INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Alternet Systems, Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	$ 40,167	$ 40,167
Accounts receivable, net	300,000	180,000
Due from related parties	3,485	3,485
Investment in digital currency	117,004	117,004
Total current assets	460,656	340,656
OTHER ASSETS		
Deposits and other assets	3,875	3,875
Total other assets	3,875	3,875
Total Assets	$ 464,531	$ 344,531
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,850,170	$ 1,909,939
Wages payable	2,018,022	1,966,022
Accrued payroll taxes payable	168,753	168,753
Third party loans, including accrued interest	338,762	572,575
Third party convertible loans, including accrued interest	-	106,676
Liability for shares to be issued	505,362	505,362
Current liabilities of discontinued operations	125,492	125,492
Total current liabilities	5,006,561	5,354,819
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 500,000,000; 361,196,851 and 218,690,001 shares issued and outstanding	3,612	2,186
Additional paid-in capital	(2,599,495)	(3,260,283)
Share subscriptions receivable	(375,000)	(375,000)
Accumulated comprehensive income	(2,031)	(2,031)
Accumulated deficit	(1,569,216)	(1,375,260)
Total stockholders' equity (deficit)	(4,542,030)	(5,010,288)
Total Liabilities and Stockholders' Equity	$ 464,531	$ 344,531

The accompanying notes are an integral part of the financial statements

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended, June 30, 2019	Six months ended, June 30, 2018
REVENUES, net	$ 60,000	$ 60,000	$ 120,000	$ 120,000
OPERATING EXPENSES:				
General and administrative expenses	126,000	126,000	252,000	252,000
Professional fees	-	-	-	-
Management and consulting	28,500	26,000	57,000	52,000
Total expenses	154,500	152,000	309,000	304,000
Net loss before other income (loss)	(94,500)	(92,000)	(189,000)	(184,000)
OTHER INCOME (LOSS)				
Interest expense	-	(4,957)	(4,957)	(9,913)
Gain on foreign currency exchange	-	-	0	-
Unrealized gain (loss) on investment	-	-	0	-
Loss on settlement of debt	-	-	0	-
Total other income (loss)	-	(4,957)	(4,957)	(9,913)
Net income (loss)	$ (94,500)	$ (96,957)	$ (193,957)	$ (193,913)
Income (loss) per weighted average common share	$0.000	$(0.001)	$(0.001)	$(0.001)
Number of weighted average common shares outstanding	312,399,049	149,942,254	277,053,522	144,627,337

The accompanying notes are an integral part of the financial statements

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, 2019	218,690,001	$21,876	$(3,259,882)	$(1,375,260)	$ (4,613,266)
Shares issued to settle debt	56,906,850	5,691	233,245	-	238,936
Net loss	-	-	-	(99,457)	(99,457)
Balance March 31, 2019	275,596,851	27,567	(3,026,637)	(1,474,717)	(4,473,787)
Shares issued to settle debt	85,600,000	856	427,144	-	428,000
Net loss	-	-	-	(94,500)	(94,500)
Balance June 30, 2019	361,196,851	$ 28,423	$ (2,599,493)	$ (1,569,217)	$ (4,140,287)

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, 2018	136,942,254	$1,369	$(3,591,216)	$(767,433)	$ (4,357,280)
Shares issued to settle debt	13,000,000	130	12,870	-	13,000
Net loss	-	-	-	(96,957)	(96,957)
Balance March 31, 2018	149,942,254	1,499	(3,578,346)	(864,390)	(4,441,237)
Net loss	-	-	-	(96,957)	(96,957)
Balance June 30, 2018	149,942,254	$ 1,499	$ (3,578,346)	$ (961,347)	$ (4,538,194)

The accompanying notes are an integral part of the financial statements

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(193,957)	$(193,913)
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(120,000)	(120,000)
Increase in accounts payable and accrued expenses	309,000	304,000
Increase in accrued interest	4,957	9,913
Net cash provided (used) by operating activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net increase (decrease) in cash	-	0
CASH, beginning of period	40,167	167
CASH, end of period	$ 40,167	$ 167
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid in cash	$ 0	$ 0
Taxes paid in cash	$ 0	$ 0
Non-Cash Financing Activities:		
Shares issued to settle debt	$ 428,000	$ 13,000

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 accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America ("U.S.") as promulgated by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). In our opinion, the accompanying unaudited interim financial statements contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation. Operating results for the six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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 accounting principles generally accepted in the United States 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 condensed unaudited consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

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.

b) Stock compensation for services rendered
The Company may issue shares of common stock in exchange for services rendered. The costs 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 excludes dilution and is computed by dividing the loss attributable to stockholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings of the Company. Diluted loss per share is computed by dividing the loss available to stockholders by the weighted average number of shares outstanding for the period and dilutive potential shares outstanding unless consideration of such dilutive potential shares would result in anti-dilution. There were no dilutive common stock equivalents for the periods ended June 30, 2019 and 2018.

