TMM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

TMM, INC
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2018

ASSETS

CURRENT ASSETS		
Cash in Bank	12,161	
Prepaid Expenses	7,434	
TOTAL CURRENT ASSETS		19,595
Product Design & Development Costs (Note 3)		
VDK Codec Costs Capitalized	2,005,215	
Code Review and Enhancements	3,308,719	
Total Product Design, Development And Fixed Asset Costs	5,313,934	
Less: Amortization to Date (Note 1)	(3,742,283)	
NET PRODUCT DESIGN & DEVELOPMENT COSTS		1,571,651
OTHER ASSETS (Note 3)		
Legal & Related Costs	674,580	
Less: Amortization to Date (Note 1)	(307,869)	
NET OTHER ASSETS		366,711
TOTAL ASSETS		1,957,957

LIABILITIES AND SHAREHOLDER EQUITY

CURRENT LIABILITIES		
Accrued Expenses (Notes 4 & 13)	255,018	
TOTAL CURRENT LIABILITIES		255,018
LONG TERM LIABILITIES		
Loans Payable (Note 13)	651,961	
TOTAL LONG TERM LIABILITIES		651,961
SHAREHOLDER EQUITY (Notes 6 , 7, 8, 9, 12, 14 & 15)		
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	(30,327,986)	
TOTAL SHAREHOLDER EQUITY		1,050,978
TOTAL LIABILITIES AND SHAREHOLDER EQUITY		1,957,957

See accompanying notes to financial statements

TMM, INC
CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2018

EXPENSES		
Bank Charges	1,483	
Computer Programming & Expenses	78,094	
Consultants	15,848	
Depreciation of Development Costs (Note 1)	165,435	
Amortization of Capitalized Legal Fees (Note 1)	26,983	
Director Fees	1,000	
Legal & Professional (Notes 3, 4 & 11)	26,800	
Interest Expense (Notes 4 & 13)	8,213	
Office Supplies & Expenses	2,729	
Administration Fees (Note 10)	28,288	
Travel	1,409	
TOTAL EXPENSES		356,282
NET LOSS		(356,282)
Retained Earnings - Beginning		(29,971,704)
RETAINED EARNINGS - ENDING		(30,327,986)

See accompanying notes to financial statements

TMM, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)		(356,282)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided or Used by Operating Activities:		
Depreciation & Amortization	192,418	
Decrease in Prepaid Expenses	17,701	
Increase in Accrued Expenses	15,614	
TOTAL ADJUSTMENTS		225,733
NET CASH USED BY OPERATIONS		(130,549)
CASH FLOWS FROM INVESTING ACTIVITIES		- 0 -
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Loans Payable		125,000
NET CHANGE IN CASH		(5,549)
CASH AT BEGINNING OF PERIOD		17,710
CASH AT END OF PERIOD		12,161

Supplemental Information: Cash Paid for Interest - 0 -

See accompanying notes to financial statements

TMM, INC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018

	CAPITAL STOCK ($)	PREFERRED SHARES (#)	COMMON SHARES (#)	ADDITIONAL PAID IN CAPITAL	PRIVATE PLACEMENT PROCEEDS	ACCUMULATED DEFICIT	TOTAL
BALANCE AT DECEMBER 31, 2017	947,188	2,810,000	544,971,809	30,431,776	- 0 -	(29,971,704)	1,407,260
2018 Activity:							
2018 Net Loss						(356,282)	(356,282)
BALANCE MAR 31, 2018	947,188	2,810,000	544,971,809	30,431,776	- 0 -	(30,327,986)	1,050,978

See accompanying notes to financial statements

TMM, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 and distributing TRUDEF ™ digital video compression technology and video scaling technologies. The original 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 proprietary commercial software products.

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.

CONSOLIDATION

These financial statements present the consolidated information of TMM, Inc. and Digital Focus, Inc., its wholly owned subsidiary. See Note 9.

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 has commenced since certain of the Company's products are currently available for general release to customers.

2. BASIS OF PRESENTATION

These Financial Statements have been compiled using historical data from reports prepared by the previous management of the Company along with the recent activity of the Company and the Shareholder Group who initiated the change in the Company's management. These financial statements are preliminary and are based on the best information available at this time. As the discovery and review of certain historical documents continues (the current management was voted into office on October 17, 2011) any revisions will be updated in the next fiscal quarter (See Note 5). These statements have not been audited or reviewed and accordingly, no opinion or any other form of assurance is expressed on them.

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 currently to review, update and enhance the Company's software. These costs have been capitalized as computer software to be sold, leased or otherwise marketed as a separate product or process. The Company's intention is to market the software. Since it is currently being demonstrated to prospective customers the Company believes it meets the feasibility test required for capitalization. Also, the Company has adequate technical, financial and any other required resources to complete the development and sell or lease the resulting product or process. Also included in this account are funds spent for computer equipment and the secured facilities and improvements being used in the development of the code. (See Note 1)

Legal and Related Costs: Represents fees and costs paid for the shareholder action together with professional and consulting fees incurred with respect to certain recoveries, and the discovery updating and evaluation of certain corporate governance documents and proprietary information. Also included are legal fees paid and costs incurred for the filing of numerous patents for updated Code Enhancements, Product Development and technological advances made to the company's software.(See Notes 5 & 11).

