
QUARTERLY REPORT
for the Period Ended
March 31, 2022

CARBONMETA TECHNOLOGIES, INC.

(EXACT NAME OF THE COMPANY AS SPECIFIED IN ITS CHARTER)

Delaware
(State or Other Jurisdiction
of Incorporation)

95-4868120
(I.R.S. Employer
Identification No.)

13110 NE 177th Place
Woodinville, WA 98072
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(833) 304-7336
(ISSUER REGISTRANT TELEPHONE NUMBER)

COMMON STOCK, PAR VALUE \$0.0001
(TITLE OF CLASS)

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	COWI	OTC Markets "PINK"

As of May 23, 2022, there were 18,887,886,254 shares of registrant's common stock, par value \$0.0001, outstanding.

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PART I

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COROWARE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	March 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 52,198	\$ 10,573
Accounts receivable, net	-	-
Inventory, net	-	-
Other current assets	112,589	30,000
Total Current Assets	<u>164,787</u>	<u>40,573</u>
Property and equipment, net	40,590	44,420
Other assets	72,698	74,653
TOTAL ASSETS	<u>\$ 278,075</u>	<u>\$ 159,646</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 10,233,828	\$ 10,058,441
Accrued expenses - related parties	270,794	233,423
Deferred revenue	-	-
Intercompany	-	-
Obligations collateralized by receivables, net	206,236	206,236
Convertible debt, net	1,993,891	1,987,425
Notes payable	124,873	127,873
Notes payable - related parties	199,415	199,415
Small business administration loan	979,950	979,950
Derivative liability	11,821,383	11,904,070
Total Current Liabilities	<u>25,830,370</u>	<u>25,696,833</u>
TOTAL LIABILITIES	<u>25,830,370</u>	<u>25,696,833</u>
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT:		
Redeemable preferred stock, Series A, \$0.001 par value, 125,000 shares authorized, 0 shares issued and outstanding	-	-
Redeemable preferred stock, Series B, \$0.001 par value, 525,000 shares authorized, 159,666 shares issued and outstanding	160	160
Redeemable preferred stock, Series C, \$0.001 par value, 500,000 shares authorized, 0 shares issued and outstanding	-	-
Redeemable preferred stock, Series D, \$0.001 par value, 500,000 shares authorized, 100,000 shares issued and outstanding	100	100
Redeemable preferred stock, Series E, \$0.001 par value, 1,000,000 shares authorized, 791,567 shares issued and outstanding, respectively	640	640
Redeemable preferred stock, Series F, \$0.001 par value, 500,000 shares authorized, 190,000 shares issued and outstanding	190	190
Redeemable preferred stock, Series G, \$0.001 par value, 500,000 shares authorized, 25,000 shares issued and outstanding	25	25
Common stock; 35,000,000,000 and 13,000,000,000 shares authorized at \$0.0001 par value, respectively, and 17,592,057,163 and 13,701,742,065 shares issued and outstanding, respectively	1,865,136	1,759,206
Additional paid-in capital	37,311,797	36,775,877
Non controlling interest	92,258	92,258
Treasury stock	(18,997)	(18,997)
Accumulated deficit	(64,803,604)	(64,146,646)
TOTAL STOCKHOLDERS' DEFICIT	<u>(25,552,295)</u>	<u>(25,537,187)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 278,075</u>	<u>\$ 159,646</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

COROWARE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the three months ended March 31, 2022 and 2021
(Unaudited)

	For the Three Months Ended March 31,	
	2022	2021
REVENUES, NET	\$ -	\$ -
COST OF REVENUE	1,631	-
GROSS PROFIT	(1,631)	-
OPERATING EXPENSES		
General and administrative	113,226	-
Executive Wages	37,500	37,500
Legal & Professional Fees	394,056	-
Investor Relations	20,664	-
Consulting Fees	15,221	-
Sales and marketing	14,183	-
Research and development	4,099	-
Depreciation and amortization	5,784	-
TOTAL OPERATING EXPENSES	604,733	37,500
LOSS FROM OPERATIONS	(606,364)	(37,500)
OTHER INCOME (EXPENSES)		
Change in derivative liabilities	328,028	(5,684,891)
Interest expense, net	(228,081)	(299,982)
TOTAL OTHER INCOME (EXPENSES)	99,947	(5,984,873)
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	(506,417)	(6,022,373)
Net loss attributable to non-controlling interest	-	-
INCOME (LOSS) BEFORE INCOME TAXES	(506,417)	(6,022,373)
Income tax expense (provision)	-	-
NET INCOME (LOSS)	\$ (506,417)	\$ (6,022,373)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	\$ (0.00)	\$ 0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic and diluted	18,469,613,742	15,535,075,398

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

COROWARE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of STOCKHOLDERS' DEFICIT
For the three months ended March 31, 2022 and 2021
(Unaudited)

	Preferred Stock						Common Stock		Additional Paid-In Capital	Non Controlling Interest	Treasury Stock	Accumulated Deficit	Total
	Series B	Series D	Series E	Series F	Series G	Amount	Shares	Amount					
Balances, December 31, 2019	159,666	100,000	640,156	190,000	25,000	\$ 1,115	13,701,742,065	\$1,370,174	\$31,543,466	\$ 92,258	\$(18,997)	\$(72,765,594)	\$(39,777,578)
Preferred shares issued for services rendered	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock issued for convertible debt	-	-	-	-	-	-	3,150,315,098	315,032	4,942,492	-	-	-	5,257,524
Purchase of common stock, net of stock issue costs of \$6,081	-	-	-	-	-	-	740,000,000	74,000	289,919	-	-	-	363,919
Repurchase of common and preferred stock into treasury	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss for year	-	-	-	-	-	-	-	-	-	-	-	8,618,947	8,618,947
Balances, December 31, 2020	159,666	100,000	640,156	190,000	25,000	\$ 1,115	17,592,057,163	\$1,759,206	\$36,775,877	\$ 92,258	\$(18,997)	\$(64,146,647)	\$(25,537,188)
Preferred shares issued for services rendered	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock issued for services	-	-	-	-	-	-	570,229,886	57,023	411,977	-	-	-	469,000
Common stock issued in connection with convertible notes, net of placement agent fee of \$1,350	-	-	-	-	-	-	60,500,000	6,050	16,800	-	-	(150,541)	(127,691)
Common stock issued for accrued salary	-	-	-	-	-	-	428,571,428	42,857	107,143	-	-	-	150,000
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss for year	-	-	-	-	-	-	-	-	-	-	-	(506,417)	(506,417)
Balances, December 31, 2021	159,666	100,000	640,156	190,000	25,000	\$ 1,115	18,651,358,477	\$1,865,136	\$37,311,797	\$ 92,258	\$(18,997)	\$(64,803,605)	\$(25,552,296)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

COROWARE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2022 and 2021
(Unaudited)

	For the Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (506,417)	\$ (6,022,373)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,785	-
Expenses paid on behalf of the Company by related parties	-	-
Amortization of debt discounts	13,000	-
Stock based compensation	469,000	-
Loss on settlement of liabilities	-	-
Change in derivative liability	(438,324)	5,684,891
Preferred stock issued for services and compensation	-	-
Debt issuance costs	-	-
Gain on extinguishment of convertible debt	-	-
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Inventory	-	-
Other current assets	(82,589)	-
Security deposits	-	-
Accounts payable and accrued expenses	438,149	336,260
Accrued expenses - related parties	37,371	-
Deferred revenue	-	-
Intercompany	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(64,025)	(1,222)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	-
NET CASH USED IN INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from obligations collateralized by receivables	-	1,222
Payments towards obligations collateralized by receivables	-	-
Proceeds from convertible debt financings	110,000	-
Payments towards convertible debt	-	-
Proceeds from notes payable	-	-
Proceeds from sales of common stock	-	-
Payments towards notes payable	(3,000)	-
Proceeds from related party loans	-	-
Payments towards related party loans	-	-
Net repurchase of common and preferred stock	(1,350)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	105,650	1,222
Net increase (decrease) in cash	41,625	-
Cash at beginning of year	10,573	-
Cash at end of year	\$ 52,198	\$ -
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Common Stock issued in satisfaction of accrued salaries	\$ 150,000	\$ 750,000
Common stock issued in connection with new convertible notes	\$ 24,200	\$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

COROWARE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

As used herein, the terms the “Company,” “CarbonMeta” “we,” “us,” “our” and similar refer to CarbonMeta Technologies, Inc. (f/k/a Edison Nation, Inc.), a Nevada corporation incorporated on July 8, 2001 under the laws of the State of Nevada as SRM Networks, Inc. In connection with the acquisition of Hy-Tech Computer Systems, Inc. on January 31, 2003, the Company changed its name to Hy-Tech Technology Group, Inc. In connection with the Agreement and Plan of Merger Robotics Workspace Technology, Inc., Innova Holdings, Inc. and the Company’s wholly owned subsidiary, RWT Acquisition, Inc., dated July 21, 2004, the Company’s name changed to Innova Holdings, Inc. Subsequently, on November 20, 2006, the Company changed its name to Innova Robotics and Automation, Inc. and then on April 23, 2008, the Company changed its name to CoroWare, Inc.

On July 28, 2021, the Company filed an Articles of Amendment to its Amended and Restated Certificate of Incorporation (the “Articles of Amendment”) with the Secretary of State of Delaware to change the name of the Company to “CarbonMeta Technologies Inc.” (the “Name Change Amendment”). The Name Change Amendment was approved by a special vote of the Company’s stockholders on July 26, 2021 and became effective on July 27, 2021. The Company effected this name change to reflect its new business direction: the production of hydrogen and high value carbon products from organic waste streams. The Company’s new CUSIP number for the Company’s Common Stock, no par value, in connection with the Name Change Amendment is 14134L 103.

The Company has six wholly-owned subsidiaries: CoroWare Technologies, Inc. (“CTI”), CoroWare Robotics Solutions, Inc. (“CRS”), RWT Acquisition, Inc. (“RWT”), Carbon Sources, Inc. (“CS”), Coroware Treasury, Inc. (“CWT”), CarbonMeta Research Ltd. (“CMR”) and a 51% interest in AriCon, LLC (“AriCon”).

