaction costs that were material to this transaction.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. The Company had reclassified a portion of the goodwill upon the finalization of an independent valuation report during the year ended December 31, 2021. There have been no additional adjustments in the six months ended June 30, 2022.

SSI

The Company entered into a definitive merger agreement with SSI, effective as of August 12, 2021. This acquisition was accounted for as a business combination whereby SSI became a 100% owned subsidiary of the Company. The following represents the assets and liabilities acquired in this acquisition:

Cash	$ 998,935
Accounts receivable and unbilled receivables	2,222,004
Prepaid expenses	147,600
Other asset	6,750
Furniture and equipment	148,931
Right of use asset – operating lease	169,063
Customer relationships	3,102,000
Non-compete agreements	65,000
Trademarks	367,000
Backlog	50,000
Goodwill	8,461,150
Deferred tax liability	(880,150)
Lease liability – operating lease	(167,333)
Contract liability	(226,591)
Accounts payable and accrued expenses	(1,134,509)
Net assets acquired	$ 13,329,850

The consideration paid for the acquisition of SSI was as follows:

Common stock	$ 7,872,850
Seller note	400,000
Cash	800,000
Contingent earnout	257,000
Lender financing	4,000,000
	$ 13,329,850

The SSI acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the SSI acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed for SSI, we have engaged a third-party independent valuation specialist.

The Company had estimated the preliminary purchase price allocations based on historical inputs and data as of August 12, 2021. The preliminary allocation of the purchase price is based on the best information available and is pending, amongst other things: (i) the finalization of the valuations and useful lives for the intangible assets acquired; (ii) finalization of the valuation of accounts payable and accrued expenses; and (iii) finalization of the fair value of non-cash consideration as well as any earnout to be paid out in cash if achieved by the Company per the merger agreement. Upon finalization of the valuation, the Company allocated $3,584,000 from goodwill to other intangible assets. The Company paid $50,500 in transaction costs of SSI. There was a $2,608,661 adjustment in total purchase consideration upon finalization of the valuations that was applied to goodwill.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. The Company had reclassified a portion of the goodwill upon the finalization of an independent valuation report during the year ended December 31, 2021. There have been no additional adjustments in the six months ended June 30, 2022.

Pax River

The Company entered into an acquisition agreement with The Albers Group, LLC, on October 22, 2021 which closed November 16, 2021 for certain assets represented by the Pax River business. This acquisition was accounted for as an asset purchase by the Company. The following represents the assets acquired in this acquisition:

Customer relationships (contracts) (a)	$ 2,400,000
Net assets acquired	$ 2,400,000

The consideration paid for the acquisition of The Albers Group assets was as follows:

Common stock	$	1,925,000
Contingent consideration represented by obligation to issue shares (a)		275,000
Cash (included in amounts due to seller as of December 31, 2021) (b)		200,000
	$	2,400,000

(a) It was determined that on March 31, 2022, that the requirements under section 1.5(b) of the acquisition agreement had not been achieved, and as a result the contingent consideration to issue the additional 1,375,000 common shares valued at $275,000 would not be issued. The Company adjusted the customer relationships by the $275,000 down to $2,125,000.

(b) As of June 30, 2022, $100,000 was paid to the seller and the balance owed as of June 30, 2022 is $100,000.

Lexington Solutions Group

On April 15, 2022, the Company entered into Amendment No. 1 to Business Acquisition Agreement ("LSG Business Acquisition Agreement") with LSG to acquire the assets of LSG. This LSG Business Acquisition Agreement superseded the Business Acquisition Agreement originally entered into on February 11, 2022. Under the terms of the LSG Business Acquisition Agreement, the Company acquired assets and assumed liabilities of LSG for consideration as follows: (a) 12,500,000 shares of common stock (12,000,000 shares paid at closing (issued on May 4, 2022) and 500,000 shares to be held and due within three business days of payment of the second tranche of cash described below); and (b) cash payments as follows: $250,000 due at closing ("initial cash payment"); $250,000 plus or minus any applicable post-closing adjustments paid on the date that is six months after the closing date ("second tranche"); and $280,000 that is due no later than December 31, 2022.

The following represents the assets and liabilities acquired in this acquisition:

Receivable from Seller	$	$413,609
Due from Employee/Travel Advance		5,000
Miscellaneous license		2,394
Customer relationships		785,000
Non-compete agreements		10,000
Backlog		489,000
Goodwill		1,471,000
Net assets acquired	$	3,176,003

The consideration paid for the acquisition of LSG was as follows:

Common stock (12,000,000 shares issued May 4, 2022)	$	2,280,000
Holdback shares (500,000 shares due six months after the closing date) (in obligation to issue common stock)		95,000
Cash		250,000
Due to seller (cash)		551,003
	$	3,176,003

The LSG acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the LSG acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. To determine the fair values of tangible and intangible assets acquired and liabilities assumed for LSG, we have engaged a third-party independent valuation specialist.

