

Wellness Center USA, Inc.
September 30, 2023 and 2022
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Wellness Center USA, Inc.
Consolidated Balance Sheets

		September 30,	
		2023	2022
		(Unaudited)	(Unaudited)
ASSETS			
Current Assets			
Cash	\$	56,500	\$ 63,155
Inventories, net		125,680	100,202
Total Current Assets		182,180	163,357
TOTAL ASSETS	\$	182,180	\$ 163,357
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current Liabilities			
Accounts payable and accrued expenses	\$	1,042,380	\$ 791,378
Payroll taxes payable, past due		39,834	57,834
Lease abandonment liability		532,878	547,878
Loans payable from officers and shareholders,		3,204,505	2,662,200
Total Current Liabilities		4,819,597	4,059,290
U.S. SBA loan payable		304,600	304,600
Total Liabilities		5,124,197	4,363,890
Shareholders' Deficit			
Common stock, par value \$0.001, 200,000,000 shares authorized; 143,187,077 and 137,562,077 shares issued and outstanding, respectively		143,187	137,562
Additional paid-in capital		26,054,195	25,853,570
Accumulated deficit		(30,253,030)	(29,500,049)
Total Wellness Center USA shareholders' deficit		(4,055,648)	(3,508,917)
Non-controlling interest		(886,369)	(691,616)
Total Shareholder's deficit		(4,942,017)	(4,200,533)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	182,180	\$ 163,357

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

Wellness Center USA, Inc.
Consolidated Statements of Operations

	Years Ended	
	September 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Trade sales	\$ 661,550	\$ 578,042
Cost of goods sold	<u>74,000</u>	<u>69,249</u>
Gross profit	587,550	508,793
Operating expenses	<u>1,294,578</u>	<u>1,769,188</u>
Loss from operations	<u>(707,028)</u>	<u>(1,260,395)</u>
<u>Other income (expenses):</u>		
Interest expense	(240,706)	(192,132)
Amortization of debt discount	-	(15,822)
Gain on settlement of debt	-	4,914
Total other expenses, net	<u>(240,706)</u>	<u>(203,040)</u>
NET LOSS	(947,734)	(1,463,435)
Net loss attributable to non-controlling interest	194,753	353,014
NET LOSS ATTRIBUTABLE TO WELLNESS CENTER USA, INC.	<u>(752,981)</u>	<u>(1,110,421)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC AND DILUTED	<u>140,374,577</u>	<u>131,447,228</u>

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

Wellness Center USA, Inc.
Consolidated Statements of Shareholders' Deficit (Unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total WCUI Deficit	Non-controlling Interest	Total
Balance, September 30, 2021	123,877,077	\$ 123,877	\$ 25,258,005	\$ (28,389,628)	\$ (3,007,746)	\$ (338,602)	\$ (3,346,348)
Fair value of common stock issued for services to officers and directors	5,625,000	5,625	200,625	-	206,250	-	206,250
Fair value of common stock issued to officers and directors in connection with shareholder loans	7,060,000	7,060	345,940	-	353,000	-	353,000
Fair value of common stock issued for consulting services	1,000,000	1,000	49,000	-	50,000	-	50,000
Net loss for the year ended September 30, 2022 (unaudited)	-	-	-	(1,110,421)	(1,110,421)	(353,014)	(1,463,435)
Balance, September 30, 2022 (unaudited)	137,562,077	\$ 137,562	\$ 25,853,570	\$ (29,500,049)	\$ (3,508,917)	\$ (691,616)	\$ (4,200,533)
Fair value of common stock issued for services to officers and directors	5,625,000	5,625	200,625	-	206,250	-	206,250
Net loss for the year ended September 30, 2023 (unaudited)	-	-	-	(752,981)	(752,981)	(194,753)	(947,734)
Balance, September 30, 2023 (unaudited)	143,187,077	\$ 143,187	\$ 26,054,195	\$ (30,253,030)	\$ (4,055,648)	\$ (886,369)	\$ (4,942,017)

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

Wellness Center USA, Inc.
Consolidated Statements of Cash Flows

	Years Ended September 30,	
	2023	2022
	(Unaudited)	(Unaudited)
<u>Cash Flows from Operating Activities</u>		
Net loss	\$ (947,734)	\$ (1,463,435)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	-	15,822
Fair value of common shares issued for services	206,250	206,250
Fair value of common stock issued in connection with shareholder loans	-	353,000
Fair value of common stock issued for consulting services	-	50,000
Gain on settlement of debt	-	(4,914)
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Inventories	(25,478)	(50,203)
(Decrease) Increase in:		
Accounts payable and accrued expenses	251,002	171,956
Payroll taxes payable	(18,000)	(18,000)
Lease abandonment liability	(15,000)	(125,000)
Lease liability	-	-
Net cash used in operating activities	(548,960)	(864,524)
<u>Cash Flows from Financing Activities</u>		
Proceeds from loans payable from officers and shareholders	542,305	781,000
Repayments of loans payable from officers and shareholders	-	(190,000)
Proceeds from SBA loan payable	-	304,600
Net cash provided by financing activities	542,305	895,600
Net increase (decrease) in cash	(6,655)	31,076
Cash beginning of year	63,155	32,079
Cash end of year	\$ 56,500	\$ 63,155
<u>Supplemental cash flows disclosures:</u>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

