

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
AS OF DECEMBER 31, 2022 AND 2021

	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 455,454	\$ 110,460
Accounts receivables	945,803	-
Prepaid expenses and other current assets	10,487	-
Total current assets	1,411,744	110,460
Due from related parties	541,072	-
Intangible assets	4,342,883	1,324,770
Property, plant, and equipment, net	165,583	-
Right-of-use asset	168,339	-
Total assets	\$ 6,629,621	\$ 1,435,230
LIABILITIES		
Accounts payable and accrued expenses	\$ 798,012	\$ 252,431
Accrued payroll expenses	161,360	-
Due to related parties	-	154,968
Deferred revenue	-	170,000
Common stock to-be-issued	50,000	-
Notes payable, current portion	370,292	25,955
Convertible debenture, current portion	35,000	30,096
Loans payable, current portion	706,715	-
Embedded conversion feature	331,399	331,399
Operating lease liability, current	114,400	-
Total current liabilities	2,567,178	964,849
Notes payable, net of current portion	110,287	-
Loans payable, net of current portion	424,433	67,800
Operating lease liability	68,953	-
Total liabilities	3,170,851	1,032,649
SHAREHOLDERS' EQUITY		
Preferred Stock – Series A, 2,000,000 authorized shares, \$0.001 par value; 400,000 shares issued and outstanding, as of December 31, 2022 (400,000 as of December 31, 2021)	400	400
Common Stock, 90,000,000 shares authorized, \$0.001 par value; 9,004,129 shares issued and outstanding as of December 31, 2022 (7,354,129 as of December 31, 2021)	9,004	7,354
Additional paid-in capital	13,656,447	12,008,097
Accumulated deficit	(10,268,913)	(11,658,970)
Equity attributable to shareholders of James Maritime Holdings, Inc.	3,396,938	356,881
Non-controlling interest	61,832	45,700
Total equity	3,458,770	402,581
Total liabilities and shareholders' equity	\$ 6,629,621	\$ 1,435,230

The accompanying notes to the financial statements are an integral part of these statements.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year ended December 31,	
	2022	2021
Net sales	\$ 4,668,542	\$ 695
Cost of goods sold	3,225,404	82
Gross profit	1,443,138	613
Selling, general, and administrative expenses	2,970,233	762,973
Operating income (loss)	(1,527,095)	(762,360)
Other income (expense)		
Interest income	118	-
Interest expense	(260,002)	(2,621)
Financial expenses	(158,797)	-
Change in fair value of derivative liability	-	(1,046)
Gain on settlement	398,922	-
Employee retention credit	2,959,811	-
Other income (expenses)	(6,768)	-
Total other expense	2,933,284	(3,667)
Net income (loss)	\$ 1,406,189	\$ (766,027)
Less: net income (loss) attributable to non-controlling interests	16,132	(4,300)
Net income (loss) attributable to James Maritime and subsidiaries	\$ 1,390,057	\$ (761,727)
Weighted average number of common shares outstanding:		
Basic	7,842,865	5,261,343
Diluted	7,848,674	5,261,343
Net income (loss) per share:		
Basic	\$ 0.18	\$ (0.21)
Diluted	\$ 0.18	\$ (0.21)

The accompanying notes to the financial statements are an integral part of these statements.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity attributable to the Company	Non- controlling interest	Total Shareholders' equity
	Shares	Amount	Shares	Amount					
Balance as at January 1, 2021	2,000,000	\$ 2,000	4,387,462	\$ 4,387	\$ 10,901,130	\$ (10,897,243)	\$ 10,274	\$ -	\$ 10,274
Issuance of common stock to shareholders	-	-	50,000	50	24,950	-	25,000	-	25,000
Conversion of preferred stock to common stock	(1,600,000)	(1,600)	750,000	750	850	-	-	-	-
Share-based compensation for professional and consulting services	-	-	1,300,000	1,300	648,700	-	650,000	-	650,000
Acquisition of Gladiator Solutions, Inc.	-	-	866,667	867	432,467	-	433,334	50,000	483,334
Net income (loss)	-	-	-	-	-	(761,727)	(761,727)	(4,300)	(766,027)
Balance as at December 31, 2021	400,000	\$ 400	7,354,129	\$ 7,354	\$ 12,008,097	\$ (11,658,970)	\$ 356,881	\$ 45,700	\$ 402,581
Issuance of common stock to shareholders	-	-	350,000	350	349,650	-	350,000	-	350,000
Share-based compensation for professional and consulting services	-	-	300,000	300	299,700	-	300,000	-	300,000
Acquisition of United Security Specialists, Inc. (USS)	-	-	1,000,000	1,000	999,000	-	1,000,000	-	1,000,000
Net income (loss)	-	-	-	-	-	1,390,057	1,390,057	16,132	1,406,189
Balance as at December 31, 2022	400,000	\$ 400	9,004,129	\$ 9,004	\$ 13,656,447	\$ (10,268,913)	\$ 3,396,938	\$ 61,832	\$ 3,458,770

