SMARTCARD MARKETING SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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SMARTCARD MARKETING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,740	$ 48
Accounts receivable, net	280,445	182,245
Total current assets	284,185	182,293
Investments	1,800,000	1,200,000
Intangible assets, net	348,711	408,679
Total assets	$ 2,432,896	$ 1,790,971
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,201,897	$ 2,551,741
Convertible promissory note payable	430,716	470,659
Total current liabilities	2,632,612	3,022,400
Deferred revenue	1,505,000	1,025,000
Total liabilities	4,137,612	4,047,400
Stockholders' deficit:		
Common stock, $0.001 par value, 500,000,000 shares authorized, 491,892,061 and 472,369,839 shares issued and outstanding as of June 30, 2022 and December 31, 2021	491,892	472,370
Additional paid-in capital	6,547,719	5,688,741
Accumulated deficit	(8,744,327)	(8,417,539)
Total stockholders' deficit	(1,704,716)	(2,256,429)
Total liabilities and stockholders' deficit	$ 2,432,896	$ 1,790,971

Approved on behalf of the board:

Massimo Barone, CEO
Smartcard Marketing Systems, Inc.

Michele (Mike) Tasillo, CFO
Smartcard Marketing Systems, Inc.

See accompanying notes, they are integral to these consolidated financial statements.

SMARTCARD MARKETING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Revenues	$ 135,816	$ 152,840	$ 263,416	$ 277,602
Cost of net revenue	-	-	4,999	-
Gross profit	135,816	152,840	258,417	277,602
Operating expenses:				
General and administrative	255,925	248,320	583,448	474,241
Sales and marketing	895	345	1,757	959
Total operating expenses	256,820	248,665	585,205	475,200
Loss from operations	(121,004)	(95,824)	(326,788)	(197,598)
Other income (expense):				
Interest expense	845	-	-	-
Total other income (expense), net	845	-	-	-
Provision for income taxes	-	-	-	-
Net loss	$ (120,159)	$ (95,824)	$ (326,788)	$ (197,598)
Weighted average common shares outstanding - basic and diluted	491,892,061	442,792,840	482,130,950	470,269,839
Net loss per common share - basic and diluted	$ (0.0002)	$ (0.0002)	$ (0.0007)	$ (0.0004)

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SMARTCARD MARKETING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-in	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2020	468,536,506	$ 468,537	$ 5,577,762	$ (7,428,598)	$ (1,382,300)
Issuance of common shares for services	500,000	500	14,500	-	15,000
Issuance of common shares for software acquired	1,500,000	1,500	48,000	-	49,500
Net loss	-	-	-	(101,774)	(101,774)
Balances at March 31, 2021 (unaudited)	470,536,506	470,537	5,640,262	(7,530,372)	(1,419,573)
Net loss	-	-	-	(95,824)	(95,824)
Balances at June 30, 2021 (unaudited)	470,536,506	$ 470,537	$ 5,640,262	$ (7,626,196)	$ (1,515,397)
Balances at December 31, 2021	472,369,839	$ 472,370	$ 5,688,741	$ (8,417,539)	$ (2,256,429)
Issuance of common shares for services	1,744,444	1,744	76,756	-	78,500
Conversion of notes and accounts payable into shares	17,777,778	17,778	782,222	-	800,000
Net loss	-	-	-	(206,629)	(206,629)
Balances at March 31, 2022 (unaudited)	491,892,061	491,892	6,547,719	(8,624,168)	(1,584,558)
Net loss				(120,159)	(120,159)
Balances at June 30, 2022 (unaudited)	491,892,061	491,892	6,547,719	(8,744,327)	(1,704,716)

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SMARTCARD MARKETING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (326,788)	$ (197,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	92,173	88,372
Shares issued for services	78,500	15,000
Changes in operating assets and liabilities:		
Accounts receivable	(98,200)	(93,200)
Accounts payable and accrued liabilities	200,156	291,234
Deferred revenue	(120,000)	(170,000)
Net cash used in operating activities	(174,159)	(66,192)
Cash flows from investing activities:		
Software development costs	(32,205)	(45,210)
Net cash provided by investing activities	(32,205)	(45,210)
Cash flows from financing activities:		
Proceeds from convertible notes payable	220,000	115,159
Repayments of convertible loans	(9,943)	(2,000)
Net cash provided by financing activities	210,057	113,159
Net change in cash and cash equivalents	3,693	1,758
Cash and cash equivalents at beginning of year	48	92
Cash and cash equivalents at end of year	$ 3,740	$ 1,850
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common shares for software acquired	$ -	$ 49,500
Loans payable converted into shares	$ 250,000	$ -
Accounts payables converted into shares	$ 550,000	$ -
Investments	$ 600,000	$ -

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Smartcard Marketing Systems, Inc.

Michele (Mike) Tasillo, CFO
Smartcard Marketing Systems, Inc.

See accompanying notes, they are integral to these consolidated financial statements.