CoroWare Technologies (“CTI”) was incorporated in the State of Florida on May 16, 2006 and its principal business was a software professional services company with a strong focus on information technology integration and robotics integration, business automation solutions, and unmanned systems solutions to its customers in North America and Europe. CTI’s business operations were discontinued in October 2016 when the Company’s gross margins and financing costs became unsustainable.

CoroWare Robotics Solutions, Inc. (“CRS”) was incorporated in the State of Texas on February 27, 2015, and its principal business was as a technology incubation company whose focus was on the delivery of mobile robotics and IOT products, solutions and services for university, government and corporate researchers, and enterprise customers. CRS’s business operations were discontinued in October 2016 when the Company’s gross margins and financing costs became unsustainable.

Robotic Workspace Technologies, Inc. (“RWT”) was incorporated in the State of Florida on July 1, 1994, and its principal business was developing and marketing open-architecture PC controls and related products that could improve the performance, applicability, and productivity of robots and other automated equipment. RWT’s business operations were discontinued in September 2007 when the Company’s losses became unsustainable.

Carbon Source, Inc. (“CS”) was incorporated in the State of Wyoming on June 14, 2021 and its principal business is waste reclamation technologies and processing. Carbon Source is researching the use of post-consumer plastic waste that can be upcycled into 3D printing filaments.

CoroWare Treasury, Inc. (“CWT”) was incorporated in the State of Wyoming on July 6, 2021 and its principal business is acquisitions related to acquiring technologies and subsidiary businesses related to waste processing.

CarbonMeta Research Ltd. (“CMR”) was incorporated in England and Wales on August 12, 2021 and its principal business will focus on the development of technologies and solutions for processing organic wastes and generating economically sustainable hydrogen and high-value carbon products. Using proprietary and patented technologies, it plans to implement new industrial methods using inexpensive, environmentally friendly catalysts that process collected plastic waste material into high value products such as hydrogen gas, graphene and carbon nanotubes. CarbonMeta Research is also researching the use of construction waste that can be upcycled into building products that mitigate climate change by capturing carbon dioxide (CO₂) for renewable energy projects.

AriCon, LLC (“AriCon”) was a joint venture that was intended to develop mobile robot platforms, applications, and solutions for the construction industry. In October 2016, AriCon ceased operations of all subsidiary business operations when the Company’s losses became unsustainable, and the Company was not able to obtain investment financing.

In 2021, the Company began investigating emerging technologies, strategic intellectual property partnerships, and sustainable growth business opportunities related to the production of hydrogen and high value carbon products from organic waste streams. Working cooperatively with Oxford University Innovation, CarbonMeta plans to implement proven and patented technologies to add value to organic waste streams. By utilizing these proven proprietary technologies, collected and captured plastic waste material can be upcycled to high value products such as carbon nanotubes (“CNTs”) and hydrogen gas.

CNTs can be used for improved electrical conduction and reinforcing materials that are used in a wide variety of industries including the automotive industry, aviation industry, medical industry, and construction. The number one growth driver is the increasing need for high performance batteries for the electric vehicle market.

The global hydrogen market is expected to more than double by the end of the decade. Plastic waste is a cheap and abundant feedstock that will allow the Company to scale quickly and produce hydrogen gas for a competitive price.

License Agreement

On June 2, 2021, the Company (the “Licensee”) entered into a License Agreement (the “Agreement”) with Oxford University Innovation Limited (the “Licensor”). Under the terms of the Agreement, the Licensee will license the licensed technology (OUI Project- Hydrogen from plastics via microwave-initiated catalytic dehydrogenation). The Agreement is non-exclusive and includes the United States and European Union. Signing fees for the Agreement are £54,807 and are due on August 2, 2021. The Royalty Rate is 5% of gross sales. The Agreement comprises milestone fees as: (i) £20,000 upon the first commercial sale of a licensed product; (ii) £50,000 upon generating \$1,000,000 in sales; (iii) £10,000 upon the successful grant of the US patent; and (iv) £10,000 upon the successful grant of the EU patent.

COROWARE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS (continued)

In order to further grow its business, the Company plans to:

- expand its service offerings to provide additional sustainable waste management solutions that further minimize costs based on volume and content of waste streams, and methods of disposal, including landfills, transfer stations and recycling centers;
- Acquire profitable waste and recycling services companies with similar or compatible and synergistic business models, that can help the Company achieve these objectives;
- Offer innovative recycling services that significantly reduce the disposal of plastics, electronic wastes, food wastes, and hazardous wastes in the commercial property universe;
- Establish partnerships with innovative universities, municipalities and companies; and
- Attract investment funds who will actively work with the Company to achieve these goals and help the Company grow into a leading waste and recycling services supplier in North America.

Some potential merger/acquisition candidates have been identified and discussions initiated. These candidates are within the Company's core business model, serving commercial properties, accretive to cash flow, and geographically favorable. While seeking to identify acquisition candidates, the Company seeks to identify target entities with a similar core business model or a model which naturally integrates with its own, and which are situated in opportunistic geographic locations.

We have unrestricted discretion in seeking and participating in a business opportunity, subject to the availability of such opportunities, economic conditions, and other factors.

The selection of a business opportunity in which to participate is complex and risky. Additionally, we have only limited resources and may find it difficult to locate good opportunities. There can be no assurance that we will be able to identify and acquire any business opportunity which will ultimately prove to be beneficial to us and our shareholders. We will select any potential business opportunity based on our management's best business judgment.

Our activities are subject to several significant risks, which arise primarily as a result of the fact that we have no specific business and may acquire or participate in a business opportunity based on the decision of management, which potentially could act without the consent, vote, or approval of our shareholders. The risks faced by us are further increased as a result of its lack of resources and our inability to provide a prospective business opportunity with significant capital.

Employees

As of March 31, 2021, we had one (1) part time employee that served as the Company's sole officer and director, and one full-time employee working as a research and development engineer. Our employees are not represented by a union. We consider relations with our employees to be positive and productive.

Regulation

Our services and products are not uniquely subject to governmental or industry regulations.

Research & Development

Our research and development activities have primarily been focused on the development of technologies and solutions for processing organic wastes and generating economically sustainable hydrogen and high-value carbon products.

CarbonMeta Research is researching the use of proprietary and patented technologies to implement new industrial methods that can use inexpensive, environmentally friendly catalysts to process collected plastic waste material into high value products such as hydrogen gas, graphene and carbon nanotubes.

Carbon Source is researching the use of post-consumer plastic waste that can be upcycled into 3D printing filaments.

CarbonMeta Research is also researching the use of construction waste that can be upcycled into building products that mitigate climate change by capturing carbon dioxide (CO₂) for renewable energy projects.

NOTE 2 – CONDENSED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2022, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the unaudited financial statements and notes thereto included in the Company's December 31, 2021 Annual Report. The results of operations for the three months ended March 31, 2022 and 2021 are not necessarily indicative of the operating results for the full years.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of CarbonMeta Technologies, Inc. its active wholly-owned subsidiaries: CarbonMeta Research Ltd., Carbon Source, Inc. and CoroWare Treasury; its inactive wholly owned subsidiaries that ceased operations: CoroWare Technologies, Inc., CoroWare Robotics Solutions, Inc., Robotic Workspace Technologies, Inc.; as well as its 51% interest in ARiCON, LLC which ceased operations (collectively, the "Company"). All significant inter-company balances and transactions have been eliminated in the unaudited condensed consolidated financial statements.

COROWARE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company uses all available information and appropriate techniques to develop its estimates. However, actual results could differ from its estimates.

Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less when purchased as cash equivalents. The Company had no cash equivalents as of March 31, 2022 and December 31, 2021. At times throughout the year, the Company might maintain bank balances that may exceed Federal Deposit Insurance Corporation (“FDIC”) insured limits. Periodically, the Company evaluates the credit worthiness of the financial institutions and has not experienced any losses in such accounts. As of March 31, 2022 and December 31, 2021, the Company did not have bank balances that exceeded the FDIC insured limits.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major renewals and improvements are capitalized while expenditures for minor replacements, maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Upon retirement or disposal of assets, the accounts are relieved of cost and accumulated depreciation and the related gain or loss, if any, is reflected in loss on disposal of assets in the unaudited condensed consolidated statement of income and comprehensive income.

At least annually, the Company evaluates, and adjusts when necessary, the estimated useful lives. The changes in estimated useful lives did not have a material impact on depreciation in any period. The estimated useful lives are:

	Remaining term of lease
Leasehold improvements	
Furniture and fixtures	5-7 years
Computer equipment and software	3-5 years

Impairment of Long-lived Assets

The Company evaluates the carrying value and recoverability of its long-lived assets when circumstances warrant such evaluation by applying the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360-35, *Property, Plant and Equipment, Subsequent Measurement* (“ASC 360-35”). ASC 360-35 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized. Additionally, taxes are calculated and expensed in accordance with applicable tax code.

Segment Reporting

FASB ASC 280-10, *Segment Reporting*, defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief decision maker in deciding how to allocate resources and in assessing performance. The Company reports according to one main segment.

Fair Value of Financial Instruments

The Company follows FASB ASC 820-10-35-37 (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments and paragraph 825-10-50-10 of the FASB ASC for disclosures about fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

COROWARE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally unobservable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts reported in the Company's unaudited condensed consolidated financial statements for accounts receivable, accounts payable and accrued expenses, and related party accrued expenses approximate their fair value because of the immediate or short-term nature of these financial instruments. The carrying amounts reported in the balance sheet for its notes payable approximates fair value as the contractual interest rate and features are consistent with similar instruments of similar risk in the marketplace.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

It is not, however, practical to determine the fair value of advances from stockholders, if any, due to their related party nature.

