

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Alternet Systems, Inc.
Consolidated Balance Sheet
December 31,
(Unaudited)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 179,408	\$ 9,407
Accounts receivable, net	710,000	470,000
Due from related parties	3,485	3,485
Investment in digital currency	117,004	117,004
Total current assets	1,009,897	599,896
OTHER ASSETS		
Investment in equity securities	1,000,000	-
Total other assets	1,000,000	-
Total Assets	\$ 2,009,897	\$ 599,896
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 1,267,594
Wages payable	1,768,957	1,965,067
Third party loans, including accrued interest	1,323,866	92,820
Liability for shares to be issued	130,362	505,362
Liability to deliver product	152,000	-
Current liabilities of discontinued operations	125,492	125,492
Total current liabilities	3,500,677	3,956,335
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 3500,000,000; 2,609,075,328 and 1,620,672,390 shares issued and outstanding	26,091	16,207
Additional paid-in capital	1,728,567	(995,707)
Share subscriptions receivable	-	(375,000)
Accumulated comprehensive income	(2,031)	(2,031)
Accumulated deficit	(3,243,507)	(2,000,008)
Total stockholders' equity (deficit)	(1,490,780)	(3,356,439)
Total Liabilities and Stockholders' Equity	\$ 2,009,897	\$ 599,896

The accompanying notes are an integral part of the financial statements

Alternet Systems, Inc.
Consolidated Statements of Operations
Year ended December 31,
(unaudited)

	<u>2021</u>	<u>2020</u>
REVENUES		
Consulting	\$ 240,000	\$ 240,000
Products	48,000	-
Total revenues	<u>288,000</u>	<u>240,000</u>
COST OF SALES		
Product	24,000	-
Shipping	6,000	-
Total cost of sales	<u>30,000</u>	<u>-</u>
GROSS MARGIN	258,000	240,000
OPERATING EXPENSES:		
General and administrative expenses	344,444	116,500
Management and consulting	618,000	507,875
Total expenses	<u>962,444</u>	<u>624,375</u>
Net loss before other income (loss)	(704,444)	(624,375)
OTHER INCOME (LOSS)		
Interest expense	(539,055)	(22,920)
Gain on debt settlement	-	168,753
Total other income (loss)	<u>(539,055)</u>	<u>145,833</u>
Net income (loss)	<u>\$ (1,243,499)</u>	<u>\$ (478,542)</u>
Income (loss) per weighted average common share	<u>\$(0.001)</u>	<u>\$(0.001)</u>
Number of weighted average common shares outstanding	<u>2,169,082,337</u>	<u>905,843,112</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Number of Shares</u>	<u>Par Value</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
BALANCE , January 1, 2020	539,127,651	\$5,391	\$(2,156,446)	\$(1,761,467)	\$ (3,912,522)
Shares issued to settle debt	1,081,544,739	10,815	1,160,739	-	1,171,554
Net loss	-	-	-	(238,542)	(238,542)
Balance December 31, 2020	<u>1,620,672,390</u>	<u>16,206</u>	<u>(995,707)</u>	<u>(2,000,009)</u>	<u>(2,979,510)</u>
Shares issued to settle debt	988,402,938	9,884	2,724,274	-	2,734,158
Net loss	-	-	-	(1,243,499)	(1,243,499)
Balance December 31, 2021	<u><u>2,609,075,328</u></u>	<u><u>\$ 26,090</u></u>	<u><u>\$ 1,728,567</u></u>	<u><u>\$ (3,243,508)</u></u>	<u><u>\$ (1,488,851)</u></u>