1. NATURE OF OPERATIONS

Smart Card Marketing Systems, Inc. (the "Company") consist of Smart Card Marketing Systems, Inc. and its wholly owned subsidiary VelocityMWallet Technology LLC.

Smart Card Marketing Systems, Inc. is a Fintech advisory corporation formed under the laws of Delaware as a solutions provider to the payments industry, delivering cloud-based EMV Host Acquiring and Issuing solutions to banks, telecoms and enterprises. The Company's in-house lab offers customers proprietary software solutions, including:

- Generocity.com, a coupon and incentive platform for the retail and events industry.
- Check21SAAS.com, a Remote Deposit Check solution for X9 clearing.

VelocityMWallet Technology LLC is a Delaware limited liability company which also provides proprietary software solutions, such as VelocityMWallet.com, a transaction payment ecosystem for alternative payment solutions and processing.

2. GOING CONCERN

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated profits since inception, has sustained net losses of $326,788 for the six months ended June 30, 2022. As of June 30, 2022, the Company had an accumulated deficit of $8,744,327. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and/or to obtain additional working capital from related and third-parties. Through the date the consolidated financial statements were available to be issued, the Company has been financed by its primary shareholder and third-party investors. No assurances can be given that the Company will be successful in these efforts. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities as a result of this uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP"). The Company's fiscal year is December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, VelocityMWallet Technology LLC. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At December 31, 2021 and 2020, all of the

Company's cash and cash equivalents were held at two accredited financial institutions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2022 and December 31, 2021. The carrying values of the Company's assets and liabilities approximate their fair values.

Accounts Receivable

Accounts receivable are derived from products and services delivered to customers and are stated at their net realizable value. Each month, the Company reviews its receivables on a customer-by-customer basis and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Intangible Assets

Intangible assets consist of capitalized software development costs. The Company accounts for costs incurred to develop software for internal use in accordance with Financial Accounting Standards Board ("FASB") *ASC 350-40 "Internal-Use Software"*. As required by ASC 350-40, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing.

Costs incurred during the preliminary project stage along with post-implementation stages of internal use software are expensed as incurred. Capitalized development costs are amortized over a period of three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

Software development costs are amortized over a useful life of 5 years.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its property, equipment, and other long-lived assets in accordance with FASB ASC 360 *"Property, Plant and Equipment",* which requires recognition of impairment of long-lived assets in the event the net book value of such assets exceed the estimated future undiscounted cash flows attributable to such assets or the business to which such intangible assets relate. If the sum of the expected cash flows, undiscounted, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. As of June 30, 2022 and December 31, 2021, no impairment was recorded.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

Consulting, licensing and processing fee revenues are recognized when the services are provided under the terms of client agreements as the performance obligations are satisfied. Payments received in advance of providing services are recorded as deferred revenue and amortized to revenue as services are performed.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred.

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the consolidated financial statements.

Net Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As of March 31, 2022, there were an estimated 15,666,667 potentially dilutive securities outstanding due to the Company's convertible notes (see Note 5).

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

4. INVESTMENTS

In 2019, the Company entered into an agreement to license its technology to XPay World in exchange for 7% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $1,200,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years.

In 2020, the Company entered into an agreement to license its technology to OriginatorX in exchange for 50% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $500,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years. As of December 31, 2021, the fair value of the investment was concluded to be indeterminable, and the Company recorded an impairment of $500,000 pertaining to the investment. As of March 31, 2022 and December 31, 2021, the carrying value of the investment was $0.

In 2022, the Company entered into an agreement to license its technology to Acers Group LLC in exchange for 15% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $600,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years.

5. CONVERTIBLE NOTES

In the quarter ended March 31, 2022, the Company received proceeds of $220,000 from convertible notes. In 2022, the Company converted $250,000 in notes payable into 5,555,556 shares of common stock.

In the quarter ended March 31, 2022, the Company received proceeds of $39,912 and repaid $2,000.

All outstanding convertible notes have short-term maturities or are in default as of June 30, 2022, and therefore are recorded as current liabilities in the consolidated balance sheets.

6. STOCKHOLDERS' EQUITY

As of June 30, 2022, the Company had 500,000,000 authorized shares of common stock.

In 2022, the Company issued 1,744,444 shares of common stock for services performed at a fair value of $78,500, which was included in general and administrative expenses in the consolidated statements of operations.

In 2022, the Company converted $250,000 in notes payable into 5,555,556 shares of common stock.

In 2022, the Company converted $550,000 in accounts payable into 12,222,222 shares of common stock.

In 2021, the Company issued 500,000 shares of common stock for services performed. The fair value of $15,000 was included in general and administrative expenses in the consolidated statements of operations.

In 2021, the Company issued 1,500,000 shares of common stock for the acquisition of software for a fair value of $49,500, which was capitalized as intangible assets.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2022, the date the consolidated financial statements were available to be issued. Based on this evaluation, no material events were identified which require adjustment or disclosure in these consolidated financial statements, other than those disclosed above.