The following table presents assets and liabilities that are measured and recognized at fair value as of March 31, 2022 and December 31, 2021, on a recurring basis:

Assets and liabilities measured at fair value on a recurring basis at March 31, 2022	Level 1	Level 2	Level 3	Total Carrying Value
Derivative liabilities	\$ -	\$ (12,575,938)	\$ -	\$ (12,575,938)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021	Level 1	Level 2	Level 3	Total Carrying Value
Derivative liabilities	\$ -	\$ (11,904,070)	\$ -	\$ (11,904,070)

COROWARE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2022 and 2021
(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for FASB ASC 815, *Derivatives and Hedging* (“ASC 815”).

Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three 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. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, 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 earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares 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.

ASC 815 provides that, among other things, generally, if an event is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Stock Based Compensation

The Company follows FASB ASC 718, *Compensation – Stock Compensation*, prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the unaudited condensed consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of FASB ASC 505-50, *Equity-based Payments to Non-Employees*. Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

Through newly issued restricted common stock, the Company pays qualified contractors and advisors common shares in lieu of compensation for services provided including business development, management, technology development, consulting, legal services and accounting services.

Revenue Recognition

The Company adopted Accounting Standards Codification (“ASC”) 606. ASC 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. The core principle requires an entity to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services recognized as performance obligations are satisfied.

The Company has assessed the impact of the guidance by performing the following five steps analysis:

- Step1: Identify the contract
- Step2: Identify the performance obligations
- Step3: Determine the transaction price
- Step4: Allocate the transaction price
- Step5: Recognize revenue

For the three months ended March 31, 2022 and 2021, the Company did not generate revenue from contracts.

Research and Development

Research and development costs relate to the development of new products, including significant improvements and refinements to existing products, and are expensed as incurred. Research and development expenses for the three months ended March 31, 2022 and 2021 were \$4,099 and \$-, respectively.

Advertising Expense

The Company expenses advertising costs as they are incurred. Advertising expense for the three months ended March 31, 2022 and 2021 were \$-, and \$-, respectively.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk are cash and cash equivalents. The Company maintains its cash and cash equivalents in deposit accounts with high quality, credit-worthy financial institutions.

Basic and Diluted Loss per Share

The Company computes basic and diluted earnings per share amounts in accordance with FASB ASC 260, *Earnings per Share*. Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company.

For the three months ended March 31, 2022 and 2021, the effect of common stock equivalents has been excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive.

The Company currently has convertible debt and preferred stock, which, if converted, as of March 31, 2022 and December 31, 2021, would have caused the Company to issue diluted shares totaling 36,345,298,945 and 32,963,937,306, respectively.

Dividend Policy

The Company has never declared or paid any cash dividends on its common stock. The Company anticipates that any earnings will be retained for development and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. Additionally, as of March 31, 2022 and December 31, 2021, the Company has issued, and has outstanding, shares of Series B Preferred Stock which are entitled, prior to the declaration of any dividends on common stock, to earn a 5% dividend, payable in either cash or common stock of the Company. The Board of Directors has sole discretion to declare dividends based on the Company's financial condition, results of operations, capital requirements, contractual obligations and other relevant factors. At March 31, 2022 and December 31, 2021, there were cumulative undeclared dividends to Preferred Series B shareholders of \$15,969 and \$15,969, respectively, the obligation for which is contingent on declaration by the board of directors. These balances have been recorded as part of accounts payable and accrued expenses.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 4 – GOING CONCERN

The Company incurred a net loss in the amount of \$506,417 during the three months ended March 31, 2022 compared to a net loss of \$6,022,373 for the three months ended March 31, 2021. The Company has a working capital deficit of \$25,665,583 and \$25,656,260 as of March 31, 2022 and December 31, 2021, respectively. The Company has accumulated deficits of \$64,803,604 and \$64,146,646 as of March 31, 2022 and December 31, 2021, respectively. Because of these and other factors, the Company will require additional working capital to develop its business operations. The Company intends to raise additional working capital through the use of private placements, public offerings and/or bank financing.

There are no assurances that the Company will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support the Company's working capital requirements. To the extent that funds generated from operations, any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Computer equipment and software	\$ 1,325	\$ -
Equipment	45,798	-
Less: accumulated depreciation	(6,533)	-
Property and equipment, net	<u>\$ 40,590</u>	<u>\$ -</u>

Depreciation expense for the three months ended March 31, 2022 and 2021 was \$5,784 and \$-0-, respectively.

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NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of the following at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Accounts payable	\$ 1,350,937	\$ 1,344,631
Accrued expenses	80,040	10,040
Dividends payable	15,969	15,969
Credit cards payable	-	-
Accrued interest	5,635,141	5,422,526
Accrued payroll	872,335	985,868
Accrued PTO	-	-
Commissions payable	221,188	221,188
Payroll taxes payable	1,998,735	1,998,735
Garnishment liens payable	35,502	35,502
Pension plan payable	23,981	23,981
Flex spending payable	-	-
Total	\$ 10,233,828	\$ 10,058,440

NOTE 7 – RELATED PARTY TRANSACTIONS

As of March 31, 2022 and December 31, 2021, related party accrued expenses were \$270,794 and \$233,423, respectively, which consisted entirely of deferred salaries to employees. Please see **NOTE 11 – NOTES PAYABLE, RELATED PARTIES** for further information.

NOTE 8 – OBLIGATIONS COLLATERALIZED BY RECEIVABLES, NET

On August 17, 2015, the Company entered into an accounts receivable financing arrangement with QuickFix Capital for a principal amount received in cash of \$70,000. The terms of the arrangement require the Company to repay the principal balance plus an additional \$32,200 in debt discounts for total remittance of \$102,200. The terms of repayment require the Company to remit to the lender approximately 46% of all future receivables arising from credit card, debit card and prepaid transactions until such time as the total remittance is paid in full. This borrowing is secured by the assets of the Company. The additional \$32,200 will be recognized as interest expense over the estimated term of the agreement. The term is not fixed due to the variable repayment terms; however, management currently estimates such terms to be between approximately two and eight months. The ending principal balance of this borrowing at March 31, 2022 was \$48,907.

On January 8, 2016, the Company entered into an accounts receivable financing arrangement with PowerUp for a principal amount received in cash of \$120,000, of which the remaining balance of \$46,224 on the prior arrangement was paid off. The terms of the current arrangement are similar to the prior arrangement, whereby this arrangement requires the Company to repay the principal balance plus an additional \$48,000 in debt discounts for total remittance of \$168,000. The ending principal balance of this borrowing at March 31, 2022 was \$14,232.

On April 12, 2016, the Company entered into an accounts receivable financing arrangement with PowerUp for a principal amount received in cash of \$75,000. The terms of the arrangement require the Company to repay the principal balance plus an additional \$30,000 in debt discounts for total remittance of \$105,000. The terms of repayment require the Company to remit to the lender approximately 12% of all future receivables arising from credit card, debit card and prepaid transactions until such time as the total remittance is paid in full. This borrowing is secured by the assets of the Company. The additional \$30,000 will be recognized as interest expense over the estimated term of the agreement. The term is not fixed due to the variable repayment terms; however, management currently estimates such terms to be between approximately two and eight months. The ending principal balance of this borrowing at March 31, 2022 was \$67,645.

On April 28, 2016, the Company entered into an accounts receivable financing arrangement with PowerUp for a principal amount received in cash of \$55,000. The terms of the arrangement require the Company to repay the principal balance plus an additional \$19,250 in debt discounts for total remittance of \$74,250. The terms of repayment require the Company to remit to the lender approximately 10% of all future receivables arising from credit card, debit card and prepaid transactions until such time as the total remittance is paid in full. This borrowing is secured by the assets of the Company. The additional \$19,250 will be recognized as interest expense over the estimated term of the agreement. The term is not fixed due to the variable repayment terms; however, management currently estimates such terms to be between approximately two and eight months. The ending principal balance of this borrowing at March 31, 2022 was \$29,696.

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NOTE 8 – OBLIGATIONS COLLATERALIZED BY RECEIVABLES, NET (continued)

On June 2, 2016, the Company entered into an accounts receivable financing arrangement with PowerUp for a principal amount received in cash of \$35,000. The terms of the arrangement require the Company to repay the principal balance plus an additional \$14,700 in debt discounts for total remittance of \$49,700. The terms of repayment require the Company to remit to the lender approximately 11% of all future receivables arising from credit card, debit card and prepaid transactions until such time as the total remittance is paid in full. This borrowing is secured by the assets of the Company. The additional \$14,700 will be recognized as interest expense over the estimated term of the agreement. The term is not fixed due to the variable repayment terms; however, management currently estimates such terms to be between approximately two and eight months. The ending principal balance of this borrowing at March 31, 2022 was \$45,756.

NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET

In February 2003, the Company issued \$230,000 of notes payable which matured in June 2003. The notes earn simple interest at 8% per annum unless they are in default, in which case they earn default simple interest at a rate of 15%. In July 2003, the terms of the note were changed such that the notes became convertible debentures, whereby at the option of the holder, all outstanding principal and interest can be converted into shares of the Company's common stock at \$1.00 per share. As of March 31, 2022, \$100,000 of principal and \$277,526 of accrued interest remain outstanding from these notes. These notes are currently in default.

On July 22, 2005, the Company issued a convertible promissory note to Richard Wynns ("Wynns") for \$30,000. The note accrues simple interest at a rate of 5% per annum and matures on December 31, 2006. At the option of the holder, all outstanding principal and interest can be converted into shares of the Company's common stock at \$0.15 per share. Through June 30, 2016, the holder converted \$22,500 of principal into shares of the Company's common stock. As of March 31, 2022, there is \$7,500 of principal and \$7,219 of accrued interest remaining on this note. This note is currently in default.

On October 3, 2005, the Company issued a convertible promissory note to Wynns for \$30,000. The note accrues simple interest at a rate of 10% per annum and matures on November 2, 2005. On July 26, 2010, this note was amended whereby accrued interest through this date was added to the principal balance, making the total principal balance of the note \$47,509. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 75% of the average of the three lowest closing prices during the 10-day trading period prior to conversion. As of March 31, 2022, there is \$47,509 of principal and \$55,810 of accrued interest remaining on this note. This note is currently in default.