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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income Taxes
The Company follows the provisions of ASC 740-10, Accounting for Uncertain Income Tax Positions. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

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.

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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, continued
In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04 “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”. This update simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this updated standard, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, but the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity also should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if any. This guidance is effective prospectively and is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated 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 $193,957 for the period ended June 30, 2019 and $4,545,905 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 to allow it to begin its planned operations

NOTE 5 - RELATED PARTY TRANSACTIONS

As of June 30, 2019, a total of $1,831,707 was payable to former directors and former officers of the Company, which was non-interest bearing and had no specific terms of repayment.

NOTE 6 - THIRD PARTY LOANS

On October 10, 2012, the Company signed a promissory note whereby the Company agreed to repay a creditor $50,000 plus interest at 10% per annum on April 8, 2013. On April 9, 2013, the Company signed a new promissory note with the creditor which capitalized the unpaid principal and interest of $52,479 under the previous promissory note and extended the maturity date to October 6, 2013. The note was not repaid by October 6, 2013 and continues to accrue interest at the rate of 10% per annum. On January 21, 2016, the creditor elected to convert $15,000 of the outstanding balance into 2,500,000 shares of the Company's common stock. As of June 30, 2019 the balance owing to this creditor was $58,553, which includes $21,074 of accrued interest.

On December 5, 2012, the Company signed a promissory note whereby the Company agreed to repay a creditor $25,000 plus interest at 10% per annum on June 3, 2013. On June 3, 2013, the Company signed a new promissory note with the creditor which capitalized the unpaid principal and interest of $26,240 under the previous promissory note and extended the maturity date to December 1, 2013. The note was not repaid by December 1, 2013 and continues to accrue interest at the rate of 10% per annum. As of June 30, 2019, the balance owing to this creditor was $36,942, which includes $10,702 of accrued interest.

On February 8, 2013, the Company signed a promissory note whereby the Company agreed to repay a creditor $100,000 plus interest at 10% per annum on August 7, 2013. This loan was not repaid on its maturity and has since been renewed several times with the unpaid principal and interest being capitalized to the loan balance on each renewal. All other terms remained the same. The loan matures on February 4, 2015. On December 2, 2014, the Company paid the creditor $72,907 of which $9,055 was applied to the accrued interest and $63,852 was applied to the principal outstanding. On January 21, 2016, the creditor elected to convert $20,000 of the outstanding balance into 5,000,000 shares of the Company's common stock. As of June 30, 2019, the balance owing to this creditor was $35,149, which includes $19,001 of accrued interest.

NOTE 6 - THIRD PARTY LOANS, continued

On July 24, 2014, the Company signed a promissory note whereby the Company agreed to repay a creditor $250,000 plus interest at 24% per annum on January 24, 2015. On January 25, 2015, this loan was renewed with the unpaid principal and interest of $280,411 being capitalized to the loan balance on renewal and the maturity being extended to July 6, 2015. All other terms remained the same. On August 10, 2015, the Company repaid the creditor $50,000 of which $13,677 was applied to principal and $36,323 was applied to outstanding interest. As of June 30, 2019, the balance owing to this creditor was $388,057, which includes $121,323 of accrued interest

On October 5, 2015, the Company signed a promissory note whereby the Company agreed to repay a creditor $7,500 plus interest at 10% per annum on April 4, 2016. As of June 30, 2019, the balance owing to this creditor was $8,806, which includes $1,306 of accrued interest.

On November 20, 2015, the Company signed a promissory note whereby the Company agreed to repay a creditor $20,000 on May 18, 2016. As of June 30, 2019, the balance owing to this creditor was $23,232, which includes $3,232 of accrued interest.

NOTE 7 - THIRD PARTY CONVERTIBLE LOANS

Upon completion of the acquisition of Lithium IP Holdings Corporation, (LIPH), the Company entered into 2 convertible notes totaling $250,000, to replace notes of LIPH. The notes carry an 8% interest rate and mature on January 4, 2018. The notes are convertible at a 50% discount to the lowest trade price during the 20 days immediately preceding the conversion.

NOTE 8 – STOCKHOLDERS EQUITY

The Company is authorised to issue 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, 2019 and December 31, 2018, the Company had 361,196,851 and 218,690,001, respectively, shares of common stock issued and outstanding. At June 30, 2019 and December 31, 2018, the Company had 10,000,000 shares of preferred stock issued and outstanding.

In the second quarter 2019, $428,000 of debt was converted to 85,600,000 shares of common stock.

In the first quarter 2019, $233,814 of one of the convertible notes was converted to 56,906,850 shares of common stock.