The Company had received a valuation from their specialist and recorded the value of the assets and liabilities acquired based on historical inputs and data as of April 15, 2022. The allocation of the purchase price is based on the best information available. The Company paid $44,752 in transaction costs of LSG.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. There have been no adjustments in the six months ended June 30, 2022.

For all acquisitions disclosed, there were no transaction costs that were not recognized as an expense.

The following table shows unaudited pro-forma results for the six months ended June 30, 2022 and 2021, as if the acquisitions of Merrison, SSI, and LSG had occurred on January 1, 2021. These unaudited pro forma results of operations are based on the historical financial statements of each of the companies.

For the six months ended June 30, 2022	
Revenues	$ 22,564,868
Net loss	$ (5,836,444)
Net loss per share - basic	$ (0.01)
For the six months ended June 30, 2021	
Revenues	$ 19,412,910
Net loss	$ (240,884)
Net loss per share - basic	$ (0.00)

NOTE 4: FIXED ASSETS

Fixed assets consisted of the following as of June 30, 2022 (unaudited) and December 31, 2021:

	June 30, 2022 (unaudited)	December 31, 2021
Equipment	$ 85,095	$ 60,148
Furniture	32,574	32,574
Software	44,746	-
Leasehold improvements	75,701	75,265
Total fixed assets	238,116	167,987
Accumulated depreciation	(41,829)	(22,195)
Fixed assets, net	$196,287	$ 145,792

Depreciation expense for the six months ended June 30, 2022, and 2021 was $13,484 and $951, respectively.

NOTE 5: INTANGIBLE ASSETS AND GOODWILL

Intangible assets consisted of the following as of June 30, 2022 (unaudited) and December 31, 2021:

		June 30, 2022 (unaudited)	December 31, 2021
Customer relationships	4.5– 15 years	$ 9,535,000	$ 9,025,000
Trade name	4.5 years	266,000	266,000
Trademark	10-15 years	533,863	533,863
Backlog	2-5 years	1,436,000	947,000
Non-compete agreement	3-5 years	684,000	674,000
		12,454,863	11,445,863
Accumulated amortization		(4,825,311)	(3,850,264)
Intangible assets, net		$ 7,629,552	$ 7,595,599

The intangible assets with the exception of the trademarks were recorded as part of the acquisitions of Corvus, MFSI, Merrison, SSI, and LSG. Amortization expense for the six months ended June 30, 2022 and 2021, was $975,047 and $749,060, respectively, and the intangible assets are being amortized based on the estimated future lives as noted above. On March 31, 2022, $275,000 of customer relationships was adjusted for the contingent consideration that is no longer required to be paid for the acquisition related to The Albers Group.

Future amortization of the intangible assets for the next five years as of June 30 are as follows:

June 30, 2023	$ 1,976,650
June 30, 2024	1,767,922
June 30, 2025	1,141,598
June 30, 2026	774,285
June 30, 2027	574,372
Thereafter	1,394,725

Total	$ 7,629,552

The activity of goodwill for the six months ended June 30, 2022 (unaudited) and year ended December 31, 2021, is as follows:

		2022	2021
Balance – beginning of period	$	14,062,964	$ 4,136,011
Additions		1,471,000	9,926,953
Disposals		-	-
Impairment		-	-
	$	15,533,964	$ 14,062,964

When the Company acquires a controlling financial interest through a business combination, the Company uses the acquisition method of accounting to allocate the purchase consideration to the assets acquired and liabilities assumed, which are recorded at fair value. Any excess of purchase consideration over the net fair value of the net assets acquired is recognized as goodwill. The additions of goodwill in the respective periods relate to the acquisitions made by the Company. The Company has not disposed of any entities, nor have they impaired the goodwill in these periods.

NOTE 6: CONVERTIBLE PROMISSORY NOTES – RELATED PARTIES

The Company entered into convertible promissory notes – related parties as follows as of June 30, 2022 (unaudited) and December 31, 2021:

		June 30, 2022 (unaudited)		December 31, 2021
Convertible note payable with a trust related to one of the Company’s directors, convertible at $0.013 per share, at 5% interest (extinguished on April 4, 2022 for new note) (a)	$	-		4,209,617
Convertible note payable with a trust related to one of the Company’s directors, convertible at $0.013 per share, at 5% interest (amended April 4, 2022)		3,709,617		-
Total Convertible Notes Payable – Related Parties	$	3,709,617	$	4,209,617
Add: Premiums recorded on convertible note due to fair value adjustment at date of acquisition of Corvus		-		2,569
Less: BCF Discount		(3,371,074)		(1,407,002)
	$	338,543	$	2,805,184

Interest expense which includes amortization of discount and premium for the six months ended June 30, 2022 and 2021 was $800,217 and $804,896, respectively. Accrued interest on the notes payable at June 30, 2022 is $64,126. The amount of the BCF discount recorded was evaluated for characteristics of liability or equity and was determined to be equity under ASC 470 and ASC 480. The Company recognized this as additional paid in capital, and the discount is being amortized over the life of the note.

