

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Alternet Systems, Inc.
Consolidated Balance Sheet
(Unaudited)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 9,407	\$ 9,407
Accounts receivable, net	650,000	470,000
Due from related parties	3,485	3,485
Investment in digital currency	<u>117,004</u>	<u>117,004</u>
Total current assets	<u>779,896</u>	<u>599,896</u>
OTHER ASSETS		
Investment in equity securities	<u>1,000,000</u>	<u>-</u>
Total other assets	<u>1,000,000</u>	<u>-</u>
Total Assets	<u><u>\$ 1,779,896</u></u>	<u><u>\$ 599,896</u></u>
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS'		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 335,408	\$ 1,267,594
Wages payable	1,627,599	1,965,067
Third party loans, including accrued interest	-	92,820
Third party convertible note, net of OID and accrued interest	1,117,199	-
Liability for shares to be issued	130,362	505,362
Current liabilities of discontinued operations	<u>125,492</u>	<u>125,492</u>
Total current liabilities	<u>3,336,060</u>	<u>3,956,335</u>
Commitments and Contingencies	-	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.00001 par value, authorized 10,000,000 shares, 0 shares issued and outstanding	100	100
Common stock, \$0.00001 par value, authorized 3,500,000,000; 2,448,390,082 and 1,620,672,390 shares issued and outstanding	24,484	16,207
Additional paid-in capital	1,180,319	(995,707)
Share subscriptions receivable	-	(375,000)
Accumulated comprehensive income	(2,031)	(2,031)
Accumulated deficit	<u>(2,759,036)</u>	<u>(2,000,008)</u>
Total stockholders' equity (deficit)	<u>(1,556,164)</u>	<u>(3,356,439)</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,779,896</u></u>	<u><u>\$ 599,896</u></u>

The accompanying notes are an integral part of the financial statements

Alternet Systems, Inc.
Consolidated Statements of Operations
(unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended, September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES, net	\$ 60,000	\$ 60,000	\$ 180,000	\$ 180,000
OPERATING EXPENSES:				
General and administrative expenses	126,000	126,000	378,000	381,875
Consulting and professional fees	<u>28,500</u>	<u>28,500</u>	<u>85,500</u>	<u>88,000</u>
Total expenses	<u>154,500</u>	<u>154,500</u>	<u>463,500</u>	<u>469,875</u>
Net loss before other income (loss)	(94,500)	(94,500)	(283,500)	(289,875)
OTHER INCOME (LOSS)				
Interest expense	385,015	-	422,256	-
Amortization of OID	28,006	-	53,272	-
Gain on settlement of liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,753)</u>
Total other income (loss)	<u>413,021</u>	<u>0</u>	<u>475,528</u>	<u>(168,753)</u>
Net income (loss)	<u><u>\$ (507,521)</u></u>	<u><u>\$ (94,500)</u></u>	<u><u>\$ (759,028)</u></u>	<u><u>\$ (121,122)</u></u>
Income (loss) per weighted average common share	<u><u>\$0.000</u></u>	<u><u>\$0.000</u></u>	<u><u>\$0.000</u></u>	<u><u>\$0.000</u></u>
Number of weighted average common shares outstanding	<u><u>2,236,319,457</u></u>	<u><u>1,037,234,433</u></u>	<u><u>2,028,830,858</u></u>	<u><u>739,531,315</u></u>

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Alternet Systems, Inc.
Consolidated Statement of Stockholders' Deficit
(Unaudited)

	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
BALANCE , January 1, 2020	539,127,651	\$5,391	\$(2,156,447)	\$ (1,761,466)	\$ (3,912,522)
Shares issued to settle debt	60,000,000	600	149,400	-	150,000
Net loss	-	-	-	(94,500)	(94,500)
Balance March 31, 2020	599,127,651	5,991	(2,007,047)	(1,855,966)	(3,857,022)
Shares issued to settle debt	60,000,000	600	59,400	-	60,000
Net income	-	-	-	70,378	70,378
Balance June 30, 2020	659,127,651	6,591	(1,947,647)	(1,785,588)	(3,726,644)
Shares issued to settle debt	728,615,251	7,286	721,329	-	728,615
Net income	-	-	-	(97,000)	(97,000)
Balance September 30, 2020	<u>1,387,742,902</u>	<u>\$ 13,877</u>	<u>\$(1,226,318)</u>	<u>\$ (1,882,588)</u>	<u>\$ (3,095,029)</u>

Alternet Systems, Inc.
Consolidated Statement of Stockholders' Deficit
(Unaudited)