On October 14, 2005, the Company issued a convertible promissory note to Wynns for \$30,000. The note accrues simple interest at a rate of 10% per annum and matures on December 31, 2006. On July 26, 2010, this note was amended whereby accrued interest through this date was added to the principal balance, making the total principal balance of the note \$46,489. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 75% of the average of the three lowest closing prices during the 10-day trading period prior to conversion. As of March 31, 2022, there is \$46,489 of principal and \$54,612 of accrued interest remaining on this note. This note is currently in default.

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NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET (continued)

On January 12, 2010, the Company issued an amended convertible promissory note to Westmount Holdings International, Ltd., with a principal balance of \$567,200 and accrued interest of \$317,510, which was assigned from YA Global. The note accrues simple interest at a rate of 14% per annum and is due on demand. Pursuant to the terms of the notes, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 85% of the lowest closing price during the 30-day trading period prior to conversion, or \$0.02, whichever is lower, with the conversion rate being rounded to \$0.0001 or whole share. Through June 30, 2016, the Company converted \$29,883 of principal and \$261,259 of accrued interest into shares of the Company's common stock. As of March 31, 2022, there is \$537,317 of principal and \$911,592 of accrued interest remaining on this note. This note is currently in default.

On January 28, 2011, the Company issued a convertible promissory note to Barclay Lyons, LLC for \$10,750. The note accrues simple interest at a rate of 21% per annum and matures on July 28, 2011, with a default simple interest rate of 36%. Pursuant to the terms of the note, the principal balance is convertible at the option of the note holder into shares of the Company's common stock at a rate of 50% of the lesser of (i) the closing price on the day prior to conversion, or (ii) the volume-weighted-average closing price of the five-day trading period prior to conversion, though in no instance shall the conversion price be less than \$0.0001. There is a ceiling on the conversion rate of \$0.05 per share, but this rate is to be discounted based on forward splits. As of March 31, 2022, there is \$10,750 of principal and \$42,4383 of accrued interest remaining on this note. This note is currently in default.

On March 21, 2011, the Company issued a convertible promissory note to Redwood Management, LLC for \$284,132. The note accrues interest at a rate of 14% per annum and matures on March 18, 2013. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 85% of the lowest closing price during the 30-day trading period prior to conversion, or \$0.02, whichever is lower, with the conversion rate being rounded to \$0.0001 or whole share. As of March 31, 2022, there is \$123,936 of principal and \$1,157,608 of accrued interest remaining on this note. This note is currently in default.

On April 2, 2011, the Company issued a convertible promissory note to Martin Harvey for \$67,042, which was assigned to Blackbridge Capital, LLC ("Blackbridge"). The note accrues compounded interest at a rate of 10% per annum and matures on May 2, 2011, with a default compounded interest rate of 15% per annum. Pursuant to the terms of the notes, the principal balance and accrued interest are convertible into shares of the Company's common stock at a conversion rate of the average of the five trading days prior to the applicable conversion date, with the number of conversion shares multiplied by 115%. Through June 30, 2016, a total of \$42,557 in principal was converted into shares of the Company's common stock, and a total of \$17,500 in principal payments have been made. As of March 31, 2022, there is \$6,985 of principal and \$1,111,185 of accrued interest remaining on this note. This note is currently in default.

On June 2, 2011, the Company issued a convertible promissory note to Panache Capital, LLC ("Panache") for \$65,000. The note accrues simple interest at a rate of 8% per annum and matures on June 1, 2012, with a default simple interest rate of 15% per annum. Pursuant to the terms of the notes, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 50% of the of the average of the three lowest closing prices during the 20-day trading period prior to conversion. Through June 30, 2016, the Company converted \$57,315 of principal into shares of the Company's common stock. As of March 31, 2022, there is \$17,685 of principal and \$23,924 of accrued interest remaining on this note. This note is currently in default.

On June 29, 2011, the Company issued a convertible promissory note to Panache for \$15,000. The note accrues simple interest at a rate of 8% per annum and matures on June 29, 2012. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 85% of the of the average of the three lowest closing prices during the 20-day trading period prior to conversion. Through June 30, 2016, the Company converted \$14,798 of principal into shares of the Company's common stock. As of March 31, 2022, there is \$201 of principal and \$5,547 of accrued interest remaining on this note. This note is currently in default.

On October 5, 2011, the Company issued a convertible promissory note to Premier IT Solutions for \$21,962. The note accrues compounded interest at a rate of 10% per annum and matures on March 5, 2012, with a default compounded interest rate of 15% per annum. Pursuant to the terms of the note, the principal balance and accrued interest are convertible into shares of the Company's common stock at a conversion rate of the average of the five trading days prior to the applicable conversion date, with the number of conversion shares multiplied by 115%. As of March 31, 2022, there is \$21,962 of principal and \$80,782 of accrued interest remaining on this note. This note is currently in default.

On February 21, 2012, the Company issued a convertible promissory note to Kelburgh, Ltd. For \$13,000. The note accrues compounded interest at a rate of 10% per annum and matures on March 5, 2012, with a default compounded interest rate of 15% per annum. Pursuant to the terms of the note, the principal balance and accrued interest are convertible into shares of the Company's common stock at a conversion rate of 85% of the average of the five trading days prior to the applicable conversion date. As of March 31, 2022, there is \$13,000 of principal and \$45,419 of accrued interest remaining on this note. This note is currently in default.

On August 3, 2012, the Company issued a convertible promissory note to Raphael Cariou ("Cariou") for \$7,000. The note accrues compounded interest at a rate of 10% per annum and matures on February 3, 2013, with a default compounded interest rate of 15% per annum. Pursuant to the terms of the note, the principal balance and accrued interest are convertible into shares of the Company's common stock at a conversion rate of the average of the five trading days prior to the applicable conversion date, with the number of conversion shares multiplied by 115%. As of March 31, 2022, there is \$7,000 of principal and \$21,803 of accrued interest remaining on this note. This note is currently in default.

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NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET (continued)

On February 25, 2013, the Company issued two convertible promissory notes to AGS Capital Group, LLC (“AGS”) for \$131,377 and \$42,000. The notes accrue compounded interest at a rate of 14% per annum and mature on February 25, 2014. Pursuant to the terms of the notes, the principal balance and accrued interest are convertible into shares of the Company’s common stock at a conversion rate of 35% of the lowest closing price during the 20-day trading period prior to conversion. Through June 30, 2016, \$99,988 of principal has been converted into shares of the Company’s common stock. As of March 31, 2022, there is a total of \$50,640 of principal and \$212,297 of accrued interest remaining on these notes. These notes are currently in default.

On August 23, 2013, the Company issued a convertible promissory note to Zoom Marketing (“Zoom”) for \$140,000. The note accrues simple interest at a rate of 5% per annum and matures on January 23, 2014, with a default simple interest rate of 10% per annum. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 85% of the average of the three lowest closing prices during the five-day trading period prior to conversion. On March 27, 2014, Zoom assigned \$75,000 of principal to Tangiers. As of March 31, 2022, there is \$65,000 of principal and \$57,421 of accrued interest remaining on this note. This note is currently in default.

On February 21, 2014, the Company issued a convertible promissory note to Blackbridge for \$5,000. The note accrues simple interest at a rate of 8% per annum and matures on September 21, 2014. Pursuant to the terms of the notes, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 60% of the lowest closing price during the 30-day trading period prior to conversion. As of March 31, 2022, there is \$5,000 of principal and \$4,334 of accrued interest remaining on this note. This note is currently in default.

On March 11, 2014, the Company issued two convertible promissory notes to LG Capital Funding, LLC (“LG”) for \$32,000 and \$24,000. The notes accrue simple interest at a rate of 12% per annum and mature on March 11, 2015, with default simple interest rates of 24% per annum. Pursuant to the terms of the notes, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 50% of the lowest closing price during the 10-day trading period prior to, and including the date of, conversion. As of March 31, 2022, 2016, there is a total of \$56,000 of principal and \$101,555 of accrued interest remaining on these notes. These notes are currently in default.

On March 27, 2014, the Company issued a convertible promissory note to Tangiers for \$75,000, which was assigned from Zoom. The note accrues simple interest at a rate of 10% per annum and is due on March 27, 2015, with a default simple interest rate of 20% per annum. On March 27, 2014, the Company issued a separate convertible promissory note to Tangiers, whereby the Company could borrow up to \$600,000, of which \$100,000 would be treated as an original issue discount on a pro rata basis. The note accrues simple interest at a rate of 0% per annum and is due on demand, with a default simple interest rate of 20% per annum. During the year ended December 31, 2014, the Company borrowed \$72,000, of which \$12,000 was original issue discount. Pursuant to the terms of the notes, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a 50% discount of the lowest closing price during the 20-day trading period prior to the date of conversion. As of March 31, 2022, there is a total of \$122,000 of principal and \$173,809 of accrued interest remaining on these notes. These notes are currently in default.

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NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET (continued)

On April 1, 2014, YA Global sold \$40,000 of their original note in the amount \$1,250,000 to an unrelated third party (“Tuohy”). The Company then issued a convertible promissory note to Tuohy for that debt. The note calls for 14% simple interest through the maturity date of December 31, 2014. Pursuant to the terms of the notes the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 60% of the lowest closing price during the 20-day trading period prior to conversion, or \$0.01, whichever is lower, with the conversion rate being rounded to \$0.0001 or whole share. Through June 30, 2016, Tuohy converted \$40,000 of principal into shares of the Company’s common stock. The principal balance of this note has been paid in full, yet \$153 of accrued interest remains unpaid.

On April 2, 2014, the Company issued a convertible promissory note to Burrington Capital, LLC (“Burrington”) for \$25,000. The note calls for 10% compounded interest through the maturity date of October 1, 2014, with a default compounded interest rate of 15% per annum. Pursuant to the terms of the note the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 60% of the lowest closing price during the 20-day trading period prior to conversion, or \$0.01, whichever is lower. As of March 31, 2022, there is \$25,000 of principal and \$55,347 of accrued interest remaining on this note. This note is currently in default.