The above costs are deemed to have certain ongoing value and as such have been presented as assets of the Company. Amortization of these assets has commenced as detailed in Note 1.

4. ACCRUED EXPENSES

In May 2016, several law firms representing the Company presented invoices for accumulated legal services related to the litigation referenced in Notes 5 & 11 and also for legal services in connection with securing patents for the Company's updated and revised technology.

In 2017 the Company settled certain amounts due to the various law firms in the amount of $283,056. The reduction of the amounts owed has been shown as Other Income on the Income Statement. The unsettled amounts of $161,856 remain as a liability and are included in Accrued Expenses at year end.

5. LITIGATION

On March 21, 2013, the Company and its subsidiary, Digital Focus, Inc. (DFI), filed a lawsuit in the Clark County, Nevada District Court to protect and resolve their respective rights as to certain intellectual property and technology, which lawsuit and corresponding counterclaims could have a material effect on these financial statements and the financial position of the Company. In recent months, 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 sees the need to continue to spend valuable resources litigating over technology that is not in development by the Company. Accordingly, upon motion made by the Company and granted by the Court, the Company's claims against Defendants were voluntarily dismissed on February 19, 2016. Motions to dismiss and for summary judgment as to Defendants' counterclaims against the Company, DFI and certain individual Counter defendants were filed. On November 23, 2016, a Nevada State court rendered a ruling providing licensing rights to Dimension, Inc., a Nevada corporation, for a certain version of the 1993 fractal code named PVS/SGI. The Company is appealing the decision. On February 7, 2017, the Company received the ruling by Nevada State Court denying $867,000 in legal fees sought by defendants Dimension, Inc. et al. The trial judge further ruled that TMMI's claims against Dimension were non-frivolous and survive summary judgement motions. The court also reduced defendants' claims for court costs, granting them $55,000 in costs, which TMMI is considering for appeal.

6. PRIVATE SUBSCRIPTION OFFERINGS

The Company is using the Subscription funds to cover its expenses associated with gathering and organizing the Company's corporate governance documents and intellectual property records. In addition, such subscription proceeds will enable the Company to continue developing its TRUDEF ™, TRUPIX ™ and other related technologies.

7. ADDITIONAL STOCK ISSUANCE AND CANCELLATION

In April 2016, the Company issued 17,338,750 shares of common stock to individuals and companies who had contributed funds and services prior to the October 17, 2011 change in management and who had never received their shares.

Also 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 and additional 3,750,000 shares are still in the process of being returned to the Company to be cancelled.

8. OPTIONS AND WARRANTS OUTSTANDING

From 2011 to 2016 the Company had issued numerous Warrants as part of Private Subscription Stock Offerings. In 2017 the Company and Warrant holders agreed to the cancellation of certain Warrants as listed below.

Also during the period from 2011 to 2016 the Company had issued Stock Options to certain individuals and companies in recognition of their efforts made on behalf of the Company. In 2017 the Company and holders of the Stock Options agreed to the cancellation of certain Stock Options as listed below.

	Warrants	Stock Options
Outstanding at Jan 1, 2017	120,667,500	100,000,000
Amounts Cancelled in 2017	(116,322,500)	(81,250,000)
Outstanding at Dec. 31, 2017	4,345,000	18,750,000

The remaining Warrants and Stock Options expire on December 31, 2019.

9. 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 currently the subject of the litigation referenced in Note 5.

10. ADMINISTRATION EXPENSES

The Company has contracted International Royalties Corp. to provide administrative services. IRC is reimbursed for the staff, facilities, office and other expenses related to the day to day administrative operations of the Company. IRC also oversees the ongoing development of the Codec.

11. LEGAL & PROFESSIONAL FEES

As reported in Note 3, certain legal and professional fees have been capitalized as additional Product Development, technology related litigation and Patent related costs. The legal and professional fees expensed are costs for operational services performed during the period.

12. PRIVATE PLACEMENT COSTS

Costs associated with the various Private Placements of Stock have been deducted from the proceeds of the applicable stock offerings. As a result, these costs are not included in the results of operations but as a reduction of the Additional Paid in Capital resulting from the placements.

13. LOANS PAYABLE

Loans Payable comprise funds advanced by shareholders to the company. These loans mature in October 2019 and accrue interest at the rate of 4% to 7%. Interest expense of $8,213 has been accrued for 2018. Also see Note 15 for details of Debt to Equity Conversion.

14. 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.

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

15. EQUITY CONVERSION

In December 2017, a group of loan holders converted their debt obligations of the Company to permanent equity. $1,000,000 of debt was converted to 213,125,139 shares of common stock and 1,000,000 Shares of Preferred Series B stock.

TMM, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

14. EARNINGS (LOSS) PER SHARE INFORMATION

Earnings (Loss) per share for March 31, 2018 is as follows:

	Earnings Per Share	Earnings Per Share (Fully Diluted)
Loss for 2018	(356,282)	(356,282)
Shares Outstanding:		
Preferred	1,810,000	1,810,000
Preferred "B"	1,000,000	- 0 -
Common	544,971,809	744,971,809
Shares to be Cancelled	(3,750,000)	(3,750,000)
If Exercised:		
Warrants	- 0 -	4,345,000
Options	- 0 -	18,750,000
Total Shares Equivalents	544,031,809	766,126,809
Loss Per Share	($0.0007)	($0.0004)