(a) On February 1, 2021, the two promissory notes with The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee), were combined into one new note in the principal balance of $4,279,617, that has a new maturity date of February 1, 2024. The interest rate remains at 5% per annum, and the note now includes monthly principal payments of $10,000. The conversion terms have remained at $0.013 per share. It was determined that under ASC 470, the debt amendment was considered a modification. Then again on August 12, 2021, the convertible note was amended to remove the principal payments and extend the debt further to September 30, 2024. It was determined that under ASC 470, the debt amendment was considered an extinguishment. The result of the extinguishment netted a gain of $2,667,903 that was recorded as additional paid in capital as the transaction was with a related party.

On April 4, 2022, the Company entered into a letter agreement with The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee) whereby the Company made a partial repayment of $500,000 (“First Payment”) to reduce the note from $4,209,617 to $3,709,617. The Company is obligated to make a second payment (“Second Payment”) of $2,709,617 at the time of an anticipated secondary offering, originally expected to occur on or about August 1, 2022, subject to extensions through October 31, 2022. At the time of the Second Payment, the remaining $1,000,000 of the note will be converted into shares of common stock at the conversion price in the note of $0.013 per share. The Company shall accrue interest commencing March

1, 2022, however, no payment of interest is due through October 31, 2022. The First Payment of $500,000 was paid from proceeds from Crom Cortana Fund, LLC (“Crom”) as part of a unit agreement under the Securities Purchase Agreement (“SPA”) entered into with Crom on April 4, 2022.

The Company entered into an Amended and Restated Convertible Promissory Note (issued on April 4, 2022) (“Amendment #2 – BCT”) which summarizes the terms of the letter agreement. As the amendment resulted in an accounting extinguishment, the remaining note balance along with all unamortized discounts and premiums associated with the note were extinguished with the resulting gain being reflected in additional paid in capital as this is a related party transaction. The Company recorded the Amendment #2 – BCT and the discount on April 4, 2022, and amortizing the discount through the life of the note based on the effective interest method.

The entire convertible promissory note – related parties balance is reflected in long-term liabilities.

NOTE 7: NOTES PAYABLE

The Company entered into notes payable as follows as of June 30, 2022 (unaudited) and December 31, 2021:

	June 30, 2022 (unaudited)	December 31, 2021
Note payable at 7% originally due November 2023, now maturing September 30, 2024 (a)	$ 5,600,000	$ 5,600,000
Note payable at 10% interest dated February 28, 2022 and matures the earlier of (i) September 30, 2024 or (ii) the acceleration of the obligations as contemplated under the promissory note including the successful completion of an equity offering of at least $15,000,000 (b)	500,000	-
Convertible note payable, convertible at $0.08 per share, at 7%, maturing April 4, 2023 (c)	1,050,000	-
Note payable with bank, at prime plus 3% interest (7.75% at June 30, 2022 and 6.25% at December 31, 2021) maturing August 11, 2024	2,961,301	3,588,374
		0
Total Notes Payable	10,111,301	9,188,374
Less: Debt Discount	(1,678,766)	(796,565)
	$ 8,432,535	$ 8,391,809

(a) on August 12, 2021, the note payable was amended to extend the debt to September 30, 2024. It was determined that under ASC 470, the debt amendment was considered a modification.

(b) on February 28, 2022, the Company was obligated to issue 2,500,000 shares of common stock as further consideration for making this loan to the Company. The shares were issued in April 2022.

(c) on April 4, 2022, the Company entered into an SPA with Crom. The SPA includes (a) a Convertible promissory Note dated April 4, 2022 in the amount of $1,050,000 at 7% interest per annum. This note matures April 4, 2023 (one-year) and is convertible at a conversion price of $0.08 per share; (b) the issuance of 13,125,000 warrants that mature April 4, 2027, with an exercise price of $0.092 per share; and (c) the issuance of 25,000,000 common shares at $0.02 per share ($500,000), the proceeds of which were paid to The Buckhout Charitable Remainder Trust for the First Payment. In addition, Crom was issued 2,500,000 common shares as further inducement to enter into the SPA. The Company analyzed the debt instrument with Crom, under ASC 815-10, and determined that the conversion option should be separated from the host debt instrument (i.e., bifurcated) and classified as a derivative liability, along with the value of the warrants as a derivative liability at the inception date of April 4, 2022. The fair value of the derivative liabilities at inception were reflected as a discount on the note, along with an original issue discount of $50,000, and the discount of $93,000 on the 25,000,000 shares of common stock issued to Crom that had a fair value of $593,000 which exceeded the $500,000 paid by Crom that will be amortized over the life of the note (one year). The derivative liability is marked to market each reporting period, and the Company recognized a loss on the change in fair value of the derivative liabilities of $173,000 from April 4, 2022 to June 30, 2022.