	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
BALANCE , January 1, 2021	1,620,672,390	\$16,207	\$(995,707)	\$ (2,000,008)	\$ (2,979,508)
Shares issued to settle debt	351,521,600	3,515	918,006	-	921,521
Net loss	-	-	-	(101,420)	(101,420)
Balance March 31, 2021	1,972,193,990	19,722	(77,701)	(2,101,428)	(2,159,407)
Shares issued to settle debt	27,806,010	278	27,528	-	27,806
Net loss	-	-	-	(150,086)	(150,086)
Balance June 30, 2021	2,000,000,000	20,000	(50,173)	(2,251,514)	(2,281,687)
Shares issued to settle debt	448,390,082	4,484	1,230,492	-	1,234,976
Net loss	-	-	-	(507,521)	(507,521)
Balance September 30, 2021	<u>2,448,390,082</u>	<u>\$ 24,484</u>	<u>\$ 1,180,319</u>	<u>\$ (2,909,121)</u>	<u>\$ (1,704,318)</u>

The accompanying notes are an integral part of the financial statements

Alternet Systems, Inc.
Consolidated Statements of Cash Flows
Nine Months ended September 30,
(Unaudited)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(759,028)	\$(121,122)
Gain on settlement of liability	-	(168,753)
Share based interest payment	358,329	
Amortization of OID	53,272	-
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(180,000)	10,000
Increase in accounts payable and accrued expenses	385,500	413,355
Increase in payroll liabilities	78,000	(139,855)
Increase in accrued interest	<u>63,927</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>-</u>	<u>(6,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in equity securities	<u>(1,000,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,000,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible note	<u>1,000,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>-</u>
Net increase (decrease) in cash	<u>-</u>	<u>(6,375)</u>
CASH, beginning of period	<u>9,407</u>	<u>18,282</u>
CASH, end of period	<u>\$ 9,407</u>	<u>\$ 11,907</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid in cash	<u>\$ -</u>	<u>\$ -</u>
Taxes paid in cash	<u>\$ -</u>	<u>\$ -</u>
Non-Cash Financing Activities:		
Shares issued to settle debt and accrued interest	<u>\$ 2,184,303</u>	<u>\$ 938,615</u>

The accompanying notes are an integral part of the financial statements

Alternet Systems, Inc.
Notes To Consolidated Financial Statements
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS

Alternet Systems Inc.'s (the "Company") focus has evolved into the digital payments and data analytics, micro segmentation and marketing intelligence. The target markets include the mass consumer goods, payments, financial services and telecommunications sectors. Its vision is to be the leading digital commerce solutions provider into global markets, and its mission is to provide innovative solutions that facilitate and expedite commerce, enriching our partners and their customers' experience, and improving efficiency.

Previously, the Company provided leading edge mobile financial solutions and mobile security and related solutions with the former being offered throughout the Western Hemisphere, but most actively in Central and South America and the Caribbean, and the latter being offered globally. As detailed in Note 5, Discontinued Operations, the Company, pursuant to a transaction in Alternet Transactions Systems ("ATS Transaction"), discontinued providing mobile financial solutions and mobile security. ATS is dormant.

The accompanying financial statements include the activities of Alternet Systems, Inc., Alternet Payment Solutions, LLC, Alternet Transactions Systems, Inc. and Lithium IP, LLC.

NOTE 2 - BASIS OF PRESENTATION

a) Statement of Compliance

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") as issued by the Financial Accounting Standards Board ("FASB").

b) Basis of Measurement

The Company's financial statements have been prepared on the historical cost basis.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 financial statement date and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, fair value of convertible notes payable and derivative liabilities. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

Alternet Systems, Inc.
Notes To Consolidated Financial Statements
(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarize the more significant accounting and reporting policies and practices of the Company:

a) Revenue recognition In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 606, Revenue From Contracts With Customers, effective for public business entities with annual reporting periods beginning after December 15, 2017. This new revenue recognition standard (new guidance) has a five step process: a) Determine whether a contract exists; b) Identify the performance obligations; c) Determine the transaction price; d) Allocate the transaction price; and e) Recognize revenue when (or as) performance obligations are satisfied. The impact of the Company’s initial application of ASC 606 did not have a material impact on its financial statements and disclosures. The Company currently generates its revenues from providing consulting services, primarily consisting of project management on existing projects in Colombia and Peru, on a contract basis in regards to data analytics solutions.

b) Stock compensation for services rendered The Company may issue shares of common stock in exchange for services rendered. The cost of the services are valued according to generally accepted accounting principles and have been charged to operations.

c) Net income (loss) per share Basic loss per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period.

d) Property and equipment All property and equipment are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

e) Income Taxes Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income, and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

f) Cash and equivalents For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Alternet Systems, Inc.
Notes To Consolidated Financial Statements
(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments and Fair Value Measurements ASC 825-10 “Financial Instruments”, allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

ASC 825 also requires disclosures of the fair value of financial instruments. The carrying value of the Company’s current financial instruments, which include cash and cash equivalents, accounts payable and accrued liabilities approximates their fair values because of the short-term maturities of these instruments.

