

TMM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

TMM, INC  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2022

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in Bank	176,999	
Deposit on Co-Development Project (Note 3)	150,000	
Prepaid Expenses	<u>20,164</u>	
<u>TOTAL CURRENT ASSETS</u>		347,163
 <u>Product Design &amp; Development Costs (Note 3)</u>		
VDK Codec Costs Capitalized	2,005,215	
New Code Review and Development	<u>3,308,719</u>	
Total Product Design, Development And Fixed Asset Costs	5,313,934	
Less: Amortization to Date (Note 1)	<u>(5,313,934)</u>	
<u>NET PRODUCT DESIGN &amp; DEVELOPMENT COSTS</u>		<u>- 0 -</u>
 <u>TOTAL ASSETS</u>		 <u>347,163</u>
 <u>LIABILITIES AND SHAREHOLDER EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accrued Expenses (Notes 4 & 8)	413,580	
Short Term Loans Payable (Notes 8 & 10)	<u>1,755,862</u>	
<u>TOTAL CURRENT LIABILITIES</u>		2,169,442
 <u>SHAREHOLDER EQUITY (Notes 6, 7, 8 &amp; 9)</u>		
Capital Stock:		
Preferred stock, 49,000,000 shares authorized, 1,810,000 issued and outstanding.		
Preferred "B", 1,000,000 shares authorized and Outstanding		
Common stock, \$0.001 par value 750,000,000 shares authorized 544,971,809 issued and outstanding	947,188	
Additional Paid in Capital	30,431,776	
Retained Earnings	<u>(33,201,243)</u>	
<u>TOTAL SHAREHOLDER EQUITY</u>		<u>(1,822,279)</u>
 <u>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</u>		 <u>347,163</u>

See accompanying notes to financial statements

TMM, INC  
CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2022

EXPENSES

Bank Charges	773
Computer and Programming Expenses	841
Consultants	6,000
Administration Fees	27,000
Insurance Expense	30,014
Interest Expense (Note 8)	43,178
Legal Fees	69,738
Office Expenses	8,137
Taxes & Licenses	<u>135</u>

TOTAL EXPENSES 185,816

NET LOSS (185,816)

Retained Earnings - Beginning (33,015,427)

RETAINED EARNINGS - ENDING (33,201,243)

See accompanying notes to financial statements

TMM, INC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net Income (Loss)	(185,816)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided or Used by Operating Activities:	
Decrease in Prepaid Expenses	24,514
Increase in Accrued Expenses	<u>42,598</u>
<u>TOTAL ADJUSTMENTS</u>	<u>67,112</u>
<u>NET CASH USED BY OPERATIONS</u>	(118,704)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	- 0 -
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>- 0 -</u>
<u>NET CHANGE IN CASH</u>	(118,704)
CASH AT BEGINNING OF PERIOD	<u>295,703</u>
<u>CASH AT END OF PERIOD</u>	<u>176,999</u>

Supplemental Information: Cash Paid for Interest - 0 -

See accompanying notes to financial statements

TMM, INC  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2022

	<u>CAPITAL STOCK (\$)</u>	<u>PREFERRED SHARES (#)</u>	<u>COMMON SHARES (#)</u>	<u>ADDITIONAL PAID IN CAPITAL</u>	<u>PRIVATE PLACEMENT PROCEEDS</u>	<u>ACCUMULATED DEFICIT</u>	<u>TOTAL</u>
<u>BALANCE AT</u> <u>DECEMBER 31, 2021</u>	947,188	2,810,000	544,971,809	30,431,776	- 0 -	(33,015,427)	(1,636,463)
2022 Activity:							
2022 Net Loss						(185,816)	(185,816)
<u>BALANCE</u> <u>JUNE 30, 2022</u>	<u>947,188</u>	<u>2,810,000</u>	<u>544,971,809</u>	<u>30,431,776</u>	<u>- 0 -</u>	<u>(33,201,243)</u>	<u>(1,822,279)</u>

See accompanying notes to financial statements

TMM, INC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of TMM, Inc (the Company) and Digital Focus Inc, its wholly owned subsidiary, is presented to assist in understanding the Company's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BUSINESS ACTIVITY

TMM, Inc is in the business of developing high resolution video technology. The Company possesses TRUDEF™ digital video compression technology and video scaling technologies. The original fractal codec was developed in the early 1990's in collaboration with Iterated Systems, Inc. The Company has contracted programmers to modernize, develop and test various new proprietary commercial software products and is in Co-Development with other third party technology companies to create new integrated platforms.