WELLNESS CENTER USA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

NOTE 1 – BASIS OF PRESENTATION

Organization and Operations

Wellness Center USA, Inc. (“WCUI” or the “Company”) was incorporated in June 2010 under the laws of the State of Nevada. The Company initially engaged in online sports and nutrition supplements marketing and distribution. The Company subsequently expanded into additional businesses within the healthcare and medical sectors through acquisitions, including Psoria-Shield Inc. (“PSI”) and StealthCo Inc. (“SCI”), d/b/a Stealth Mark, Inc.

The Company currently operates in the following business segments: (i) distribution of targeted Ultraviolet (“UV”) phototherapy devices for dermatology and sanitation purposes; and (ii) authentication and encryption products and services. The segments are operated, respectively, through PSI and SCI.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, the Company has not yet generated significant revenues and has incurred recurring net losses. During the year ended September 30, 2023, the Company incurred a net loss of \$741,484 and used cash in operations of \$548,960 and had a shareholders’ deficit of \$4,942,017 as of September 30, 2023. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its strategies. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At September 30, 2023, the Company had cash on hand in the amount of \$56,500. The ability to continue as a going concern is dependent on the Company attaining and maintaining profitable operations in the future and raising additional capital soon to meet its obligations and repay its liabilities arising from normal business operations when they come due. Since inception, we have funded our operations primarily through equity and debt financings and we expect to continue to rely on these sources of capital in the future. During the year ended September 30, 2023, the Company received \$542,305 through short-term loans from officers and shareholders.

No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the Company’s subsidiaries and the accounts of its subsidiaries for which it was determined that Company has operational and management control. The Company’s subsidiaries that are consolidated are Psoria-Shield Inc. (“PSI”), StealthCo Inc. (“SCI”), d/b/a Stealth Mark, Inc., and Protec Scientific, Inc (“Protec”).”

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Significant estimates are used in the valuation of accounts receivable and allowance for uncollectible amounts, inventory and obsolescence reserves, accruals for potential liabilities, valuations of stock-based compensation, and realization of deferred tax assets, among others. Actual results could differ from these

estimates.

Income (Loss) Per Share

Basic loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of outstanding common shares during the period. Diluted loss per share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued. For the years ended September 30, 2023 and 2022, the basic and diluted shares outstanding were the same, as potentially dilutive shares were considered anti-dilutive. At September 30, 2023 and 2022, the dilutive impact of outstanding stock options of 1,000,000 and 3,907,738 shares, respectively, and outstanding warrants for 14,925,942 and 23,570,942 shares, respectively, have been excluded because their impact on the loss per share is anti-dilutive.

Revenue Recognition

The company records revenue under the guidance of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers (Topic 606)* which requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

For trade sales, the Company generates its revenue from sales contracts with customers with revenues being generated upon the shipment of merchandise, or for consulting services, revenue is recognized in the period services are rendered and earned under service arrangements with clients.

The Company sells its products through two main sales channels: 1) directly to customers who use its products (the “Direct Channel”) and 2) to distribution partners who resell its products (the “Indirect Channel”).

Under the Direct Channel, the Company sells its products to and receives payment directly from customers who purchase its products. Under the Indirect Channel, the Company has entered into distribution agreements that allow the distributors to sell its products and fulfill performance obligations under the agreements. During the years ended September 30, 2023 and 2022, all of the Company’s products were sold through its Direct Channel.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation.

Revenue is generally recognized upon shipment or when a service has been completed, unless we have significant performance obligations for services still to be completed. We recognize revenue when a material reversal is no longer probable. Payments received before the relevant criteria for revenue recognition are satisfied are recorded as deferred revenue. There was no deferred revenue at September 30, 2023 and 2022.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is computed on a first-in, first-out basis. At September 30, 2023 and 2022, primarily all of the inventories consisted of raw materials or work-in-progress. The Company provides inventory reserves based on excess and obsolete inventories determined primarily by future demand forecasts. The write down amount, if any, is measured as the difference between the cost of the inventory and net realizable value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established

cost basis. At September 30, 2023 and 2022, the Company recorded a reserve of \$173,930, respectively, for excess and slow-moving inventories.