The accompanying notes to the financial statements are an integral part of these statements.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 1,406,189	\$ (766,027)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Bad debt expense	-	572
Non-cash interest expense	10,473	113
Amortization of intangible assets	784,928	22,142
Depreciation expense	9,066	-
Depreciation of right-of-use asset	14,576	-
Accretion expense	4,904	1,726
Share-based compensation for services	300,000	650,000
Gain on settlement	(398,922)	-
Change in fair value of derivative liability	-	1,046
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	-	9,086
Accounts receivable	(739,268)	784
Right-of-use asset	10,924	-
Accounts payable and accrued expenses	(37,819)	11,523
Accrued payroll	(11,006)	-
Due to/from related parties	(758,419)	-
Deferred revenue	(170,000)	85,250
Net cash provided by operating activities	425,626	16,215
Cash flows from investing activities		
Cash acquired from acquisition of Gladiator	-	60,349
Cash acquired from acquisition of USS	21,437	-
Acquisition of property, plant, and equipment	(5,236)	-
Net cash provided by (used in) investing activities	16,201	60,349
Cash flows from financing activities		
Proceeds from issuance of common stock	350,000	25,000
Proceeds from shares to-be-issued	50,000	-
Proceeds from notes	150,000	-
Payment of notes	(171,944)	(5,032)
Proceeds from loans	395,500	-
Payment of loans	(843,422)	-
Payments toward operating lease liability	(26,967)	-
Net cash provided by financing activities	(96,833)	19,968
Net increase (decrease) in cash	344,994	96,532
Cash and cash equivalents, beginning of period	110,460	13,928
Cash and cash equivalents, end of period	\$ 455,454	\$ 110,460
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest paid on loans	\$ 65,991	\$ 782
Interest paid on notes	24,122	-
Cash received during the year:		
Cash received from Employee Retention Tax Credit	\$ 2,959,811	\$ -
Substantial non-cash activities:		
Acquisition of Gladiator through share-exchange	\$ -	\$ 433,334
Acquisition of USS through share-exchange	1,000,000	-

The accompanying notes to the financial statements are an integral part of these statements.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Nature and Continuance of Operations

Business Operations

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of James Maritime Holdings Inc. (“James Maritime”) and its majority-owned subsidiary, Gladiator Solutions Inc. (“Gladiator”), and its wholly-owned subsidiary United Security Specialists Inc. (“USS”) (collectively as the “Company”). James Maritime Holdings, Inc. was incorporated in the State of Nevada on January 23, 2015.

Substantially all of the Company’s business is conducted through its subsidiaries, Gladiator and USS. Gladiator produces revenues through the distribution of personal protective products, primarily through mail-in orders to customers or via e-commerce sales generated through their website. USS provides professional security personnel enhanced by smartphone-based security applications.

Share Exchange Agreement – Gladiator Solutions, Inc.

On December 13, 2021, James Maritime Holdings completed a share exchange agreement with Gladiator.

As a result of the exchange, James Maritime became the majority shareholder of Gladiator Solutions Inc., holding approximately 86.7% of all shares outstanding. See Note 3 for further information.

Share Exchange Agreement – United Security Solutions, Inc.

On September 23, 2022, James Maritime Holdings completed a share exchange agreement with USS.

As a result of the exchange, James Maritime became the sole shareholder of USS, holding 100% of all shares outstanding. See Note 4 for further information.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the SEC. The Company has adopted a December 31 fiscal year-end for financial statement reporting purposes.

All operations activity related to James Maritimes’ subsidiary, Gladiator, will only reflect activity from December 13, 2021 through December 31, 2021, the period for which Gladiator was acquired and owned by James Maritime. All operations from 2022 are included within the year ended December 31, 2022 income statement.

All operations activity related to James Maritimes’ subsidiary, USS, will only reflect activity from September 23, 2022 through December 31, 2022, the period for which USS was acquired and owned by James Maritime.

All intercompany balances were eliminated in the consolidated financial statements. Non-controlling interests are classified in the accompanying consolidated balance sheets as a component of equity. The amounts of consolidated net income (loss) attributable to both the Company and the non-controlling interests are separately presented in the accompanying consolidated statement of operations.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Going concern

The Company's consolidated financial statements as of December 31, 2022, are prepared using U.S. GAAP, which contemplates continuation of the Company as a going concern. This contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. The Company has yet to establish an ongoing source of revenue to finance its operating expenses and to continue as a going concern.

Although the Company generated net income of \$1,406,189 during the year ended December 31, 2022, the Company generated an operating loss of \$1,527,095. The net income generated was mainly caused by \$3 million received for the employee retention credit during 2022. The accumulated deficit as of December 31, 2022 is \$10,268,913 (\$11,658,970 as of December 31, 2021). In order to continue as a going concern, the Company plans to receive funds through the selling of equity securities to existing and new shareholders. The Company is also evaluating potential acquisitions in the corporate security space. Additionally, the Company has created and maintained good customer relationships during 2022 for both USS and Gladiator, which the Company is relying on to potentially generate sustainable sales throughout 2023 and afterward. While management maintains they will be able to continue to generate sufficient cash flows through a combination of operations, debt, and equity raises, there is no guarantee the Company will be able to raise or generate additional funds in the short term to meet present obligations as they come due. Due to these factors, there is substantial doubt the Company may be able to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities.

Estimates are used for, but not limited to, the accounting for inventories, impairment of long-term assets and derivatives.

It is reasonably possible that the estimate of the effect of a condition, situation, or set of circumstances that existing at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results of could differ significantly from those estimates.

Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining non-controlling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, and non-controlling interests is recognized as goodwill. Certain adjustments to the assessed fair values of assets and liabilities, or non-controlling interests made subsequent to the acquisition date, but within the measurement period, which is up to one year, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income. Results of operations of the acquired entity are included in the Company's results from the date of the acquisition onward and include amortization expense arising from acquired tangible and intangible assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash and cash equivalents.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Concentration of Credit Risk

The Company maintains its cash accounts with financial institutions, where, at times, deposits exceed federal insurance limits of \$250,000. The Company believes that no significant concentration of credit risk exists with respect to these cash balances due to its assessment of the credit worthiness and financial viability of the financial institutions.

Inventories

Inventories consist primarily of finished goods. Costs of finished goods inventories include all costs incurred to bring inventory to its current condition, which includes standard cost paid to suppliers, shipping costs, and other costs. The Company values its inventory using specific identification method of each inventory item. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of goods sold to reflect the lower of cost or net realizable value. If actual market conditions are less favorable than those projected by the Company, further adjustments may be required that would increase the cost of goods sold in the period in which such a determination was made.