FASB ASC 820 “Fair Value Measurement” clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

h) Impairment of Long-Lived Assets A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying value amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived assets exceeds its fair value.

i) Related Party Transactions All transactions with related parties are in the normal course of operations and are measured at the exchange amount.

j) Intangible Assets The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite useful lives are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the estimated useful lives.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. If impairment indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

Alternet Systems, Inc.
Notes To Consolidated Financial Statements
(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Digital Currency Transactions The Company can enter into transactions that are denominated in digital currency (Ven). These transactions result in digital currency denominated assets and liabilities that are revalued periodically. Upon revaluation, transaction gains and losses are generated and are reported as unrealized gains and losses in other items in the Consolidated Statements of Operations. The Company determines fair value as of the balance sheet date based on Level 1 inputs which consist of quoted prices in active markets. The value of the Company's digital currency is \$117,004. Due to the uncertainty regarding the current and future accounting treatment and tax, legal and regulatory requirements relating to digital currencies or transactions utilizing digital currencies, such accounting, legal, regulatory and tax developments or other requirements may adversely affect us.

l) Recent Accounting Pronouncements On January 1, 2019, the Company adopted ASU 2016-02, "Leases" which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The adoption of ASU 2016-02 had no effect on the Company's financial statements.

NOTE 4 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's financial position and operating results raise substantial doubt about the Company's ability to continue as a going concern, as reflected by the net loss of \$0.7 million for the nine months ended September 30, 2021 and \$2.6 million negative working capital. The ability of the Company to continue as a going concern is dependent upon commencing operations, developing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is currently seeking additional capital.

NOTE 5 - RELATED PARTY TRANSACTIONS

As of September 30, 2021, a total of \$1,768,957 was payable to former directors and former officers of the Company, which is non-interest bearing and has no specific terms of repayment.

NOTE 5 - INVESTMENT IN EQUITIES

In April 2021, the Company purchased 400,000 units of a Regulation D private offering by Zoom Car, Inc. Each unit consists of one shares of Series E Preferred stock and one five year warrant to purchase one share of common stock at an exercise price of \$2.50 per share. The Series E preferred converts to common upon the closing of a firm commitment IPO of at least \$40,000,000. The 400,000 units were purchased for \$1,000,000 in cash.

NOTE 6 - CONVERTIBLE NOTE PAYABLE

In April 2021, the Company entered into a convertible note with a third party for \$1,111,111, which includes \$111,111 of OID. This note has a maturity in one year and carries a 12% interest rate. This note is convertible beginning 6 months after issuance. It is convertible at a discount of 50% to the lowest trade price during the 20 consecutive trading days immediately prior to conversion date.

Alternet Systems, Inc.
Notes To Consolidated Financial Statements
(Unaudited)

NOTE 7 – STOCKHOLDERS EQUITY

The Company is authorised to issue 3,500,000,000 shares of \$0.00001 par value common stock and 10,000,000 shares of \$0.00001 par value preferred stock. Rights and privileges of the preferred stock have not been established.

At June 30, 2021 and December 31, 2020, the Company had 2,000,000,000 and 1,620,672,390, respectively, shares of common stock issued and outstanding. At June 30, 2021 and December 31, 2020, the Company had 10,000,000 shares of preferred stock issued and outstanding.

On June 28, 2021, the Company amended its articles of incorporation to increase the authorized common shares to 3,500,000,000. In the second quarter of 2021 the Company issued 27,806,010 shares of common stock to settle \$27,806 of debt.

In the third quarter of 2021 the Company issued 448,390,0182 shares of common stock to settle \$1,234,976 of debt.

In the second quarter of 2021 the Company issued 27,806,010 shares of common stock to settle \$27,806 of debt.

In the first quarter of 2021 the Company issued 351,521,600 shares of common stock to settle \$921,522 of debt.

In 2020, \$1,160,739 of notes was converted to 1,081,544,739 shares of common stock.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

a) Legal Matters From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of June 30, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations.

NOTE 9 - COVID-19

The full extent to which the COVID-19 pandemic may directly or indirectly impact our business, results of operations and financial condition, will depend on future developments that are uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements, and although there is currently no major impact, there may be changes to those estimates in future periods.