Income Taxes

Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. The Company recorded a valuation allowance against its deferred tax assets as of September 30, 2023 and 2022.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

Fair Value measurements

The Company determines the fair value of its assets and liabilities based on the exchange price in U.S. dollars that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- *Level 1* — Quoted prices in active markets for identical assets or liabilities.
- *Level 2* — Inputs, other than Level 1, that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of financial instruments such as cash, and accounts payable and accrued liabilities, approximate the related fair values due to the short-term maturities of these instruments. The carrying value of the loans payable from officers and shareholders approximate their fair value based on the fair market interest rates of these obligations.

Stock-Based Compensation

The Company periodically issues stock-based compensation to officers, directors, and consultants for services rendered, and as part of financing transactions. Such issuances vest and expire according to terms established at the issuance date. Stock-based payments to officers, directors, employees, and for acquiring goods and services from non-employees, which include grants of stock options, are recognized in the financial statements based on their fair values in accordance with Topic 718. Stock option grants, which are generally time vested, will be measured at the grant date fair value and charged to operations on a straight-line basis over the vesting period. Recognition of compensation expense for non-employees is in the same period and manner as if the Company has paid cash for the services.

The fair value of the Company's common stock option and warrant grants are estimated using a Black-Scholes Merton option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, estimated forfeitures and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model and based on actual experience. The assumptions used in the Black-Scholes Merton option pricing model could materially affect compensation expense recorded in future periods.

Recently Issued Accounting Pronouncements

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 3 – LOANS PAYABLE FROM OFFICERS AND SHAREHOLDERS

As of September 30, 2021, loans payable to officers and shareholders of \$2,071,200 were outstanding.

During the year ended September 30, 2022, the Company and its subsidiary, PSI, borrowed \$781,000 from its officers and shareholders and repaid \$190,000. All of the loans are unsecured, have an interest rate of eight percent and are due one year from the date of issuance. As of September 30, 2022, loans payable to officers and shareholders of \$2,662,200 were outstanding.

During the year ended September 30, 2023, the Company and its subsidiary, PSI, borrowed \$542,305 from its officers and shareholders. All of the loans are unsecured, have an interest rate of eight percent and are due one year from the date of issuance. As of September 30, 2023, loans payable to officers and shareholders of \$3,204,505 were outstanding.

NOTE 4 – U.S. SMALL BUSINESS ADMINISTRATION LOAN PAYABLE

During the year ended September 30, 2022, the Company entered into a loan agreement with the U.S. Small Business Administration (SBA) under which the Company borrowed \$304,600. The note accrues interest at 3.75% per annum and calls for monthly payments of \$1,569 beginning in February 2024 and maturing in February 2052. The loan is secured by all of the assets of the Company and is personally guaranteed by the Company's Chief Executive Officer. The balance of \$304,600 was due as of September 30, 2023, plus \$6,854 of accrued and unpaid interest.

NOTE 5 – LEASE LIABILITIES

Lease settlement liability

The Company leased its corporate office facility in Hoffman Estates, Illinois pursuant to a non-cancellable lease initiated in July 2016 and expiring February 28, 2024. The lease terms require a monthly payment of approximately \$11,000. The Company vacated the facility in April 2020, in favor of its present facilities in Tucson AZ, which are provided by a shareholder on a rent-free basis. At the date of vacation, the Company had a remaining lease obligation of \$631,587.

On or about June 29, 2020, the Company received notice that Hanover Hoffman Estates, LLC ("HHE"), filed case number 2020L006092 in the Circuit Court of Cook County alleging a failure to pay Base Rent and abandonment of certain office space in Hoffman Estates, Illinois subject to a Commercial Lease dated May 26, 2016 (the "HHE Litigation"). HHE sought at least \$672,878 in base rent and other amounts under the lease, as well as treble damages from the Company's ex-CEO and two past Directors who were serving on our Board as of the date of the lease. As of September 30, 2022, the Company has recorded the full amount of the judgement due.

On October 6, 2021, HHE and the Company settled the HHE Litigation pursuant to an agreement providing, among other things, that the Company agree to the entry of a final judgment order on the complaint in the amount of \$725,795, which includes \$657,194 in base rent awarded HHE by the Court on HHE's Motion for Summary Judgment and the additional fees claimed by HHE and costs. HHE will forebear on the enforcement of the judgment and will provide the Company a satisfaction of the judgment upon the payment by the Company of \$350,000, plus interest on the principal amount thereof outstanding from time to time at the rate of 5% per annum (the "Settlement Amount"), until the Settlement Amount is paid in full.