Accounts Receivable

Accounts receivables are generally recorded at the invoiced amounts, net of an allowance for expected losses. The Company evaluates the collectability of its trade accounts receivable based on a number of factors. In circumstances where the Company becomes aware of a specific customer’s inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of bad debts, bad debt charges are recorded based on the Company’s historical losses and an overall assessment of past due trade accounts receivable outstanding. The allowance for accounts receivable is established through a provision reducing the carrying value of receivables. At December 31, 2022 and 2021, the Company determined that no allowance was necessary.

Leases

The Company accounts for a contract as a lease when it has the right to direct the use of the asset for a period of time while obtaining substantially all of the asset’s economic benefits. The Company determines the initial classification and measurement of its right-of-use (“ROU”) assets and lease liabilities at the lease commencement date and thereafter if modified. ROU assets and liabilities are represented on the balance sheet at the present value of future minimum lease payments to be made over the lease term. Leases that are insignificant or with a 12-month term or less at inception are not recorded on the consolidated balance sheet and are expensed as incurred in the consolidated statements of operations. As of December 31, 2022, the Company leased real estate and office space under non-cancelable operating lease agreements that qualified for ROU accounting treatment.

Property and equipment

The Company records depreciation when appropriate using the straight-line method over the estimated useful life of the assets. Property and equipment are stated at cost less accumulated depreciation. The estimated useful lives of the Company’s property, plant and equipment by class are as follows:

Asset classes	Useful lives (in years)
Vehicles	5
Furniture and fixtures	7
Machinery and equipment	5-7

Management regularly reviews property, equipment, and other long-lived assets for possible impairment. This review occurs annually or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Based on management’s assessment, there were no indicators of impairment of the Company’s property and equipment as of December 31, 2022.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Goodwill and Intangible Assets

Goodwill and intangibles are recorded at their estimated fair value at the date of acquisition and are allocated to the reporting units that are expected to receive the related benefits. Goodwill and indefinite lived intangible assets are not amortized and are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. During the years ended December 31, 2022 and 2021, the Company determined that all intangibles were fully recognizable at their net book values and therefore no impairment was deemed necessary.

On December 13, 2021, the Company executed a share exchange agreement that resulted in the recognition of intangible assets (see Note 3 – Gladiator Share Exchange Agreement). Management has determined that the intangible assets extrapolated from the share exchange agreement will be amortized over a useful life of 3 years.

On September 23, 2022, the Company executed a share exchange agreement that resulted in the recognition of intangible assets (see Note 4 – USS Share Exchange Agreement). Management has determined that the intangible assets extrapolated from the share exchange agreement will be amortized over the useful life of 3 years.

Convertible Debt and Derivative Liabilities

The conversion feature and certain other features are considered embedded derivative instruments, such as a conversion reset provision, a penalty provision and redemption option, which are to be recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note. The Company records the resulting discount on debt related to the conversion features at initial transaction and amortizes the discount using the effective interest rate method over the life of the debt instruments. The conversion liability is then marked to market each reporting period with the resulting gains or losses shown in the statement of operations.

Revenue recognition

The Company recognizes revenue when it satisfies its performance obligations by transferring control of promised products or services to its customers, which occurs either at a point in time or over time, depending on when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

The Company determines revenue recognition through the following five steps:

- (1) Identify the contract with the customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract; and
- (5) recognize revenue when, or as, the performance obligations are satisfied.

Net revenues from Gladiator primarily consist of sales of personal protective products, including armor, plates, helmets, shields, and accessories shipped directly to customers. All revenue transactions for Gladiator comprise a single performance obligation, which consists of the sale of products to customers either through wholesale, intermediary, or direct-to-consumer channels. The company satisfies the performance obligation and records revenues when transfer of control has passed to the customer, based on the terms of sale. In all of the Companies revenue channels, transfer of control takes place at the point of sale upon shipment to customer.

Net revenues from United Securities primarily consist of security services provided to large residential, industrial, construction and government clients. Contracts with customers contain no incentives or discounts that could cause revenue to be allocated or adjusted over time. The Company does offer discounts, but historically the discounts have been insignificant. The Company satisfies the performance obligation for the agreed-upon period of time and location and records revenues after completion. There are no services that would be considered fulfilled over an extended period of time and necessitate different accounting treatment.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Advertising Costs

Advertising costs are charged to selling, general, and administrative expenses. Advertising production costs are expensed the first time an advertisement related to such production costs is run. Media (television, print and radio) placement costs are expensed in the month during which the advertisement appears. Advertising expenses for the years ended December 31, 2022 and 2021, were \$50,110 and \$595, respectively.

Shipping and Handling Costs

The Company incurs freight costs associated with shipping goods to customers. These costs are recorded as a component of cost of goods sold. For the years ended December 31, 2022 and 2021, shipping and handling costs totaled \$35,122 and \$0, respectively.

Earnings per Share

Basic earnings per common share is computed by dividing net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net income (loss) available to common stockholders for the period by the diluted weighted average common shares outstanding during the period. Diluted earnings per share reflects the potential dilution from common shares issuable through stock options, restricted stock units and other equity awards. For the year ended December 31, 2022, the Company generated a net income, therefore calculated diluted earnings per share with the applicable equity instruments. For the year ended December 31, 2021, the Company generated net losses, therefore applying applicable equity instruments for diluted earnings per share would have had an anti-dilutive effect. Please see Note 14 for the computation of earnings per common share for the years ended December 31, 2022 and 2021.

Fair Value of Financial Instruments

The carrying amounts shown for the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and note and loans approximate fair value because of the short-term maturity of those instruments.