On April 3, 2014, YA Global sold a portion of their note in the amount of \$50,000 to an unrelated third party (“Ferro”). The Company then issued a convertible promissory note to Ferro for that debt. The note calls for 14% simple interest through the maturity date December 31, 2014. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 50% of the average of the three lowest closing prices during the 30-day trading period prior to conversion, or \$0.02, whichever is lower, with the conversion rate being rounded to \$0.0001 or whole share. Through June 30, 2016, \$22,175 of principal has been converted into shares of the Company’s common stock, and the Company has made \$1,000 in principal payments. As of March 31, 2022, there is \$26,825 of principal and \$35,874 of accrued interest remaining on this note. This note is currently in default.

On April 8, 2014, a note holder, YA Global, sold a portion of their note in the amount of \$200,000 to Dakota Capital Pty Ltd. (“Dakota”). The Company then issued a convertible promissory note to Dakota for that debt. The note calls for 14% simple interest through the maturity date December 31, 2014. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a 50% discount of the lowest closing price during the 30-day trading period prior to conversion, or \$0.02, whichever is lower. As of March 31, 2022, there is \$200,000 of principal and \$223,386 of accrued interest remaining on this note. This note is currently in default.

On April 14, 2014, YA Global assigned \$100,000 of their convertible note to Barry Liben. The note accrues interest at a rate of 0% per annum and is due December 31, 2014. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 50% of the average of the three lowest closing prices during the 30-day trading period prior to conversion, or \$0.02, whichever is lower, with the conversion rate being rounded to \$0.0001 or whole share. Through June 30, 2016, Liben converted \$47,200 in note principal into shares of the Company’s common stock. As of March 31, 2022, there is \$52,800 of principal remaining on this note. This note is currently in default.

On December 10, 2014, the Company issued a convertible promissory note to Jared Robert for \$20,000. The note accrues compounded interest at a rate of 10% per annum and is due on June 10, 2015, with a default compounded interest rate of 15%. Pursuant to the terms of the note the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company’s common stock at a rate of 60% of the lowest closing price during the 20-day trading period prior to conversion, or \$0.01, whichever is lower. As of March 31, 2022, there is \$20,000 of principal and \$37,976 of accrued interest remaining on this note. This note is currently in default.

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NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET (continued)

On January 7, 2015, the Company issued a convertible promissory note to LG for \$20,625, of which \$4,125 was an original issue discount. The note accrues simple interest at a rate of 12% per annum and is due on January 7, 2016, with a default simple interest rate of 24%. Pursuant to the terms of the note, the principal balance and accrued interest is convertible at the option of the note holder into shares of the Company's common stock at a rate of 45% of the lowest closing price during the 20-day trading period prior to, and including the date of, conversion. As of March 31, 2022 there is \$20,625 of principal and \$33,314 of accrued interest remaining on this note. This note is currently in default.

On March 12, 2015 the Company issued two convertible promissory notes to Cariou totaling \$188,356 (\$94,178 each) for settlement of compensation owed as well as penalties and interest. The note calls for 24% compounded interest through the maturity date of September 12, 2015, with a default compounded interest rate of 29%. The principal balance and accrued interest are convertible into the Company's common stock at a conversion rate of the average of the five trading days prior the applicable conversion date, with the number of conversion shares multiplied by 115%. Through June 30, 2016, the Company made \$12,000 in principal payments towards these notes. As of March 31, 2022, there is a total of \$176,356 of principal and \$1,134,870 of accrued interest remaining on these notes. These notes are currently in default.

On July 19, 2021, the Company issued Tangiers (the "Holder") a Fixed Convertible Promissory Note (the "Note") in the amount of One Hundred Five Thousand and NO/100 Dollars (\$105,000)(\$100,000 Funded and \$5,000 Original Issuer Discount). The Note has a term of one (1) year (Maturity Date of July 19, 2022) and bears interest at 10% annually. The Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the Holder at the fixed conversion price of \$0.001. Upon the event of default, the Note shall accrue interest at the rate equal to the lower of 20% per annum or the highest rate permitted by law. The transaction closed on July 19, 2021. As of March 31, 2022, there is \$105,000 of principal and \$7,364 of accrued interest remaining on this note.

On September 8, 2021, the Company issued Tangiers a Fixed Convertible Promissory Note (the "Note") in the amount of One Hundred Five Thousand and NO/100 Dollars (\$105,000)(\$100,000 Funded and \$5,000 Original Issuer Discount). The Note has a term of one (1) year (Maturity date of September 8, 2022) and bears interest at 10% annually. The Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the Holder at the Fixed Conversion Price of \$0.001. Upon the event of default, the Note shall accrue interest at the rate equal to the lower of 20% per annum or the highest rate permitted by law. The transaction closed on September 8, 2021. As of March 31, 2022, there is \$105,000 of principal and \$5,868 of accrued interest remaining on this note.

On March 7, 2022, the Company issued Lloyd Spencer a Fixed Convertible Promissory Note (the "Note") in the amount of Sixty Six Thousand and NO/100 Dollars (\$66,000)(\$60,000 Funded and 65,000 Original Issuer Discount). The Note has a term of one (1) year (Maturity date of March 7, 2023) and bears interest at 12% annually. The Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the Holder at the Fixed Conversion Price of \$0.0002. Upon the event of default, the Note shall accrue interest at the rate equal to the lower of 16% per annum or the highest rate permitted by law. The transaction closed on March 7, 2022. As of March 31, 2022, there is \$66,000 of principal and \$521 of accrued interest remaining on this note. In connection with this note, Mr. Spencer was issued warrants to purchase 165,000,000 shares of the Company's Common Stock at \$0.0002. The value of these warrants was determined to be \$65,591 at inception. At March 31, 2022, the fair market value was recorded at \$57,400. For the three months ending March 31, 2022, the Company recorded derivative gain of \$8,191.

On March 21, 2022, the Company issued Tangiers a Fixed Convertible Promissory Note (the "Note") in the amount of Fifty Five Thousand and NO/100 Dollars (\$55,000)(\$50,000 Funded and \$5,000 Original Issuer Discount). The Note has a term of one (1) year (Maturity date of March 21, 2023) and bears interest at 12% annually. The Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the Holder at the Fixed Conversion Price of \$0.0002. Upon the event of default, the Note shall accrue interest at the rate equal to the lower of 16% per annum or the highest rate permitted by law. The transaction closed on September 8, 2021. As of March 31, 2022, there is \$55,000 of principal and \$181 of accrued interest remaining on this note. . In connection with this note, Tangiers was issued warrants to purchase 125,000,000 shares of the Company's Common Stock at \$0.0004. The value of these warrants was determined to be \$49,581 at inception. At March 31, 2022, the fair market value was recorded at \$43,373. For the three months ending March 31, 2022, the Company recorded derivative gain of \$6,208.

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NOTE 9 – CONVERTIBLE NOTES PAYABLE, NET (continued)

In the Company's evaluation of each convertible debt instrument in accordance with FASB ASC 815, *Derivatives and Hedging* (pre-codification FAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities") ("ASC 815"), based on the variable conversion price, it was determined that the conversion features were not afforded the exemption as a conventional convertible instrument and did not otherwise meet the conditions for equity classification. As such, the conversion and other features were compounded into one instrument, bifurcated from the debt instrument and carried as a derivative liability, at fair value (see Note 14). As of March 31, 2022 and December 31, 2021, debt discounts related to convertible notes payable totaled \$0 and \$0, respectively.

NOTE 10 – NOTES PAYABLE

On June 29, 2007, the Company issued a promissory note to Gary Sumner for \$45,000. The note accrues compounded interest of 5% per annum and matures on March 31, 2008, with a default simple interest rate of 18%. As of March 31, 2022, there is \$45,000 of principal and \$108,153 of accrued interest remaining on this note. This note is currently in default.

On July 3, 2008, the Company issued a promissory note to LTC International Corp. for \$25,000. The note accrues simple interest of 20.80% per annum and matures on December 17, 2008, with a default simple interest rate of 41.60%. Through December 31, 2015, the Company made principal payments totaling \$20,268. As of March 31, 2022, there is \$4,732 of principal and \$29,224 of accrued interest remaining on this note. This note is currently in default.

On March 17, 2010, the Company issued a promissory note to John Kroon for \$10,000. The note accrues compounded interest of 18% per annum and matures on September 13, 2010, with a default compounded interest rate of 21%. As of March 31, 2022, there is \$10,000 of principal and \$110,057 of accrued interest remaining on this note. This note is currently in default.

On July 27, 2010, the Company issued a promissory note to Richard Wynns for \$25,000. The note accrues compounded interest of 18% per annum and matures on January 23, 2011, with a default compounded interest rate of 21%. As of March 31, 2022, there is \$25,000 of principal and \$253,286 of accrued interest remaining on this note. This note is currently in default.

On March 15, 2011, the Company issued a promissory note to Barclay Lyons for \$15,000. The note accrues simple interest of 18.99% per annum and matures on March 25, 2011, with a default simple interest rate of 28.99%. As of March 31, 2022, there is \$15,000 of principal and \$47,995 of accrued interest remaining on this note. This note is currently in default.

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NOTE 10 – NOTES PAYABLE (continued)

On March 29, 2011, the Company issued a promissory note to George Ferch for \$5,000. The note accrues interest of 0% per annum and matures on June 27, 2011, with a default compounded interest rate of 21%. As of March 31, 2022, there is \$5,000 of principal and \$41,653 of accrued interest remaining on this note. This note is currently in default.

On April 11, 2012, the Company issued a promissory note to Blackbridge for \$6,000. The note accrues simple interest of 5% per annum and matures on May 25, 2012, with a default simple interest rate of 5%. Through June 30, 2016, the Company made principal payments totaling \$4,500. As of March 31, 2022, there is \$1,500 of principal and \$971 of accrued interest remaining on this note. This note is currently in default.