Interest expense which includes amortization of discount for the six months ended June 30, 2022 and 2021 was $787,219 and $381,484, respectively. Accrued interest on the notes payable as of June 30, 2022 is $13,921.

The note payable repayment schedule, net of discounts for the next three years as of June 30 is as follows:

June 30, 2023	$ 1,124,112
June 30, 2024	6,626,233
June 30, 2025	682,190
Total	$ 8,432,535

NOTE 8: NOTE PAYABLE – RELATED PARTY

The Company entered into a note payable with a related party in August 2021 with balances as of June 30, 2022 (unaudited) and December 31, 2021, as follows:

	June 30, 2022 (unaudited)	December 31, 2021
Note payable at 5% due December 31, 2024, in connection with the acquisition of SSI	$ 400,000	$ 400,000

Interest expense for the six months ended June 30, 2022 and 2021 was $9,918 and $0, respectively. The entire note payable – related party balance is reflected in long-term liabilities.

NOTE 9: REVOLVING CREDIT FACILITY

On April 4, 2022, the Company secured a $950,000 Revolving Credit Facility with Live Oak Bank. The credit facility matures on March 28, 2029, and draws on the credit facility are charged interest at the rate of 5.5% per annum. Interest is payable monthly. On April 12, 2022, the Company was advanced $300,025 under this credit facility. The Company incurred $3,667 in interest in the six months ended June 30, 2022, of which $1,192 is accrued for as of June 30, 2022.

NOTE 10: DUE TO SELLER

In the acquisition of assets in The Albers Group, LLC transaction, the Company is obligated to pay $200,000. This amount will be paid over a ten-month period which commenced February 2022. The $200,000 is non-interest bearing and is reflected as a current liability on the Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021 under "Due to seller". As of June 30, 2022 (unaudited) and December 31, 2021, the balance due for this obligation was $100,000 and $200,000, respectively.

In the acquisition of LSG, the Company is obligated to pay $551,003. This amount will be paid in two tranches over a ten (10) month period, with the first tranche of $271,003 paid six (6) months after the closing date and the second tranche of $280,000 paid ten (10) months after the closing date. The payment of $271,003 consists of a $250,000 payment plus a $21,003 closing adjustment. The $551,003 is non-interest bearing and is reflected as a current liability on the Condensed Consolidated Balance Sheets as of June 30, 2022. As of June 30, 2022 (unaudited), the balance due for this obligation was $551,003.

NOTE 11: STOCKHOLDERS' EQUITY (DEFICIT)

On July 19, 2021, the Company filed a Certificate of Amendment with the State of Nevada to change the par value of all common and preferred stock to all be $0.0001. All changes to the par value dollar amount for these classes of stock and adjustment to additional paid in capital have been made retroactively.

Preferred Stock

The Company has 50,000,000 shares of preferred stock authorized. The Company has designated a Series A Preferred Stock, Series B Preferred Stock and recently as of July 16, 2021 designated a Series C Preferred Stock.

Series A Preferred Stock

The Company has designated 10,000,000 shares of Series A Preferred Stock, par value of $0.0001. As of March 31, 2022 and December 31, 2021, the Company has 5,875,000 shares of Series A Preferred Stock issued and outstanding, respectively. The 5,875,000 shares were issued to the former officers of the Company in settlement of debt.

On April 7, 2022, the Company amended the Certificate of Designation for their Series A Preferred Stock to (a) provide for an annualized dividend of $0.0125 per share to be paid monthly; (b) amend the conversion ratio for each share of Series A Preferred Stock converting into 2 shares of common stock from 20 shares of common stock; and (c) providing for the Company to have the option to repurchase the Series A Preferred Stock at any time at a price of $1 per share. Upon the Amendment to the Certificate of Designation, the former officers entered into a letter agreement dated April 4, 2022 with Crom and the Company for Crom to purchase 35,000,000 shares of Common Stock for $455,000, paid direct to the former officers from Crom. The letter agreement also provided for the former officers to sell certain amounts of the common stock they own through the date of the secondary offering, originally expected to occur on or about August 1, 2022.

For the six months ended June 30, 2022, the Company recognized $18,359 in Series A dividends, all of which have been paid as of June 30, 2022.