The Company groups its recurring, non-recurring and disclosure-only fair value measurements into the following levels when making fair value measurement disclosures:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Company and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and / or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
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The Company received a fair value assessment from a third-party prior to the business combination with Gladiator. See Note 3 for further details and assumptions used in the calculation.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such assets or liabilities are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date of a change in tax rates. Deferred income tax assets are reduced by valuation allowances when necessary. At December 31, 2022 and 2021, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The 2019 through 2022 tax years remain subject to examination by federal and most state tax authorities.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings. The Company evaluates the perceived merits of any legal proceedings, or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is possible but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Non-controlling Interests

Non-controlling interests are classified in the accompanying consolidated balance sheet as a component of equity. The amounts of consolidated net income (loss) attributable to both the Company and the non-controlling interests are separately presented in the accompanying consolidated statements of operations.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13. Credit Losses (Topic 326) – Measurement of Credit Losses of Financial Statements Instruments. ASU 2016-13 requires entities to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade receivables, which may result in the earlier recognition of allowance for losses. ASU 2016-13 is effective beginning January 1, 2023 and early adoption is permitted. The adoption of ASU 2016-13 is not expected to have any impact on the Company's financial statement presentation or disclosures.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
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In August 2020, the FASB issued ASU 2020-06 “Debt- Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)(“ASU 2020-06”). The amendment in this update simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and convertible preferred stock. This update also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and requires the application of the if-converted method for calculating diluted earnings per share. The update also requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity’s financial statements, and information about events, conditions, and circumstances that can affect how to assess the amount or timing of an entity’s future cash flows related to those instruments. The guidance is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted, but not earlier than fiscal years beginning after December 15, 2020. The Company has retrospectively adopted ASU 2020-06, effective as of January 1, 2021. The adoption of ASU 2020-06 has a significant impact on the Company’s financial statement presentation and disclosures as it relates to the convertible debentures issued during 2021.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (“ASU 2021-04”). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021- 04 prospectively to modifications or exchanges occurring on or after the effective date. Early adoption is permitted, including adoption in an interim period. If an entity elects to early adopt ASU 2021-04 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2021-04 is not expected to have any impact on the Company’s consolidated financial statement presentation or disclosures.

JAMES MARITIME HOLDINGS INC. AND SUBSIDIARIES
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3. Share Exchange Agreement with Gladiator Solutions, Inc.

On December 13, 2021 (the “Gladiator Closing date”), Gladiator (the “seller”) entered into a share exchange agreement with the Company, in which all the outstanding shares of Gladiator, 750,000 common shares, no par value, were exchanged for 1,000,000 shares, \$0.001 par value of James Maritime’s common stock.

On the Closing date, one of the seller’s shareholders dissented from participating in the acquisition, which immediately resulted in a noncontrolling interest after the completion of the share purchase agreement. The noncontrolling interest is equivalent to the shareholder’s proportionate holdings of 100,000 Gladiator shares, or 13.3%. The remaining shareholders with an equity stake of 86.7% exchanged their total aggregate shares of 650,000 for 866,667 of James Maritime’s common stock shares.

The Company also included contingent considerations if Gladiator meets or exceeds certain earnings before interest, taxes, amortization (“EBITDA”) thresholds:

- \$3,000,000 and 25% during any consecutive twelve-month period commencing on the Gladiator closing date and ending December 31, 2024, the Company shall issue one (1) additional share for each two (2) shares of James Maritime stock received by such shareholder;
- \$5,000,000 and 25% during the measurement period, one (1) additional share of James Maritime stock for each one (1) share of James Maritime stock received by such shareholder at the closing;
- \$10,000,000 during the measurement period, one (1) additional share of James Maritime stock for each one (1) share of James Maritime stock received by such shareholder at the closing;
- Conversely, in the event Gladiator’s revenues and EBITDA percentage does not equal or exceed \$2,000,000 and 25%, respectively, during any consecutive twelve-month period commencing on the closing date and ending on the 24-month anniversary of the Closing date, the seller’s shareholders shall return to the Company an aggregate of 500,000 shares of James Maritime common stock.

The Company utilized a third-party valuation specialist to calculate goodwill and estimate the purchase price of the agreement. The valuation utilized a share purchase price of \$0.50, which constitutes a Level 2 fair value measurement.

Purchase price (2)	\$	433,334
Plus: Net liabilities assumed (3)		913,579
Goodwill (1)	\$	1,346,913

(1) Goodwill was determined to consist of two intangible assets to be amortized over their useful lives of 3 years (the average time the company has maintained customer relationships). 50% of the value or \$673,456 was attributed to Supplier Relationships and 50% of the value or \$673,457 was attributed to Customer Relationships.

(2) The purchase price was calculated by taking the recapitalization of James Maritime Holdings shares of 866,667 (previously 650,000 Gladiator shares) at \$0.50 per share, resulting in a total purchase price of \$433,334.

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(3) Identifiable assets acquired, and liabilities assumed:

The following tables present the allocation of the purchase consideration, which includes tangible assets acquired and liabilities assumed, based on their assessed fair values.

Assets acquired:	
Cash and cash equivalents	\$ 60,349
Accounts receivable	1,356
Total assets acquired	\$ 61,705
Liabilities assumed:	
Accounts payable and accrued expenses	\$ 228,076
Notes payable	84,750
Due to related parties	154,948
Note payable	30,987
Convertible debenture	28,370
Loan	67,800
Derivative liability	330,353
Minority interest (4)	50,000
Total liabilities assumed	\$ 975,284
Net assets (liabilities) acquired/assumed	\$ 913,579

(4) The non-controlling interest was calculated by taking the Level 2 fair value assessment of price per share of \$0.50 and multiplying by their existing shareholdings in the Company of 100,000 shares, resulting in a non-controlling interest valuation of \$50,000.

The excess of the purchase consideration over the fair value of liabilities assumed is recorded as goodwill. The goodwill is deductible for income tax purposes.

If the share exchange agreement had occurred on January 1, 2021, the pro forma consolidated revenues at December 31, 2021 would have amounted to approximately \$305,483 and the consolidated operating loss would have amounted to approximately \$978,796.