The accompanying notes are an integral part of the financial statements

Alternet Systems, Inc.
Consolidated Statements of Cash Flows
Year ended December 31,
(Unaudited)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,243,499)	\$(238,542)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on debt settlement	-	(168,753)
Amortization of OID	81,278	-
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(240,000)	(50,000)
Increase in accounts payable and accrued expenses	1,259,448	447,885
Increase in liability to deliver product	170,000	-
	<u>27,227</u>	<u>(9,410)</u>
Net cash used by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-
Investment in marketable equity securities	(1,000,000)	-
Net cash used by operating activities	<u>(1,000,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from third party notes	1,143,140	-
Net cash provided by financing activities	<u>1,143,140</u>	<u>-</u>
Net increase (decrease) in cash	<u>170,367</u>	<u>(9,410)</u>
CASH , beginning of period	<u>9,407</u>	<u>18,817</u>
CASH , end of period	<u>\$ 179,774</u>	<u>\$ 9,407</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid in cash	<u>\$ 0</u>	<u>\$ 0</u>
Taxes paid in cash	<u>\$ 0</u>	<u>\$ 0</u>
Non-Cash Financing Activities:		
Shares issued to settle debt and accrued expenses	<u>\$ 2,734,158</u>	<u>\$ 1,160,739</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 and APS were dissolved.

The accompanying financial statements include the activities of Alternet 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 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 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 resulted in the Company's recognition of right to use assets and associated obligations on its balance sheet.

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 \$1,243,499 for the year ended December 31, 2021 and \$2,490,780 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 December 31, 2020, a total of \$1,768,957 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 - INVESTMENT IN MARKETABLE EQUITY SECURITIES

In April 2021, Alternet Systems, Inc. executed multiple business agreements in conjunction with a \$1 million investment in Zoomcar, Inc. Alternet purchased Zoomcar convertible preferred stock at \$2.50 per share. The purchase included one warrant per share to purchase Zoomcar common stock at \$2.50 per share. To provide the funds for Alternet's investment, the Company issued a \$1 million convertible note with a \$0.10 conversion price.

NOTE 7 - 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.

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

NOTE 6 - THIRD PARTY LOANS, continued

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. In February 2019 \$33,814 of principal was converted into 16,906,850 shares of common stock. As of December 31, 2020 the balance owing to this creditor was \$0, which includes \$0 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 matured 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 December 31, 2020, the balance owing to this creditor was \$0, which includes \$0 of accrued interest.

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. In February 2019, \$200,000 of this note was converted into 40,000,000 shares of common stock. As of December 31, 2020, the balance owing to this creditor was \$92,819, which includes \$64,061 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 December 31, 2020, the balance owing to this creditor was \$0, which includes \$0 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 December 31, 2020, the balance owing to this creditor was \$0, which includes \$0 of accrued interest.

NOTE 7 - THIRD PARTY CONVERTIBLE LOANS

In November 2021, the Company issued a convertible note with a third party for \$143,140. This note has a maturity in one year and carries a 8% 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.

In April 2021, the Company issued 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.

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. In 2018, \$182,150 of these notes was converted to 74,700,506 shares of common stock. In 2019, \$67,850 of these notes was converted to 13,570,000 shares of common stock.

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

NOTE 8 – 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 December 31, 2021 and 2019, the Company had 2,609,075,328 and 1,620,672,390, respectively, shares of common stock issued and outstanding. At December 31, 2021 and 2020, the Company had 10,000,000 shares of preferred stock issued and outstanding.

In 2021, the Company issued 988,402,938 shares of common stock for the conversion of \$2,734,158 of debt.

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

In 2019, \$956,641 of notes was converted to 260,437,650 shares of common stock. In 2019, \$150,000 of accrued expenses were converted into 60,000,000 shares of common stock.

NOTE 9 - 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 December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations.

b) Revenue On September 1, 2022, the Company received a \$2,000,000 purchase order/agreement for 2,000 electric motorcycles FOB Nairobi, Kenya. These motorcycles are to be delivered over the term of one year in allotments agreed to by both parties. This agreement called for the buyer to advance the first \$200,000, which was done. The first allotment was shipped from China in December 2021.

NOTE 10 - 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.

NOTE 11 - SUBSEQUENT EVENTS

In the first quarter 2022, the Company issued 223,656,116 shares of common stock for the conversion of \$347,405 of debt.