METHOD OF ACCOUNTING

The Company keeps its books on the accrual basis.

USE OF ESTIMATES AND ASSUMPTIONS

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

INCORPORATION

The Company was incorporated on October 8, 1986, in the State of Nevada.

INCOME TAXES

Income Taxes are provided currently for all items included in the Statement of Income regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenues and expenses in different periods for tax and financial statement purposes

TMM, INC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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CONSOLIDATION

These financial statements present the consolidated information of TMM, Inc. and Digital Focus, Inc., its wholly owned subsidiary. See Note 8.

DEPRECIATION & AMORTIZATION

Code Development and certain legal costs previously capitalized are being amortized using the straight line method over the estimated useful lives of the assets. Depreciation and Amortization are now complete and the assets are fully depreciated and amortized.

2. BASIS OF PRESENTATION

These financial statements have been compiled from data provided by management. These statements have not been audited or reviewed and accordingly, no opinion or any other form of assurance is expressed on them. See Note 10 regarding going concern considerations.

3. COMPOSITION OF CERTAIN ASSET ACCOUNTS

VDK Codec Costs Capitalized: Represents historical costs previously capitalized and fully amortized for the development of the VDK Codec code.

Code Review and Enhancements: Represent funds spent to review, update and enhance the Company's software as well as develop new software. These costs have been fully amortized as of the balance sheet date.

Deposit on Co-Development Project: Represents a deposit made by the Company for participation in a Co-Development project with virtual character pioneer CodeBaby, Inc. The Co-Development focuses on the utilization of CodeBaby's next generation emotionally intelligent avatars designed to be integrated with TMMI and other technologies. In addition to the \$150,000 deposit previously made, the company has committed to an additional \$100,000 in funding to the Co-Development project. As of the balance sheet date, the Joint Venture project where the Code Baby integration was to be used had stalled and as a result the Code Baby Co-Development has also been paused while the terms and conditions of Joint Venture Project continue to be negotiated.

TMM, INC  
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4. ACCRUED EXPENSES

In May 2016, several law firms representing the Company presented invoices for accumulated legal services related to the litigation referenced in Note 5 and also for legal services in connection with securing patents for the Company's updated and new technology.

In 2017 the Company settled certain amounts due to the various law firms in the amount of \$283,056. The unsettled amounts of \$161,856 remain as a liability and are included in Accrued Expenses.

5. LITIGATION

On March 11, 2013, the Company and its subsidiary, Digital Focus, Inc. (DFI), filed a lawsuit in the Eighth Judicial District Court for Clark County, Nevada (the "Court") against Dimension, Inc. and related parties in order to protect and resolve its rights as to certain intellectual property. In response to the Company's complaint, Dimension filed a cross-complaint alleging ten causes of action, among them malicious prosecution, and declaratory relief. In recent years, however, the Company has completed development of new digital compression and scaling technologies that are unrelated to the Company's original technology that is the subject of the lawsuit. The Company's new technologies include new proprietary algorithms that are described at least in part in provisional patent applications filed by the Company in 2015. As a result of such new product developments, the Company no longer saw the need to continue to spend valuable resources litigating over technology that was not in development by the Company. Accordingly, upon motion made by the Company and granted by the Court, the Company's claims against the Defendants were voluntarily dismissed on January 21, 2016. On or about April 25, 2016, the Court granted in part TMMI's motion for summary judgment on Dimension's counterclaims and dismissed almost all of Dimension's counterclaims, leaving only abuse of process and declaratory relief claims. Ultimately, Dimension dismissed the abuse of process claim without prejudice. After a trial held in November of 2016, the Court entered judgment in Dimension's favor and against the Company, declaring that Dimension was the owner of the specific PVS/SGI license in question. Following the trial, Dimension filed a motion for an award of attorney's fees,



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which was denied. Costs in the approximate amount of \$54,000 were awarded to Dimension. Both parties appealed to the Nevada Supreme Court, and in December of 2018, the Nevada Supreme Court upheld both the declaratory judgment in favor of Dimension and in favor of TMMI on the denial of Dimension's motion for attorney's fees.