4. Share Exchange Agreement with United Securities Specialists, Inc. (USS)

On September 23, 2022 (the “USS Closing date”), USS entered into a share exchange agreement with the Company, in which all the outstanding shares, 100 common shares, no par value, were exchanged for 1,000,000 shares, \$0.001 par value of James Maritime common stock.

The Company utilized a third-party valuation specialist to calculate goodwill and estimate the purchase price of the agreement. The valuation utilized a share purchase price of \$1.00, which constitutes a Level 2 fair value measurement.

The allocation of the purchase price in connection with the acquisition of USS was calculated as follows:

Purchase price (2)	\$ 1,000,000
Plus: Net liabilities assumed (3)	2,729,502
Goodwill (1)	\$ 3,729,502

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(1) Goodwill was determined to consist of two intangible assets to be amortized over their useful lives of 3 years (the average time the Company has maintained customer and employee relationships). 50% of the value or \$1,864,751 was attributable to Employee Expertise and 50% of the value or \$1,864,751 was attributable to Customer Relationships.

(2) The purchase price was calculated by taking the recapitalization of James Maritime Holdings shares of 1,000,000 (previously 100 Company shares) at \$1.00 per share, resulting in a total purchase price of \$1,000,000.

The following tables present the allocation of the purchase consideration, which includes tangible and intangible assets acquired and liabilities assumed, based on their assessed fair values.

(3) Identifiable assets acquired, and liabilities assumed:

Assets acquired:		
Cash and cash equivalents	\$	21,437
Accounts receivable		206,536
Prepaid expenses		10,487
Property, plant and equipment		169,413
Right-of-use asset		193,839
Intangible assets		73,539
Total assets acquired	\$	675,251
Liabilities assumed:		
Accounts payable and accrued expenses	\$	579,508
Accrued payroll		172,366
Notes payable – current and non-current		1,048,524
Loan – current and non-current		1,394,035
Operating lease liability – current and non-current		210,320
Total liabilities assumed	\$	3,404,753
Net assets (liabilities) acquired/assumed	\$	2,729,502

The excess of the purchase consideration over the fair value of liabilities assumed is recorded as goodwill. The goodwill is deductible for income tax purposes.

If the share exchange agreement had occurred on January 1, 2022, the pro forma consolidated revenues at December 31, 2022 would have amounted to approximately \$7,577,051 and the consolidated operating loss would have amounted to approximately \$1,539,946.

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5. Intangible Assets

The Company's intangible assets are as follows:

	December 31, 2022	December 31, 2021
Customer relationships	\$ 2,538,207	\$ 673,456
Supplier relationships	673,456	673,456
Employee expertise	1,864,751	-
Software development costs	73,539	-
Less: accumulated amortization	(807,070)	(22,142)
Net intangible assets	\$ 4,342,883	\$ 1,324,770

Amortization expense for the twelve months ended December 31, 2022 and 2021 equated to \$784,928 and \$22,142, respectively and is included in selling, general, and administrative expenses in the statement of operations.

6. Property and Equipment

The table below displays the Company's property and equipment balances as of December 31, 2022 and 2021, respectively.

	December 31, 2022	December 31, 2021
Furniture and fixtures	\$ 16,062	\$ -
Vehicles	158,587	-
Office equipment	-	-
Less: accumulated amortization	(9,066)	-
Total property and equipment, net	\$ 165,583	\$ -

Depreciation expense for the twelve months ended December 31, 2022 and 2021 equated to \$9,066 and \$0, respectively and is included in selling, general, and administrative expenses in the statements of operations.

7. Lease Payable

The Company leases its headquarters office. Leases with an initial term of 12 months or less or are immaterial are not included on the balance sheets. During the year ended December 31, 2020, the Company entered into an office lease for its administrative operations. This lease is for a 48.5-month term, expiring on July 31, 2024, with an initial monthly payment of \$8,819. Straight-line rent per month was calculated at \$9,522.

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The components of lease expense included on the Company's statements of operations were as follows:

As of December 31, 2022	
Weighted average remaining lease term (in years)	1.58
Weighted average discount rate	6.00%

Amounts relating to operating leases were presented on the Balance Sheets as of December 31, 2022 in the following line items:

December 31, 2022	
Operating leases	
ROU lease assets	\$ 168,339
Lease liabilities, short-term	114,400
Lease liabilities, long-term	68,953

Future minimum lease payments required under operating leases on an undiscounted cash flow basis as of December 31, 2022 is as follows:

Fiscal Year	Operating Lease Payments
2023	\$ 122,513
2024	73,412
Total minimum lease payments	195,924
Less: imputed interest	(12,572)
Present value of future minimum lease payments	183,352
Less: current lease liabilities	(114,400)
Operating lease liabilities, non-current	<u>\$ 68,952</u>

8. Accounts Payable and Accrued Expenses

The accounts payable and accrued expenses balance consists of the following for the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Accounts payable	\$ 623,585	\$ 211,293
Credit card liability	156,115	11,912
Accrued interest	3,892	1,771
Taxes payable	14,420	27,455
	<u>\$ 798,012</u>	<u>\$ 252,431</u>

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9. Notes Payable, current and non-current

The following table summarizes the outstanding notes payable amount owed by the Company:

		As of December 31,	
		2022	2021
Kapitus	(a)	\$ 122,972	\$ 25,955
Henry Sierra	(b)	168,276	-
IOU	(c)	189,331	-
Total notes payable outstanding		\$ 480,579	\$ 25,955
Notes payable, current portion		370,292	25,955
Notes payable, excluding current		110,287	-

- (a) On November 4, 2020 Gladiator received \$69,800 from their supplier, Kapitus Servicing Inc. Gladiator agreed to pay back the note in weekly installments of \$1,419, which includes interest, for a total term of 15 months from commencement. The interest paid over the maturity period totals \$22,336 (45.6% per annum). For the year ended December 31, 2022 and for the period December 13, 2021 through December 31, 2021, Gladiator paid \$155 and \$240 in interest expense related to this note, respectively. The note has been fully paid off.