Series B Preferred Stock

The Company has designated 10,000,000 shares of Series B Preferred Stock, par value of $0.0001. As of June 30, 2022 and December 31, 2021, the Company has 3,075,000 and 3,610,000 shares of Series B Preferred Stock issued and outstanding, respectively. The 3,610,000 shares were issued to directors of the Company and a third party in June 2019. Each share of Series B Preferred Stock converts into 100 shares of common stock and has 10,000 votes per preferred share.

In the six months ended June 30, 2022, there were 535,000 shares of Series B Preferred Stock converted into 53,500,000 common shares.

Series C Preferred Stock

The Company has designated 10,000,000 shares of Series C Preferred Stock, par value of $0.0001 (effective July 19, 2021).

In the six months ended June 30, 2022, the Company raised $150,000 for 150,000 shares of Series C Preferred Stock along with 300,000 common shares. In the year ended December 31, 2021, the Company raised $620,000 for 620,000 shares of Series C Preferred Stock along with 1,240,000 common shares.

Each share of the Series C Preferred Stock is convertible into 12.5 common shares, and the Series C Preferred Stock pays a $0.06 dividend per year. The dividend commenced accruing when the Series C Preferred Shares were fully designated and issued.

For the six months ended June 30, 2022, the Company has preferred stock dividends recognized of $22,275 and accrued Series C Preferred Stock dividends of $1,925 as of June 30, 2022. The Series C Preferred Stockholders under their subscription agreements were issued a 2:1 ratio of common stock for their investment. As a result, the Company issued 1,540,000 common shares for the 770,000 Series C Preferred shares purchased.

Common Stock

The Company has 3,000,000,000 shares of common stock, par value $0.0001 authorized. The Company has 495,762,646 and 399,212,646 shares issued and outstanding as of June 30, 2022 (unaudited) and December 31, 2021, respectively.

The Company issued the following common shares in the six months ended June 30, 2022:

The Company issued 300,000 shares of common stock in accordance with the Series C Preferred Stock subscription agreements.

The Company issued 300,000 shares of common stock in the exercise of stock options.

The Company issued 150,000 shares of common stock that vest over twelve months to an advisory board member.

The Company issued 53,500,000 shares of common stock in conversion of 535,000 Series B Preferred shares.

The Company issued 2,500,000 shares of common stock to Crom for entering into the Securities Purchase Agreement. The Company expensed this as a financing fee and include the amount in interest expense in the condensed consolidated statements of operations for the six and three months ended June 30, 2022; and 2,500,000 shares of common stock for entering into the Eisiminger note (was recorded as Obligation to Issue Common Stock at March 31, 2022).

The Company issued 25,000,000 shares of common stock to Crom for $500,000 cash.

The Company issued 12,000,000 shares of common stock as described in Note 3, “Acquisitions” to the selling shareholder of LSG.

The Company issued 300,000 shares of common stock for services, 150,000 shares were accrued under Obligation to Issue Common Stock in March 31, 2022.

The Company issued the following common shares in the year ended December 31, 2021:

The Company issued 22,280,469 common shares in the acquisition of MFSI which were issued April 29, 2021 and June 15, 2021. In addition, upon the issuance of these shares the Company has cancelled 5,000,000 shares on May 12, 2021 that were previously issued to MFSI and returned those shares to treasury, with a reduction to equity of $400,000.

On August 6, 2021, the Company issued 10,000,000 shares in the acquisition of Merrison, and on August 25, 2021, the Company issued 52,000,000 shares in the acquisition of SSI. The Company issued 641,892 additional shares in October 2021 for payment of the working capital surplus delivered to the Company in the SSI acquisition.

In September through December 2021, the Company issued 1,240,000 shares of common stock in accordance with the Series C Preferred Stock subscription agreements.

In November 2021, the Company issued 9,625,000 shares of common stock in the SSI acquisition of certain assets of The Albers Group LLC.

In December 2021, 200,000 shares of common stock were issued in the exercise of stock options for $8,000.

Warrants

The following represents a summary of warrants for the six months ended June 30, 2022 and the year ended December 31, 2021:

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Beginning balance	63,231,367	$ 0.08	21,814,349	$ 0.00
Granted	20,345,348	0.13	41,417,018	0.12
Exercised Cashless	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Ending balance	83,576,715	$ 0.09	63,231,367	$ 0.08
Warrants exercisable	83,576,715		63,231,367	
Intrinsic value of warrants	$ 11,857,510		$ 5,706,473	
Weighted Average Remaining Contractual Life (Years)	5.51			

The Company recorded $1,603,219 and $188,186 in stock-based compensation related to the granting of warrants for the six months ended June 30, 2022 and 2021, respectively. The Company uses the Black-Scholes method for valuing the expense related to the grants. See below for the criteria used for each of the respective periods.