In July of 2019, despite its prior dismissal of its abuse of process claim, Dimension filed a new case in the Court against the Company and certain of its current and former officers alleging an abuse of process claim related to the original suit described above. In September of 2019, the Company moved to dismiss this new suit based on Nevada's Anti-SLAPP statute. The Company's motion to dismiss was denied based upon a technical ruling and the Company took an interlocutory appeal of the decision to the Nevada Supreme Court. At a settlement conference held in February 2020, the parties agreed in principle to settle the litigation and any and all claims between them. Ultimately, that settlement failed.

TMMI subsequently filed a motion to voluntarily withdraw its appeal of the Anti-SLAPP decision in order to pursue its cross claim against Dimension, Inc., which the court granted October 29, 2020. The Company proceeded with the litigation and filed its counter claim against Dimension, Inc. for damages in excess of \$5,000,000. On December 7, 2021, TMMI filed a claim against Lawrence Panik, former president of Dimension, Inc. and a former shareholder in TMMI, for claims including using inside information to usurp the Company's corporate opportunities against the interests of all TMMI shareholders. On March 8, 2022 Lawrence Panik's motion to dismiss the suit against him was denied and he has filed an appeal.

**6. ADDITIONAL STOCK ISSUANCE AND CANCELLATION**

At the balance sheet date, there were 20,000,000 shares of common stock recovered by the Company as a result of the settlements of litigation initiated by the Company against former management members and a vendor for its non-performance under a contract. 16,250,000 shares have been returned and cancelled and additional 3,750,000 shares are still in the process of being returned to the Company to be cancelled.

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7. ACQUISITION OF DIGITAL FOCUS, INC

On June 8, 2012 TMM, Inc. completed the acquisition of the outstanding shares of Digital Focus, Inc. a California corporation. Digital Focus, Inc.'s sole asset is a license agreement to the PVS/SGI code from Iterated Systems, Inc. that is was the subject of the litigation referenced in Note 5.

8. LOANS PAYABLE

Loans Payable comprise the following:

Loans advanced by certain shareholders of the company. These loans mature in October 2022 and accrue interest at the rate of 4% to 7%.

Interest expense of \$25,178 has been accrued  
For 2022

855,862

Loans to the company which mature on December 31, 2022 and which include contingent rights for conversion to Common Stock at \$0.02 per share and a half warrant for future conversion at \$0.04 per Share. Interest accrues at 4%. Interest Expense of \$18,000 has been accrued for 2022

900,000

Total

1,755,862

Less: Short Term Portion

1,755,862

Long Term Portion

- 0 - .

See Note 10 Regarding Going Concern Considerations

9. PREFERRED SERIES B STOCK

In December 2017 the Company created 1,000,000 shares of Preferred Series B Stock out of the 50 Million Shares of Preferred Stock Authorized. This class of Preferred Stock has a par value of \$0.001 and has no dividend rights except as may be declared by the Board of Directors.

The holders of the Preferred Series B stock shall be entitled to participate in the distribution of assets upon dissolution or liquidation of the company.

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The Preferred Series B stock has conversion rights of 200 shares of common for 1 share of Preferred B

10. GOING CONCERN CONSIDERATIONS

Financial Statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) assume a company will continue as a going concern for 12 months from the issuance of its report. The Company presently has short term debt in the amount of \$1,755,862 with accrued interest of \$252,626 related to that debt, and cash of \$176,999 at June 30, 2022. Therefore, the Company's ability to continue as a going concern is in doubt. The Company must re-negotiate an extension of the debt or repay the debt within the next 12 months (October 2022 and December 2022 respectively). The debt is largely held by shareholders who own substantial stock in the Company. Should the Company not be successful in obtaining extensions of the maturity dates or the repayment, the Company's ability to continue as a going concern is in jeopardy.

11. EARNINGS (LOSS) PER SHARE INFORMATION

Earnings (Loss) per share for June 30, 2022 is as follows:

	<u>Earnings Per Share</u>	<u>Earnings Per Share (Fully Diluted)</u>
<u>Loss for 2022</u>	<u>(185,816)</u>	<u>(185,816)</u>
<u>Shares Outstanding:</u>		
Preferred	1,810,000	1,810,000
Preferred "B"	1,000,000	- 0 -
Common	544,971,809	744,971,809
Shares to be Cancelled	<u>(3,750,000)</u>	<u>(3,750,000)</u>
<u>Total Shares Equivalents</u>	<u>544,031,809</u>	<u>743,031,809</u>
<u>Loss Per Share</u>	<u>(\$0.00034)</u>	<u>(\$0.00025)</u>