On August 20, 2021, Gladiator received \$25,500 from their supplier, Kapitus Servicing Inc. Gladiator agreed to pay back the note in weekly installments of \$519, which includes interest, for a total term of 15 months from commencement. The interest paid over the maturity period totals \$8,205 (46.5% per annum). For the year ended December 31, 2022 and for the period December 13, 2021 through December 31, 2021, Gladiator paid \$4,514 and \$541 in interest expense related to this note, respectively. The note has been fully paid off.

On September 15, 2022, Gladiator received additional funding of \$150,000 from their supplier, Kapitus Servicing Inc. The Company agreed to pay back the note in weekly installments of \$3,003, which includes interest, for a total term of 15 months from commencement. The interest paid over the maturity period totals \$45,000 (24% per annum). For the year ended December 31, 2022, Gladiator paid \$18,018 in interest expense related to this note.

- (b) On September 23, 2021, Mr. Sierra resigned from his position of employment with USS. As a result, USS agreed to repurchase 100 shares of common stock held by Mr. Sierra and in exchange, issued a promissory note with a repurchase amount of \$637,500. The repurchase amount was reduced by \$405,545 as a result of distributions to Mr. Sierra from the Company. The remaining value of \$231,955 is to be repaid through the promissory note. This note bears no interest and monthly installment payments are payable over 4 years beginning November 15, 2021. The promissory note is secured by all the assets of the Company. The promissory note was discounted at 6% prior to acquisition, however, was recognized at fair value upon the acquisition of USS by James Maritime, for an adjusted fair value of \$168,276.
- (c) On May 31, 2022, USS entered into a promissory note agreement with IOU Central Inc. for \$336,000, which matures on November 29, 2023. The Company agreed to pay back the note in weekly installments of \$5,690 and a final payment of \$2,831, which includes interest, as well as includes \$1,038 attributable to the weekly loan guarantee fee. An origination fee of \$36,000 included in the principal was charged and discounted against the note over the term. As of December 31, 2022, the note has an outstanding principal balance of \$211,247 and a debt discount of \$21,916.

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10. Loans, current and non-current

The following table summarizes the outstanding loans amount owed by the Company:

	As of December 31,	
	2022	2021
Quattro Capital	(a) \$ 250,000	\$ -
Merchant cash advances	(b) 270,578	-
Vehicle loans	(c) 96,797	-
Newtek	(d) 395,973	-
SBA Loan	(e) 67,800	67,800
Westwood settlement	(f) 50,000	-
Total loans outstanding	\$ 1,131,148	\$ 67,800
Loans, current portion	706,715	-
Loans, excluding current	424,433	67,800

(a) On December 9, 2022, Gladiator entered into a collateralized loan of the Company’s inventory with Quattro Capital LLC, a third-party lender. The Company received \$250,000, maturing 60 days after the effective date, or February 9, 2023. The Company is responsible for paying additional fees related to the escrow agent and brokers in the amounts of \$6,000 and \$6,500. The interest will accrue at a non-compounding rate of 25% of the total loan value upon maturity (or \$62,500). Penalty interest of \$1,200 will accrue daily after the maturity date until the full value of the loan is paid. As of the date these financial statements are filed, the loan is in default.

(b) On September 16, 2022, Gladiator entered into a collateralized loan of the Company’s future revenue receipts with Pinnacle Business Funding LLC (“PBF”). The Company received a net amount of \$145,500 (net of \$4,500 paid for ACH fees) in exchange for \$202,500 receivables purchased by PBF. The Company agreed to pay \$6,328 per week as funds are made available to be sent to PBF until paid off in its entirety. As of December 31, 2022, \$50,578 remains outstanding.

On November 18, 2021, USS entered into a collateralized loan of the Company’s future revenue receipts with GHI Funding, LLC (“GHI”). The Company received a net amount of \$180,000 (net of \$20,000 paid for ACH fees) in exchange for \$300,000 receivables purchased by GHI. The Company agreed to pay \$2,600 every day for which funds are available to be sent to GHI until paid off in its entirety. As of December 31, 2022, \$176,000 remains outstanding.

On December 28, 2021, USS entered into a collateralized loan of the Company’s future revenue receipts with Adar Funding, LLC (“AF”). The Company received a net amount \$180,000 (net of \$20,000 paid for ACH fees) in exchange for \$300,000 receivables purchased by AF. The Company agreed to pay \$5,000 every day for which funds are available to be sent to AF until paid off in its entirety. As of December 31, 2022, \$44,000 remains outstanding.

(c) Upon acquisition of USS at September 23, 2022, the Company assumed the liabilities for ten vehicle loans from USS which together had an outstanding total amount of \$108,745. During the period beginning September 23, 2022 and ended December 31, 2022, the Company made principal repayments of \$47,268 for its vehicle loans. At December 31, 2022, the total amount outstanding is \$96,797 with 8 vehicle loans currently outstanding. The Company currently has loans for vehicles with interest rates between 0% and 12.6%, per annum. Monthly payments range from \$98 to \$695, with an aggregate monthly payment of \$3,939. All loans have a term between 1 and 6 years.