On October 18, 2013, the Company issued a promissory note to Walter Jay Bell (“Bell”) for \$10,000. The note accrues simple interest of 10% per annum and matures on November 29, 2013. As of March 31, 2022, there is \$10,000 of principal and \$8,504 of accrued interest remaining on this note. This note is currently in default.

On April 24, 2016, the Company issued a promissory note to Bell for \$8,642. The note accrues simple interest of 10% per annum and matures on June 30, 2016. As of March 31, 2022, there is \$8,642 of principal and \$2,589 of accrued interest remaining on this note. This note is currently in default.

On May 10, 2016, the Company issued a promissory note to William Rittman for \$20,000. The note accrues compounded interest of 16% per annum and matures on August 29, 2016. This note was paid in full during the quarter ending March 31, 2022.

NOTE 11 – NOTES PAYABLE, RELATED PARTIES

As of March 31, 2022 and December 31, 2021, the Company had an aggregate total of \$199,415 and \$199,415, respectively, in related party notes payable. These notes bear simple interest at 10%-18% per annum, with default simple interest of 10%-24% per annum. As of March 31, 2022, all notes payable to related parties were in default. Accrued interest on related party notes payable totaled \$437,194 and \$426,932 at March 31, 2022 and December 31, 2021, respectively.

NOTE 12 – SMALL BUSINESS ADMINISTRATION LOAN

On April 17, 2002, the Company borrowed \$989,100 under a note agreement with the Small Business Administration. The note bears interest at 4% and is secured by the equipment and machinery assets of the Company. The balance outstanding at March 31, 2022 and December 31, 2021 was \$979,950 and \$979,950, respectively. The note calls for monthly installments of principal and interest of \$4,813 beginning September 17, 2002 and continuing until April 17, 2032.

The Company and the Small Business Administration reached an agreement in November 2010, whereby the Small Business Administration would accept \$500 per month for 12 months with payment reverting back to \$4,813 in November 2011. The Company only made four payments under the modification agreement. The Company continues to carry the loan as a current term liability because current payments are not being made, resulting in a default. Accrued interest payable on the note totaled \$702,964 and \$693,2991 as of March 31, 2022 and December 31, 2021, respectively.

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NOTE 13 – DERIVATIVE LIABILITY

Effective July 31, 2009, the Company adopted ASC 815, which defines determining whether an instrument (or embedded feature) is solely indexed to an entity's own stock. The conversion price of certain convertible notes, convertible preferred stock and exercise price of certain warrants are variable and subject to the fair value of the Company's units on the date of conversion or exercise. As a result, the Company has determined that the conversion and exercise features are not considered to be solely indexed to the Company's own stock and is therefore not afforded equity treatment. In accordance with ASC 815, the Company has bifurcated the conversion and exercise features of the instruments to be recorded as a derivative liability.

ASC 815 requires Company management to assess the fair market value of certain derivatives at each reporting period and recognize any change in the fair market value as items of other income or expense. The Company's only asset or liability measured at fair value on a recurring basis is its derivative liability associated with convertible notes payable and warrants.

At origination and subsequent revaluations, the Company valued the derivative liabilities using the Black-Scholes options pricing model under the following assumptions as of March 31, 2022 and March 31, 2021:

	<u>Three months ended March 31, 2022</u>	<u>Three Months Ended March 31, 2021</u>
Risk-free interest rate	2.12 - 2.37%	0.16%
Expected options life	1.75 – 2.48 yrs	1 - 3 yrs
Expected dividend yield	-	-
Expected price volatility	362.89-335.27%	773.88%

During the three months ended March 31, 2022, the Company's derivative liability increased from \$12,259,707 to \$12,575,938, and the Company recognized a gain (loss) on derivative liabilities of \$(316,231) and \$(5,684,891) for the three months ended March 31, 2022 and 2021, respectively, in conjunction with settlement of convertible notes payable, additions of new derivative liabilities and subsequent revaluations of existing derivative liabilities.

NOTE 14 – PREFERRED STOCK

a) Series A Preferred Stock

The Company has authorized 125,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock (i) pays a dividend of 5%, payable at the discretion of the Company in cash or common stock, (ii) is convertible immediately after issuance into the Company's common stock at the lesser of \$0.005 per share or 75% of the average closing bid prices over the 20 trading days immediately preceding the date of conversion, (iii) has a liquidation preference of \$1.00 per share, (iv) may be redeemed by the Company at any time up to five years after the issuance date for \$1.30 per share plus accrued and unpaid dividends, and (v) has no voting rights except when mandated by Delaware law.

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NOTE 14 – PREFERRED STOCK (continued)

There were no issuances, conversions or redemptions of Series A Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, the Company had no shares of Series A Preferred Stock issued and outstanding.

b) Series B Preferred Stock

The Company has authorized 525,000 shares of Series B Preferred Stock. Each share of Series B Preferred Stock (i) pays a dividend of 5%, payable at the discretion of the Company in cash or common stock, (ii) is convertible immediately after issuance into the Company's common stock at the lesser of \$15 per share or 75% of the average closing bid prices over the 20 trading days immediately preceding the date of conversion, (iii) has a liquidation preference of \$1.00 per share, and (iv) may be redeemed by the Company at any time up to five years.

There were no issuances, conversions or redemptions of Series B Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, the Company had 159,666 and 159,666 shares of Series B Preferred Stock issued and outstanding, respectively.

Based upon the Company's evaluation of the terms and conditions of the Series B Preferred Stock, the embedded conversion feature related to the Series B Preferred Stock was afforded the exemption as a conventional convertible instrument due to certain variabilities in the conversion price and met the conditions for equity classification. However, the Company is required to bifurcate the embedded conversion feature and carry it as a derivative liability.

The Company estimated the fair value of the compound derivative using a common stock equivalent and the current share price of the Company's common stock. As a result of this estimate, the Company's valuation model resulted in a compound derivative balance associated with the Series B Preferred Stock of \$197,177 and \$177,743 as of March 31, 2022 and December 31, 2021, respectively. This amount is included as a derivative liability on the Company's unaudited condensed consolidated balance sheet. Fair value adjustments of \$(19,434) and \$274,254 were charged to derivative income (expense) for the three months ended March 31, 2022 and 2021, respectively.

c) Series C Preferred Stock

The Company has authorized 500,000 shares of Series C Preferred Stock. During 2007, the Company initiated a private offering under Regulation D of the Securities Act of 1933 (the "Private Offering"), of an aggregate 500,000 units (collectively referred to as the "Units") at a price of \$1.00 per Unit, with each Unit consisting of one share of Series C Preferred Stock at the lesser of 85% of the average closing bid price of the common stock over the 20 trading days immediately preceding the date of conversion, or \$0.04 and stock purchase warrants equal to the number of shares of common stock converted from the Series C Preferred Stock, exercisable at \$0.06 per share and which expire five years from the conversion date.

There were no issuances, conversions or redemptions of Series C Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, the Company had no shares of Series C Preferred Stock issued and outstanding.

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NOTE 14 – PREFERRED STOCK (continued)

d) Series D Preferred Stock

On November 10, 2011 the Board approved by unanimous written consent an amendment to the Company's Certificate of Incorporation to designate the rights and preferences of Series D Preferred Stock. There are 500,000 shares of Series D Preferred Stock authorized with a par value of \$0.001. Each share of Series D Preferred Stock has a stated value equal to \$1.00. These preferred shares rank higher than all other securities. Each outstanding share of Series D Preferred Stock shall be convertible into the number of shares of the Company's common stock determined by dividing the stated value by the conversion price which is defined as 85% of the average closing bid price of the common stock over the twenty trading days immediately preceding the date of conversion, but no less than par value of the common stock. Mandatory conversion can be demanded by the Company prior to October 1, 2013. Each share of the Series D Preferred Stock shall have voting rights equal to 100,000 votes of common stock.

There were no issuances, conversions or redemptions of Series D Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021 there were 100,000 shares of Series D Preferred Stock issued and outstanding.

Based upon the Company's evaluation of the terms and conditions of the Series D Preferred Stock, the embedded conversion feature related to the Series D Preferred Stock was afforded the exemption as a conventional convertible instrument due to certain variabilities in the conversion price and met the conditions for equity classification. However, the Company is required to bifurcate the embedded conversion feature and carry it as a derivative liability.

The Company estimated the fair value of the compound derivative using a common stock equivalent and the current share price of the Company's common stock. As a result of this estimate, the Company's valuation model resulted in a compound derivative balance associated with the Series D Preferred Stock of \$347,095 and \$396,956 as of March 31, 2022 and December 31, 2021, respectively. This amount is included as a derivative liability on the Company's unaudited condensed consolidated balance sheet. Fair value adjustments of \$49,861 and \$(500,000) were charged to derivative income (expense) for the three months ended March 31, 2022 and 2021, respectively.

e) Series E Preferred Stock

On March 9, 2012, the Company filed the Certificate of Designation of the Rights and Preferences of Series E Preferred Stock of the Company with the Delaware Secretary of the State pursuant to which the Company set forth the designation, powers, rights, privileges, preferences and restrictions of 1,000,000 authorized shares of Series E Preferred Stock, par value \$0.001 per share. The Series E Preferred Stock is convertible into common stock at 50% of the lowest closing bid price of the common stock over the 20 days immediately prior the date of conversion, but no less than the par value of the common stock.

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NOTE 14 – PREFERRED STOCK (continued)

There were no issuances, conversions or redemptions of Series E Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, there were 821,377 and 821,377 shares of Series E Preferred Stock issued and outstanding, respectively.

Based upon the Company's evaluation of the terms and conditions of the Series E Preferred Stock, the embedded conversion feature related to the Series E Preferred Stock was afforded the exemption as a conventional convertible instrument due to certain variabilities in the conversion price and met the conditions for equity classification. However, the Company is required to bifurcate the embedded conversion feature and carry it as a derivative liability.