During the six months ended June 30, 2022, the Company granted 7,220,348 warrants to two of its officers at $0.19 per share that expire May 2, 2029 valued at $1,603,219 as well as 13,125,000 warrants with a strike price of $0.092 that expire April 4, 2027 to Crom as part of the SPA with them dated April 4, 2022, and during the six months ended June 30, 2021, the Company granted 2,600,000 warrants to two of its officers at $0.08 per share that expire January 20, 2028 valued at $188,186. The warrants were issued as part of a bonus achieved under the respective employment agreements for two of the officers of the Company.

All of the warrants have been fully expensed through June 30, 2022.

Options

The Company on November 9, 2021, approved the Stock Incentive Plan, that authorizes the Company to grant up to 50,000,000 shares. Prior to this date, the granting of options was not done in accordance with a stock option plan.

The following represents a summary of options for the six months ended June 30, 2022 and the year ended December 31, 2021:

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Beginning balance	91,893,750	$ 0.1047	37,125,000	$ 0.04
Granted	50,700,000	0.18	81,750,000	0.12
Exercised	(300,000)	(0.04)	(200,000)	(0.04)
Forfeited	(5,793,750)	(0.03)	(26,781,250)	(0.03)
Expired	-	-	-	-
Ending balance	136,500,000	$ 0.1368	91,893,750	$ 0.1047
Vested options	32,210,119		28,218,750	
Nonvested options	104,289,881		63,675,000	
Intrinsic value of options	$ 12,876,650		$ 6,140,313	
Weighted Average Remaining Contractual Life (Years)	6.14		6.21	

Stock based compensation expense for the six months ended June 30, 2022 and 2021 was $1,992,975 and $670,882, respectively, which is comprised of $1,679,570 and $460,197 in service-based grants and $313,405 and $210,685 in performance-based grants, for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, there remains unrecognized stock-based compensation expense related to these grants of $21,283,128 comprising of $13,275,442 in service-based grants and $8,007,685 in performance-based grants, respectively. The vesting of these grants run through December 2026. The Company uses the Black-Scholes method for valuing the expense related to the grants. See below for the criteria used for each of the respective periods.

For the Six Months Ended June 30, 2022

In January 2022, the Company granted a total of 14,500,000 stock options to four individuals as follows: (a) 1,000,000 service based options vest over 12 months at a strike price of $0.17 per share for a period of 7 years (expire December 31, 2028); (b) 500,000 service based options vest immediately at a strike price of $0.17 per share for a period of 7 years (expire December 31, 2028); (c) 3,000,000 options (1,500,000 service based options that vest over four years; and 1,500,000 performance based options that vest upon the successful implementation of an ERP) at a strike price of $0.17 per share for a period of 7 years (expire December 31, 2028); and (d) 10,000,000 options (5,000,000 service based options that vest over 42 months; and 5,000,000 performance based options that vest upon Corvus achieving an annualized run rate of $18,000,000 and net income of 7%) at a strike price of $0.17 per share for a period of 7 years (expire December 31, 2028).

On February 15, 2022, 300,000 stock options were exercised for $12,000.

In April 2022, the Company granted a total of 36,200,000 stock options to two individuals as follows: (a) 200,000 stock options at a strike price of $0.17 for a period of 7 years (expire March 31, 2029) to a consultant that vested upon the completion of the services he provided in completion of the year end audit; and (b) 36,000,000 stock options to our Chief Financial Officer at a strike price of $0.19 for a period of 7 years (expire April 24, 2029).

For the Six Months Ended June 30, 2021

In January 2021, the Company granted 3,000,000 stock options to advisors (2,500,000) and an employee (500,000), that are service-based options that vest over a one-year period. The options have a strike price of $0.08 per share and expire seven years from the grant date (December 31, 2027).

In February 2021, the Company granted an advisor 1,000,000 stock options that are service-based options that vest immediately. The options have a strike price of $0.05 per share and expire seven years from the grant date (February 20, 2028).

In March 2021, the Company granted an advisor 1,000,000 stock options that are service-based options that vest over a one-year period. The options have a strike price of $0.09 per share and expire seven years from the grant date (March 11, 2028).

In April 2021, the Company granted an advisor 3,000,000 stock options that are that are half time-based and half performance-based options at a strike price of $0.09 per share. These options expire in seven years on March 31, 2028.