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- (d) On December 30, 2020, USS entered into a \$466,000 loan agreement (“NewTek loan”) with an outside lender, NewTek Small Business Finance, LLC. The U.S. Small Business Administration (“SBA”) agreed to guarantee up to 75% of the NewTek loan principal in exchange for a guaranty fee of \$10,485. Under the terms of the NewTek loan, the interest rate is the prime rate, plus 2.75% and may be adjusted every change period (every quarter). The interest rate is originally stated at 6%. Monthly installment payments, which include interest, began on February 2, 2021.
- (e) On March 3, 2021, the Company received a loan from the U.S. Small Business Administration (“SBA”) in the amount of \$67,900 with an interest rate of 3.75% per annum. The loan is due and payable thirty (30) years from the date of the note. During 2021 the SBA announced it would be waiving the interest accrual for the first year on new disaster loans, therefore interest accrued as of December 31, 2021 remained \$nil. Interest accrued and expensed for the year ended December 31, 2022 is \$2,114.
- (f) On July 9, 2021, USS sold \$685,000 of their receivables in a purchase agreement with an outside lender, Westwood Funding Solutions, LLC (“Westwood”). The purchase price of the receivables totaled \$685,000, with the Company receiving net proceeds of \$500,000 after applicable fees were deducted. The Westwood Funding agreement was guaranteed by the USS CEO. On December 27, 2022, Westwood entered into a settlement agreement with USS for an amount of \$125,000. On December 28, 2022 \$75,000 was paid towards this balance. The remaining \$50,000 as of December 31, 2022 is owed in monthly installments of \$10,000 until paid off.

11. Convertible Notes

On February 8, 2021, Gladiator entered into a note agreement with Pink Holdings LLC. The Company received \$10,000 at a 6% interest rate per annum, maturing on February 7, 2022. All principal and interest are due upon maturity. The issuer of the note has the option to convert any part, or all of the outstanding interest or principal amount owed into fully paid and non-assessable shares of common stock of the Company at a stock price at the lower of 10% of the lowest trading price during the 5-trading day period ending on the conversion date per share. As of the year ended December 31, 2021, the Company accrued \$505 in interest related to this note. Due to the variable nature of the conversion feature, this note was determined to contain a derivative liability. It was valued using the Black-Scholes pricing model with the following inputs: 31,949 shares, stock price of \$3.13, exercise price of \$0.31, 1 year term, and volatility of 271%.

On February 26, 2021, Gladiator entered into a note agreement with Pink Holdings LLC. The Company received \$25,000 at a 6% interest rate per annum, maturing on February 25, 2022. All principal and interest are due upon maturity. The issuer of the note has the option to convert any portion, or all of the outstanding interest or principal amount owed into fully paid and non-assessable shares of common stock of the Company at a stock price at the lower of 10% of the lowest trading day period ending on the conversion date per share. As of the year ended December 31, 2021, the Company accrued \$1,265 in interest related to this note. Due to the variable nature of the conversion feature, this note was determined to contain a derivative liability. It was valued using the Black-Scholes pricing model with the following inputs: 100,000 shares, stock price of \$2.50, exercise price of \$0.25, 1 year term, and volatility of 272%.

As of December 31, 2022, these notes have not been converted and are overdue.

13. Common shares to-be-issued

On December 23, 2022, the Company received \$50,000 as consideration for 50,000 common shares to an officer. These shares were not issued until after year-end, resulting in a liability rather than equity transaction as of the year ended December 31, 2022.

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13. Stockholders' Equity

Common Stock

a. Authorized

The Company is authorized to issue 90,000,000 shares of common stock, each with a par value of \$0.001.

b. Transactions during 2022

On February 28, 2022, the Company issued 50,000 shares of common stock at a price of \$1 per share to an officer. The Company received \$50,000 on consideration for the shares issued.

On May 12, 2022, the Company issued 100,000 shares of common stock at a price of \$1 per share. The Company received a total of \$100,000 from two separate investors as consideration for the shares issued.

On September 23, 2022, The Company issued 1,000,000 shares of common stock at a price of \$1 per share as part of a stock-exchange agreement, resulting in the acquisition of United Security Solutions (see Note 4 – USS Stock Exchange Agreement). 940,000 of those shares were issued to an officer.

On October 11, 2022, the Company issued 100,000 shares of common stock at a price of \$1 per share. The Company received \$100,000 in consideration of the shares issued.

On October 14, 2022, the Company issued 100,000 shares of common stock at a price of \$1 per share to an officer. The Company received \$100,000 in consideration of the shares issued.

On October 14, 2022, the Company issued 300,000 shares of common stock for consulting services received, resulting in recognition of \$300,000 in the consulting expenses account.

c. Transactions during 2021

On April 9, 2021, the Company issued 50,000 shares of common stock at a price of \$0.50 per share. The Company received \$25,000 in consideration for the shares issued.

On June 2, 2021 the Company issued 200,000 as compensation for consulting services received, resulting in recognition of \$100,000 in the consulting expenses account.

On July 20, 2021, as compensation for consulting service performed, the Company issued 750,000 shares of common stock equivalent to \$375,000 to each of the following related parties: the Company's CEO, the Company's CFO, and a Director of the Company.

On July 20, 2021, the Company converted 1,600,000 Preferred shares into 750,000 of Common shares to a related party. See preferred stock section for more detail.

On August 25, 2021, the Company paid \$5,000 and issued 100,000 shares of common stock at a price of \$0.50 per share as consideration for legal services received. As a result of this transaction, the Company recognized \$55,000 of legal expenses.

On December 27, 2021 the Company issued 866,667 shares of common stock at a price of \$0.50 per share as part of a stock exchange agreement, resulting in the acquisition of Gladiator (see Note 3 – Gladiator Stock Exchange Agreement).

On December 27, 2021, as compensation for consulting services performed, the Company issued 250,000 shares of common stock to the Director of the Company, at a price of \$0.50 per share, resulting in \$125,000 recognized in related party consulting expenses.

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Preferred Stock

a. Authorized and voting rights

The Company is authorized to issue 2,000,000 shares of its series A preferred stock, each with a par value of \$0.001. Each share of the series A preferred stock has the equivalent voting power of (30) thirty shares of the Company's common stock. The series A preferred stock does not have any liquidation or dividend rights or preferences.

b. Transactions during 2022

None.

c. Transactions during 2021

On July 20, 2021 the Company converted 1,600,000 preferred shares held by a related party, in exchange for 750,000 shares of the Company's common stock (the "July conversion"). The series A preferred stock does not have any native convertible rights, preferences, or other conversion terms, and the Company had not previously signed an agreement setting conversion terms for the July conversion. Therefore, the July conversion met the requirements under ASC 260 to be considered a preferred stock extinguishment for the purposes of calculating the company's earnings per share available to common shareholders.