The Company estimated the fair value of the compound derivative using a common stock equivalent and the current share price of the Company's common stock. As a result of this estimate, the Company's valuation model resulted in a compound derivative balance associated with the Series E Preferred Stock of \$2,850,963 and \$2,469,349 as of March 31, 2022 and December 31, 2021, respectively. This amount is included as a derivative liability on the Company's unaudited condensed consolidated balance sheet. Fair value adjustments of \$(381,614) and \$(3,345,459) were charged to derivative income (expense) for the three months ended March 31, 2022 and 2021, respectively.

f) Series F Preferred Stock

On October 4, 2013, the Company filed the certificate of designation pursuant to which the Company set forth the designation, powers, rights, privileges, preferences and restrictions of 500,000 authorized shares of Series F Preferred Stock, par value \$0.001 per share.

The shares of Series F Preferred Stock have a stated value of \$1.00, have no voting rights, are entitled to no dividends due or payable and are convertible into the number of shares of the Company's common stock determined by dividing the stated value by the conversion price, which is defined as 85% of the average closing bid price of the common stock over the five trading days immediately preceding the date of conversion, but no less than the par value of the common stock. At any time after the issuance date through the fifth anniversary of the issuance of the Series F Preferred Stock, the Company shall have the option to redeem any unconverted shares at an amount equal to 130% of the stated value of the Series F Preferred Stock plus accrued and unpaid dividends, if any. Redemption shall be established by the Company in its sole and absolute discretion and no holder of Series F Preferred Stock may demand that the Series F Preferred Stock be redeemed.

There were no issuances, conversions or redemptions of Series F Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, the Company had 190,000 and 190,000 shares of Series F Preferred Stock issued and outstanding, respectively.

Based upon the Company's evaluation of the terms and conditions of the Series F Preferred Stock, the embedded conversion feature related to the Series F Preferred Stock was afforded the exemption as a conventional convertible instrument due to certain variabilities in the conversion price and met the conditions for equity classification. However, the Company is required to bifurcate the embedded conversion feature and carry it as a derivative liability.

The Company estimated the fair value of the compound derivative using a common stock equivalent and the current share price of the Company's common stock. As a result of this estimate, the Company's valuation model resulted in a compound derivative balance associated with the Series F Preferred Stock of \$659,481 and \$754,217 as of March 31, 2022 and December 31, 2021, respectively. This amount is included as a derivative liability on the Company's unaudited condensed consolidated balance sheet. Fair value adjustments of \$94,736 and \$(950,000) were charged to derivative income (expense) for the three months ended March 31, 2022 and 2021, respectively.

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NOTE 14 – PREFERRED STOCK (continued)

g) Series G Preferred Stock

On April 17, 2014, the Company filed the certificate of designation pursuant to which the Company set forth the designation, powers, rights, privileges, preferences and restrictions of 500,000 authorized shares of Series G Preferred Stock, par value \$0.001 per share.

The shares of Series G Preferred Stock have a stated value of \$1.00, have voting rights equal to 5,000,000 votes of common stock, are entitled to no dividends due or payable, are non-redeemable, and are convertible into the number of shares of the Company's common stock determined by dividing the stated value by the conversion price, which is defined as 85% of the average closing bid price of the common stock over the twenty trading days immediately preceding the date of conversion, but no less than par value of the common stock.

There were no issuances, conversions or redemptions of Series G Preferred Stock during the periods ended March 31, 2022 and December 31, 2021. At March 31, 2022 and December 31, 2021, the Company had 25,000 and 25,000 shares of Series G Preferred Stock issued and outstanding, respectively.

Based upon the Company's evaluation of the terms and conditions of the Series G Preferred Stock, the embedded conversion feature related to the Series G Preferred Stock was afforded the exemption as a conventional convertible instrument due to certain variabilities in the conversion price and met the conditions for equity classification. However, the Company is required to bifurcate the embedded conversion feature and carry it as a derivative liability.

The Company estimated the fair value of the compound derivative using a common stock equivalent and the current share price of the Company's common stock. As a result of this estimate, the Company's valuation model resulted in a compound derivative balance associated with the Series G Preferred Stock of \$86,774 and \$99,239 as of March 31, 2022 and December 31, 2021, respectively. This amount is included as a derivative liability on the Company's unaudited condensed consolidated balance sheet. Fair value adjustments of \$12,465, and \$(125,000) were charged to derivative income (expense) for the three months ended March 31, 2022 and 2021, respectively.

NOTE 15 – COMMON STOCK AND TREASURY STOCK

Common Stock

The Company is authorized to issue up to 35,000,000,000 shares of \$0.0001 par value common stock, of which 17,592,057,163 and 18,651,358,477 shares were issued and outstanding as of March 31, 2022 and December 31, 2021, respectively.

Issuances during the three months ended March 31, 2022:

On January 20, 2022, the Company issued 206,896,552 shares of its common stock a third-party advisor, as compensation for negotiating a settlement with a former note holder.

On January 20, 2022, the Company issued 428,571,428 shares of its common stock to its sole officer and director, Lloyd Spencer, as compensation for accrued wages for fiscal year 2021.

On February 10, 2022, the Company issued 83,333,334 shares of its common stock to a third-party as compensation for marketing services.

On February 10, 2022, the Company issued 120,000,000 shares of its common stock to the members of its Board of Directors, as compensation.

On February 16, 2022, the Company issued 160,000,000 shares of its common stock to EconMena Limited for licensing fees.

On March 7, 2022, the Company issued 33,000,000 shares of its common stock to Lloyd Spencer in connection with a \$66,000 convertible note financing.

On March 21, 2022, the Company issued 27,500,000 shares of its common stock to Tangiers Investment Group, LLC in connection with a \$55,000 convertible note financing.

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NOTE 15 – COMMON STOCK AND TREASURY STOCK (continued)

On June 4, 2021, the Company's sole officer and director, Lloyd Spencer, returned 7,500,000,000 shares of common stock previously to Mr. Spencer for accrued compensation so that the shares may be used for future business transactions. The accrued wages due Mr. Spencer were for fiscal years 2016, 2017, 2018, 2019 and 2020 were reinstated to the Company's financials.

Treasury Stock

As of March 31, 2022 and December 31, 2021, the Company held 189,966,000 shares of common stock in treasury.

NOTE 16 – STOCK OPTIONS AND WARRANTS

Employee Stock Options

None

Non-employee Stock Options

None

Stock Purchase Warrants

None

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events according to the requirements of FASB ASC Topic 855, *Subsequent Events*, and has determined that there were no material reportable subsequent events to be disclosed, other than those listed below:

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NOTE 17 – SUBSEQUENT EVENTS (continued)

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, they should not be regarded as a representation by CoroWare, Inc., or any other person, that such expectations will be achieved. The business and operations of CoroWare, Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

Overview

As used herein, the terms the “Company,” “CoroWare” “we,” “us,” “our” and similar refer to CoroWare, Inc., a corporation incorporated on July 8, 2001 under the laws of the State of Delaware as SRM Networks, Inc. In connection with the acquisition of Hy-Tech Computer Systems, Inc. on January 31, 2003, the Company changed its name to Hy-Tech Technology Group, Inc. In connection with the Agreement and Plan of Merger Robotics Workspace Technology, Inc., Innova Holdings, Inc. and the Company’s wholly owned subsidiary, RWT Acquisition, Inc., dated July 21, 2004, the Company’s name changed to Innova Holdings, Inc. Subsequently, on November 20, 2006, the Company changed its name to Innova Robotics and Automation, Inc. and then on April 23, 2008, the Company changed its name to CoroWare, Inc.

The Company has five wholly-owned subsidiaries: CoroWare Technologies, Inc. (“CTI”), CoroWare Robotics Solutions, Inc. (“CRS”), RWT Acquisition, Inc. (“RWT”), Carbon Sources, Inc. (“CS”), Coroware Treasury, Inc. (“CWT”) and a 51% interest in AriCon, LLC (“AriCon”).

The Company has three wholly-owned subsidiaries that are active : CarbonMeta Research Ltd., Carbon Source, Inc. and CoroWare Treasury. The Company has three wholly-owned subsidiaries that ceased operations: CoroWare Technologies, Inc., CoroWare Robotics Solutions, Inc., Robotic Workspace Technologies, Inc. The Company has as a 51% interest in ARiCON, LLC which ceased operations.

CoroWare Technologies (“CTI”) was incorporated in the State of Florida on May 16, 2006 and its principal business was a software professional services company with a strong focus on information technology integration and robotics integration, business automation solutions, and unmanned systems solutions to its customers in North America and Europe. CTI’s business operations were discontinued in October 2016 when the Company’s gross margins and financing costs became unsustainable.

CoroWare Robotics Solutions, Inc. (“CRS”) was incorporated in the State of Texas on February 27, 2015, and its principal business was as a technology incubation company whose focus was on the delivery of mobile robotics and IOT products, solutions and services for university, government and corporate researchers, and enterprise customers. CRS’s business operations were discontinued in October 2016 when the Company’s gross margins and financing costs became unsustainable.

Robotic Workspace Technologies, Inc. (“RWT”) was incorporated in the State of Florida on July 1, 1994, and its principal business was developing and marketing open-architecture PC controls and related products that could improve the performance, applicability, and productivity of robots and other automated equipment. RWT’s business operations were discontinued in September 2007 when the Company’s losses became unsustainable.

AriCon, LLC (“AriCon”) was a joint venture that was intended to develop mobile robot platforms, applications, and solutions for the construction industry. In October 2016, AriCon ceased operations of all subsidiary business operations when the Company’s losses became unsustainable, and the Company was not able to obtain investment financing.

In 2017 and 2018, the Company investigated new business opportunities in shipping, the possibility of acquiring a privately held shipping and logistics company that delivers industrial products domestically across the United States. Although these business opportunities did not come to fruition, the Company has continued to seek new business opportunities in concert with potential investors.

In 2021, the Company began investigating emerging technologies, strategic intellectual property partnerships, and sustainable growth business opportunities related to the production of hydrogen and high value carbon products from organic waste streams. Working cooperatively with Oxford University Innovation, CoroWare plans to implement proven and patented technologies to add value to organic waste streams. By utilizing these proven proprietary technologies, collected and captured plastic waste material can be upcycled to high value products such as carbon nanotubes (“CNTs”) and hydrogen gas.