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each option/warrant is estimated using the Black-Scholes valuation model. The following assumptions were used for the periods as follows:

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Expected term	7 years	7 years
Expected volatility	114 – 126%	135 – 177%
Expected dividend yield	-	-
Risk-free interest rate	2.00 – 2.85%	0.10%

NOTE 12: DERIVATIVE LIABILITIES

The Company issued common stock, a convertible note and warrants in a SPA with Crom ("Derivative Instruments"). The Company evaluated the conversion option in the convertible note and the warrants to determine proper accounting treatment and determined them to be Derivative Instruments. The Derivative Instruments identified have been accounted for utilizing ASC 815 *"Derivatives and Hedging."* The Company has incurred a liability for the estimated fair value of Derivative Instruments. The estimated fair value of the Derivative Instruments has been calculated using binomial pricing model with key input variables by an independent third party, as of the date of issuance, with changes in fair value recorded as gains or losses on revaluation in other income (expense).

The Company's derivative liabilities as of June 30, 2022 and December 31, 2021 associated with the Derivative Instruments are as follows.

	June 30, 2022 (unaudited)	December 31, 2021	Inception
Fair value of conversion option of Crom Cortana Fund LLC convertible note	$ (388,000)	$ -	$ (314,000)
Fair value of 13,125,000 warrants on April 4, 2022	(477,000)	-	(378,000)
	$ (865,000)	$ -	

During the three months ended June 30, 2022 and 2021, the Company recognized changes in the fair value of the derivative liabilities of $(173,000) and $0, respectively

Activity related to the derivative liabilities for the six months ended June 30, 2022 is as follows:

Beginning balance as of December 31, 2021	$ -
Issuances of convertible note/warrants – derivative liabilities	(692,000)
Warrants exchanged for common stock	-
Change in fair value of warrant derivative liabilities	(173,000)
Ending balance as of June 30, 2022	$ (865,000)

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each Derivative Instrument is estimated using a binomial valuation model. The following assumptions were used for the periods as follows:

	June 30, 2022	Inception – April 4, 2022
Expected term – conversion option	0.76 years	1 year
Expected term - warrants	4.76 years	5 years
Stock price as of Measurement Date	$0.231	$0.19
Equity volatility - unadjusted	284.80%	278.80%
Volatility haircut	5.00%	5.00%
Selected volatility – post haircut	107.60%	112.60%
Senior unsecured synthetic credit rating	CCC+	CCC+

B- market yield	7.90%	4.50%
OAS differential between CCC+ and B- bonds	458bps	383bps
Risk adjusted rate	12.50%	8.30%
Risk-free interest rate	2.70%	1.70%

NOTE 13: CONCENTRATIONS

Concentration of Credit Risk. The Company's customer base is concentrated with a relatively small number of customers. The Company does not generally require collateral or other security to support accounts receivable. To reduce credit risk, the Company performs ongoing credit evaluations on its customers' financial condition. The Company establishes allowances for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information.

For the three months ended June 30, 2022 and 2021, the Company had two and three customers representing 38% and 65% of revenue earned, respectively. Any customer that represents 10% or greater of total revenue represents a risk. The Company also has four and three customers that represent 78% and 69% of the total accounts receivable as of June 30, 2022 (unaudited) and December 31, 2021, respectively.

NOTE 14: RELATED-PARTY TRANSACTIONS

In June 2021, the Company raised $220,000 for 220,000 shares of the to be designated Series C Preferred Stock along with 440,000 common shares from the newly hired Chief Growth Officer of the Company.

In January 2021, August 2021, November 2021 and April 2022, the Company granted warrants to two of their officers pursuant to the employment agreements with these officers as a bonus for closing the MFSI, Merrison, SSI, Pax River (part of The Albers Group, LLC) and LSG transactions.

NOTE 15: COMMITMENTS

The Company since April 2020 has entered in a series of Employment Agreements with management and key employees. The employment agreements are generally for terms ranging from three to four years and stipulate the compensation which include base pay and bonuses, as well as non-cash compensation (warrants or stock options) that are to be issued to the employee. The Employment Agreements run through June 30, 2025.

See the Annual Report for the details of the Employment Agreements entered into through December 31, 2021.

On April 25, 2022, the Company entered into an employment agreement with David Bell, its Chief Financial Officer ("CFO"). The employment agreement has a term of three years and five days and automatically renews for successive one-year periods unless terminated by the Company or Mr. Bell, with ninety (90) days advance notice of its intent not to renew. The agreement provides for an annual base salary of $275,000 (the "Bell Base Salary"). The Bell Base Salary will increase as follows: (i) $25,000 per month upon the Company achieving an annualized revenue run rate of $50,000,000 or greater; (ii) $35,000 per month upon the Company achieving an annualized revenue run rate of $75,000,000 or greater; (iii) $40,000 per month upon the Company reaching an annualized revenue run rate of $150,000,000 or greater and EBITDA margin of no less than 7%; and (iv) $45,000 per month upon the Company reaching an annualized revenue run rate of $300,000,000 or greater and adjusted EBITDA margin of no less than 8%. The Bell Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices.