14. Earnings Per Share

The earnings (loss) per share (EPS) is calculated by dividing the net loss attributable to common shareholders less any preferred dividends by the weighted average common shares outstanding during the period. Diluted earnings per share is computed by dividing net income minus preferred dividends by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive).

On July 20, 2021, the Company converted 1,600,000 shares of Series A preferred stock into 750,000 shares of common stock (see Note 9 – Shareholder's Equity). The Series A Preferred Stock does not have any native convertible rights, preferences, or other conversion terms, and the Company had not previously signed an agreement setting conversion terms for the July conversion. Therefore, the July conversion met the requirements under ASC 260 to be considered a preferred stock extinguishment for the purposes of calculating the company's earnings per share available to common shareholders. Under a preferred stock extinguishment, the difference in fair value between the preferred stock and the issued securities is treated as a deemed contribution or dividend. for the purposes of calculating EPS.

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The following table sets forth the computation of basic and diluted EPS:

	Year ended December 31,	
	2022	2021
Net (loss) income	\$ 1,406,189	\$ (766,027)
Less: Net (loss) income attributable to noncontrolling interests	16,132	(4,300)
Less: Deemed dividend due to preferred stock conversion	-	(331,639)
Net (loss) income attributable to James Maritime shareholders	1,390,057	(1,093,366)
Weighted average common shares outstanding- basic	7,842,865	5,261,343
Dilutive effect of convertible debentures as if converted at beginning of the year	5,809	-
Weighted average common shares outstanding – diluted	7,848,674	5,261,343
Basic earnings (loss) per share	\$ 0.18	\$ (0.21)
Diluted earnings (loss) per share	\$ 0.18	\$ (0.21)

There are approximately 131,949 number of shares that are not considered in the above calculation of 2021 diluted EPS as they would be anti-dilutive in nature. No other equity instruments exist that would be applied in the calculation of diluted earnings per share in the case they were dilutive in nature.

15. Segment Data and Disaggregated Revenue

The following table summarizes the Company's net revenues by distribution channel:

	Year ended December 31,	
	2022	2021
E-commerce	\$ 15,230	\$ 695
Direct-to-consumer	2,408,557	-
Guard services	2,244,756	-
	\$ 4,668,543	\$ 695

16. Concentration of Risk

The Company is potentially subject to concentration risk in its sales revenue and sources of inventory.

Gladiator has three major customers that accounted for approximately 11% (\$273,054), 67% (\$1,620,000), and 11% (\$268,755) in sales revenue. The Company plans to maintain these relationships with customers and leverage these relationships in obtaining more clients in order to hedge their concentration risk.

Gladiator has two major suppliers that accounted for approximately 82% (\$1,029,427) and 12% (\$151,497) of cost of inventory sold. The Company plans to maintain these relationships with suppliers and maintains the position that other suppliers are readily available if needed, therefore mitigating any concentration risk.

USS does not have any concentration risk as of the period ended December 31, 2022.

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17. Income Taxes

There were no income tax expenses reflected in the results of operations for the years ended December 31, 2022 and 2021.

	For the years ended December 31,	
	2022	2021
Net income (loss) per book	\$ 1,406,189	\$ (766,027)
Federal statutory income tax rate	295,300	(160,866)
State income tax rate	84,723	(46,153)
Expected income tax (recovery)	380,023	(207,019)
Permanent differences	90,886	90,027
Valuation allowance	<u>\$ (470,909)</u>	<u>\$ 116,992</u>

The tax effects of temporary differences which give rise to deferred tax assets (liabilities) are summarized as follows:

	For the years ended December 31,	
	2022	2021
Net operating loss carry forwards	\$ 87,172	\$ 112,181
Amortization of intangible assets	171,072	4,811
Right of use assets	3,740	-
Adjustments	(732,893)	-
Total deferred tax assets	<u>(470,909)</u>	<u>116,992</u>
Valuation allowance	<u>\$ 470,909</u>	<u>\$ (116,992)</u>

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred tax assets consist primarily of the tax effect of NOL carry-forwards. The Company has provided a full valuation allowance on the deferred tax assets because of the uncertainty regarding its realizability.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the statement of operations. As of December 31, 2021, the Company had no unrecognized tax benefits. There were no changes in the Company's unrecognized tax benefits during the years ended December 31, 2021. The Company did not recognize any interest or penalties during the 2021 fiscal year related to unrecognized tax benefits.

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19. Subsequent Events

The Company evaluated subsequent events occurring from January 1, 2023 through June 28, 2023, the date in which the financial statements were available to be issued.

On January 30, 2023, Gladiator sold \$133,000 of their receivables in a factoring agreement with an outside lender, Emerald Group Holdings LLC. The purchase price of the receivables totaled \$100,000, with the Company receiving net proceeds of \$96,500 after applicable fees are deducted. The Company agreed to weekly installment payments of \$4,750 until the balance is paid off.

During April 2023, Adar Funding LLC and GHI Funding LLC entered into a settlement agreement with USS on the remaining balance of their outstanding loan. The settlement agreement is in the amount of \$90,000, payable monthly in sums of \$10,000 for the first eight months after the agreement date, and monthly sums of \$5,000 for the 9th and 10th months. All prior commitments were forgiven with this agreement.

On March 31, 2023, the president of the Company received his 50,000 shares that he paid for prior to year end, recorded as common shares to-be-issued.

On April 18, 2023, the Company received \$10,000 in exchange for 10,000 common stock shares to be issued to an individual stockholder.