CNTs can be used for improved electrical conduction and reinforcing materials that are used in a wide variety of industries including the automotive industry, aviation industry, medical industry, and construction. The number one growth driver is the increasing need for high performance batteries for the electric vehicle market.

The global hydrogen market is expected to more than double by the end of the decade. Plastic waste is a cheap and abundant feedstock that will allow the Company to scale quickly and produce hydrogen gas for a competitive price.

Carbon Source, Inc. (“CS”) was incorporated in the State of Wyoming on June 14, 2021 and its principal business is waste reclamation technologies and processing.

CoroWare Treasury, Inc. (“CWT”) was incorporated in the State of Wyoming on July 6, 2021 and its principal business is acquisitions related to acquiring technologies and subsidiary businesses related to waste processing.

CarbonMeta Research Ltd. (“CMR”) was incorporated in England and Wales on August 12, 2021.

License Agreement

On June 2, 2021, the Company (the “Licensee”) entered into a License Agreement (the “Agreement”) with Oxford University Innovation Limited (the “Licensor”). Under the terms of the Agreement, the Licensee will license the licensed technology (OUI Project- Hydrogen from plastics via microwave-initiated catalytic dehydrogenation). The Agreement is non-exclusive and includes the United States and European Union. Signing fees for the Agreement are £54,807 and are due on August 2, 2021. The Royalty Rate is 5% of gross sales. The Agreement comprises milestone fees as: (i) £20,000 upon the first commercial sale of an licensed product; (ii) £50,000 upon generating \$1,000,000 in sales; (iii) £10,000 upon the successful grant of the US patent; and (iv) £10,000 upon the successful grant of the EU patent.

Consultants

On June 10, 2021, the Company entered into a Consulting Agreement (the “Agreement”) with Global Technologies, Ltd (the “Consultant”) for preparation of the Company’s financial reports. Under the terms of the Agreement, the Consultant is to assist the Company in the preparation of its Annual Reports, Quarterly Reports and its Registration Statement(s). The Agreement shall have a term of one (1) year or until the Company’s Annual Report for the period ended December 31, 2021 is filed with OTC Markets or the Securities and Exchange Commission. As compensation, the Consultant, shall receive payment in the amount of \$45,000.

Employees

As of March 31, 2022, we had one full time employee that served as the Company’s sole officer and director, one full-time employee working as a research and development engineer; and one part-time employee working as an assistant. Our employees are not represented by a union. We consider relations with our employees to be positive and productive.

Regulation

Our services and products are not uniquely subject to governmental or industry regulations.

Research & Development

Our research and development activities have primarily been focused on the development of technologies and solutions for processing organic wastes and generating economically sustainable hydrogen and high-value carbon products.

CarbonMeta Research is researching the use of proprietary and patented technologies to implement new industrial methods that can use inexpensive, environmentally friendly catalysts to process collected plastic waste material into high value products such as hydrogen gas, graphene and carbon nanotubes.

Carbon Source is researching the use of post-consumer plastic waste that can be upcycled into 3D printing filaments.

CarbonMeta Research is also researching the use of construction waste that can be upcycled into building products that mitigate climate change by capturing carbon dioxide (CO₂) for renewable energy projects.

PLAN OF OPERATION

The Company signed a licensing agreement with Oxford University Innovation and has established a research and development effort to “scale up” the patented waste plastics microwave processes that the Company licensed from Oxford University Innovation.

As well, the Company is partnering with a microwave reactor manufacturer in the United States to “scale up” the patented waste plastics microwave processes that the Company licensed from Oxford University Innovation, and with a university partner in the United States to separate, purify and characterize carbon nanotubes that the UK and US developers shall produce.

The company plans to seek out government programs in the United Kingdom, European Union and United States that encourage the development of high value production of hydrogen and high value carbon products from organic waste streams.

The Company also has a research and development initiative in Everett, Washington for the development of 3D printing filaments that are made from recycled PET (polyethylene phthalate) and PLA (poly lactic acid) waste plastics.

Finally, the company plans to establish operational centres and waste stream conversion plants wherever the company can have consistent quantity of organic waste streams.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2022 COMPARED TO THREE MONTHS ENDED MARCH 31, 2021

During the three months ended March 31, 2022, revenues were \$- compared to revenues of \$- during the three months ended March 31, 2021. The Company had active operations for research & development of 3D printing filaments; for the research & development of EarthCrete cementless pavers; and for research & development of extracting hydrogen and carbon nanotubes from waste plastics.

Cost of sales were \$1,631 and \$- for the three months ended March 31, 2022 and 2021. Cost of goods sold primarily represents labor and labor-related costs in addition to overhead costs.

Gross profits were (\$1631) during the three months ended March 31, 2022 compared to \$- during the three months ended March 31, 2021.

Operating expenses were \$604,733 for the three months ended March 31, 2022 compared to \$37,500 for the three months ended March 31, 2021. General and administrative expenses amounted to \$113,226 and \$- during the three months ended March 31, 2022 and 2021, respectively. Legal and professional fees amounted to \$394,056 and \$- during the three months ended March 31, 2022 and 2021, respectively.

Loss from operations was \$606,364 for the three months ended March 31, 2022 compared to \$37,500 for the three months ended March 31, 2021.

Other income (expenses) was \$99,947 during the three months ended March 31, 2022 compared to other income (expenses) of (\$5,984,873) in the three months ended March 31, 2021, an increase of \$6,084,820. Other income/expenses is comprised primarily of gain/loss on derivative liabilities and interest expense. The change in derivative liabilities for the three months ended March 31, 2022 was \$328,028 compared to (\$5,684,891) for the three months ended March 31, 2021, an increase of \$6,012,919. The embedded conversion features associated with our convertible debentures are valued based on the number of shares that are indexed to that liability. Keeping the number of shares constant, the liability associated with the embedded conversion features increases as our share price increases and, likewise, decreases when our share price decreases. Derivative income (expense) displays the inverse relationship. Interest expense, net for the three months ended March 31, 2022 was (\$228,081) compared to (\$299,982) for the three months ended March 31, 2021, a decrease of \$71,901. The increase in interest expense is principally a result of an increase in accrued interest on convertible debt and notes payable.

Net income (loss) for the three months ended March 31, 2022 was (\$506,417) compared to net income (loss) of (\$6,022,373) for the three months ended March 31, 2021, a decrease of \$5,945,897. The decrease in net income is primarily a result of the change in derivative liabilities.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2022 net cash provided by operating activities was (\$64,025) compared to (\$1,222) of net cash used in operating activities for the three months ended March 31, 2021.

During the three months ended March 31, 2022, we used \$- net cash from investing activities compared to \$- for the three months ended March 31, 2021.

During the three months ended March 31, 2022, the Company provided \$105,650 cash from financing activities compared to net cash provided by financing activities of \$1,222 for the three months ended March 31, 2021.

At March 31, 2022, we had current assets of \$164,787, current liabilities of 25,830,370, a working capital deficit of \$25,665,583 and an accumulated deficit of \$25,552,295.

We presently have limited and expensive available credit, and do not have bank financing or other external sources of liquidity. We will need to obtain additional capital in order to expand operations and become profitable. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding. We will still need additional capital in order to continue operations until we are able to achieve positive operating cash flow. Additional capital is being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity, or capital expenditures.

CONTRACTUAL OBLIGATIONS

The following table sets forth the contractual obligations of the Company as of March 31, 2022:

Contractual Obligations	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Obligations collateralized by receivables	\$ 206,236	\$ 206,236	\$ -	\$ -	\$ -
Convertible debt	1,993,891	1,993,891	-	-	-
Notes payable	124,873	124,873	-	-	-
Notes payable, related parties	199,415	199,415	-	-	-
Small Business Administration loan	979,950	979,950	-	-	-
	<u>\$ 3,504,365</u>	<u>\$ 3,504,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

Refer to the Company's Annual Report for the year ended December 31, 2021 and Note 3 in the notes to the unaudited condensed consolidated financials as of March 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

With the participation of Lloyd T. Spencer, who serves as the Chief Executive Officer (the principal executive officer) and Interim Chief Financial Officer (the principal financial officer); the Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. As of the end of the period covered by this Report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and interim chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and interim chief financial officer concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. The ineffectiveness of our disclosure controls and procedures is the result of certain deficiencies in internal controls constituting material weaknesses as discussed below.

The Company has historically had limited operating revenue and, as such, all accounting and financial reporting operations have been and are currently performed by a limited number of individuals. The parties that perform the accounting and financial reporting operations are the only parties with any significant knowledge of generally accepted accounting principles. Thus, we lack segregation of duties in the period-end financial reporting process. This lack of additional accounting/auditing staff with significant knowledge of generally accepted accounting principles in order to properly segregate duties could result in ineffective oversight and monitoring and the possibility of a misstatement within the unaudited condensed consolidated financial statements. However, the material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosure, nor does management believe that it had any effect on the accuracy of the Company's unaudited condensed consolidated financial statements for the current reporting period.

The Company is currently reviewing its policies and is evaluating its disclosure controls and procedures so that it will be able to determine the changes it can and should make to make such controls more effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the period ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are party to two pending legal proceedings that arose in the normal course of business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings should not have a material adverse effect on our unaudited condensed consolidated financial statements and should not adversely affect our cash flows. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

ITEM 1A. RISK FACTORS

We are not required to provide the information required by this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF FUNDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

With the following exceptions, all convertible notes and promissory notes are in default as of March 31, 2022:

- Tangiers #6, #7, #8 notes are not in default
- Lloyd Spencer note is not in default

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

SIGNATURES

The Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 23, 2022

COROWARE, INC.

By: /s/ Lloyd T. Spencer

Lloyd T. Spencer

Chief Executive Officer and

Interim Chief Financial Officer

(Principal Executive Officer and

Principal Accounting and Financial Officer)