Additionally, Mr. Bell shall be eligible to earn a performance bonus (the "Bell Performance Bonus") at the discretion of the Board of the Company with target bonuses that are the following percentages of Bell Base Salary based on certain performance criteria set forth in the employment agreement: (i) 50% of Bell Base Salary of less than $35,000 per month; (ii) 60% of Bell Base Salary of $35,000 to less than $40,000 per month; and (iii) 100% of Bell Base Salary of $40,000 or more per month. The performance criteria include (a) ensure on time filing of all periodic filings (Form 10Q and Form 10K) and event driven filings (Form 13(d), Section 16 filings (forms 3 and 4) and Form 8K); (b) ensure on time filings and payment of all federal, state and local tax obligations; and (c) prepare an annual consolidated draft budget based on subsidiary budgets by October 31 each year. Mr. Bell is entitled to earn an additional bonus of (i) $50,000 and 10,000,000 warrants to purchase the Company's common stock with an exercise price of $0.10 upon the Company's common stock trading on any tier of the Nasdaq or the New York Stock Exchange, and (ii) $100,000 and 15,000,000 warrants to purchase the Company's common stock with an exercise price of $0.12 upon the Company joining the Russell 3000 and/or Russell 2000 stock index(ices). The Board of the Company may pay an additional bonus (separate from any target) in its sole discretion.

As an additional incentive for entering into the employment agreement, Mr. Bell was granted 36,000,000 stock options to purchase the Company's common stock at an exercise price of $0.19 per share. The price amount is subject to adjustment in the event of a forward or reverse stock split, stock dividend or other similar mechanism. The stock options vest ratably over the first 36 months of employment with the Company. In the event of a change in control of the Company, unvested options shall not vest unless (i) Mr. Bell is not given a commensurate position in the resulting organization, or (ii) the change in control transaction results in a price to stockholders of at least $.40 per share. The agreement entitles Mr. Bell to receive various employee benefits generally made available to other officers and senior executives of the Company.

NOTE 16: LEASES

The Company has adopted ASU No. 2016-02, *Leases (Topic 842)*, and will account for their leases in terms of the right of use assets and offsetting lease liability obligations under this pronouncement. The Company had only short-term leases up through the acquisition of MFSI. The Company acquired a right of use asset and lease liability of $14,862 and $13,862, respectively on January 1, 2021 in the MFSI acquisition. In addition, with the SSI acquisition the Company acquired a right of use asset and lease liability of $169,063 and $167,333, respectively on August 12, 2021.

The Company recorded these amounts resulting from the acquisitions at present value, in accordance with the standard, using discount rates ranging between 5% and 7%. The right of use asset is composed of the sum of all lease payments, at present value, and is amortized straight-line over the life of the lease term.

As of June 30, 2022, the value of the unamortized right of use asset is $94,318 which is from an operating lease (through maturity in May 2024). As of June 30, 2022, the Company's lease liability was $92,898, which is from an operating lease.

Maturity of lease liability for the operating lease for the period ended June 30,		
2023	$	73,732
2024	$	12,593
2025	$	6,055
2026	$	518
Total lease liability	$	92,898
Disclosed as:		
Current portion	$	73,732
Non-current portion	$	19,166
Amortization of the right of use asset for the period ended June 30,		
2023	$	74,593
2024	$	13,152
2025	$	6,055
2026	$	518
Total	$	94,318

NOTE 17: INCOME TAXES

The Company's quarterly provision for income taxes is measured using an estimated annual effective tax rate adjusted for discrete items that occur within the quarter. For the three months ended June 30, 2022, the effective tax rate was (23.3%) compared to 25.1% for the three months ended June 30, 2021. The decrease in the effective tax rate was primarily due to the establishment of a valuation allowance against the Company's net deferred tax assets. For the six months ended June 30, 2022, the effective tax rate was (13.8%) compared to 25.3% for the six months ended June 30, 2021. The decrease in the effective tax rate was primarily due to the establishment of a valuation allowance against the Company's net deferred tax assets. The provision for income tax expense for the three months ended June 30, 2022, includes the recording of a valuation allowance of $0.6 million as a discrete item.

A full valuation allowance was established in the second quarter of 2022 due to the uncertainty of the utilization of deferred tax assets in future periods. In evaluating the Company's ability to realize the deferred tax assets, management considered all available positive and negative evidence, including cumulative historic earnings, reversal of temporary difference, projected taxable income and tax planning strategies. The Company's negative evidence, largely related to the Company's historical net losses, currently outweighs its positive evidence of future taxable income; therefore, it is more-likely-than-not that the Company will not realize a significant portion of its deferred tax assets. The amount of the deferred tax asset to be realized in the future could, however, be adjusted if objective negative evidence is no longer present.

NOTE 18: SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 12, 2022, the date the condensed consolidated statements were available to be issued.