An initial payment of \$125,000 was due January 1, 2022. The Company received a letter of default from HHE on January 20, 2022, which provided the Company 30 days to make the payment or HHE could seek collection of the Agreed Final Judgement Amount of \$725,795. The Company made the payment of \$125,000 on February 10, 2022. The balance of \$225,000 will be paid over a five-year period beginning on January 1, 2023, as follows: January 1, 2023 – \$15,000 plus accrued interest only; January 1, 2024 – \$15,000 plus accrued interest only; January 1, 2025 – \$45,000 plus accrued interest; January 1, 2026 – \$75,000 plus accrued interest; and January 1, 2027 – \$75,000 plus accrued interest.

As of September 30, 2021, the Company had recorded a lease settlement liability of \$672,878. During the year ended September 30, 2022, the Company made a payment of \$125,000 towards the Settlement Amount and as of September 30, 2023 and 2022, the Company has recorded a lease settlement liability of \$532,878 and \$547,878, respectively. The Company will adjust any remaining balance of the liability after it has completed the payment and satisfaction of the remaining \$225,000 Settlement Amount.

NOTE 6 – SHAREHOLDERS’ EQUITY

Common Stock Issued for Services

During the year ended September 30, 2021, the Company entered into an agreement with a consulting firm under which the firm would provide certain services for the Company. Under the agreement, the firm could earn 1,000,000 restricted shares of the Company’s common stock for completing certain services. In April 2022, the Company’s Board of Directors approved the issuance of 1,000,000 shares once the services had been completed. The shares vested upon grant and had a fair value on the date of grant of \$50,000.

Restricted Stock Grants

The following table summarizes restricted common stock activity:

	<u>Number of Restricted Shares</u>	<u>Fair Value</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested, September 30, 2021	8,750,000	\$ 325,000	\$ 0.04
Granted	3,750,000	187,500	0.05
Vested	(5,625,000)	(206,250)	0.04
Forfeited	-	-	-
Non-vested, September 30, 2022	6,875,000	306,250	0.04
Granted	3,750,000	-	-
Vested	(5,625,000)	(206,250)	0.04
Forfeited	-	-	-
Non-vested, September 30, 2023	<u>5,000,000</u>	<u>\$ 100,000</u>	<u>\$ 0.02</u>

Restricted Stock Grants to Officers and Directors

During the year ended September 30, 2022, the Company’s Board of Directors approved the issuance of a combined total of 3,750,000 restricted shares of the Company’s common stock to certain of its Officers and Directors for future services to be performed. The shares vest monthly from April 2022 through March 2025. The fair value of the shares on the date of grant was \$187,500.

During the year ended September 30, 2022, the Board approved the issuance of a combined total of 7,060,000 restricted shares of the Company’s common stock to certain of its Officers and Directors in connection with their officer and shareholder loans. The shares vested upon grant and had a fair value on the date of grant of \$353,000. These shares were granted from the 41,353,731 Escrow Shares Account (see above), thus reducing the number of shares that can be issued under that account. The Board also approved the issuance of 1,250,000 shares to its CEO, which were added to the Escrow Shares Account balance. The 1,250,000 shares will only be issued upon the sale or merger of the Company, and as such, no stock compensation was recorded.

During the year ended September 30, 2023, the Company’s Board of Directors approved the issuance of a combined total of 3,750,000 restricted shares of the Company’s common stock to certain of its Officers and Directors for future services to be performed. The shares vest monthly from April 2023 through March 2026. The Company determined there was no fair value of the shares on the date of grant.

During the years ended September 30, 2023 and 2022, the Company recorded \$206,250 and \$206,250, respectively, of stock compensation for the value of vested restricted common stock, and as of September 30, 2023, unvested compensation of \$100,000 remained that will be amortized over the remaining vesting period, through March 2025.

Stock Options

On December 22, 2010, effective retroactively as of June 30, 2010, the Company's Board of Directors approved the adoption of the "2010 Non-Qualified Stock Option Plan" ("2010 Option Plan") by unanimous consent. The 2010 Option Plan was initiated to encourage and enable officers, directors, consultants, advisors and key employees of the Company to acquire and retain a proprietary interest in the Company by ownership of its common stock. A total of 7,500,000 of the authorized shares of the Company's common stock may be subject to, or issued pursuant to, the terms of the plan. Effective January 1, 2018, the Board of Directors approved to increase the number of authorized shares of the Company's common stock that may be subject to, or issued pursuant to, the terms of the plan from 7,500,000 to 30,000,000.

The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's policy is to issue new shares of common stock to satisfy stock option exercises. The Company applied fair value accounting for all share-based payments awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

The table below summarizes the Company's stock option activities for the year ended September 30, 2022:

	Number of Option Shares	Exercise Price Range Per Share	Weighted Average Exercise Price
Balance, September 30, 2021	5,277,738	\$ 0.03 – 2.00	\$ 0.23
Granted	-	-	-
Cancelled	-	-	-
Exercised	-	-	-
Expired	(1,370,000)	0.12– 0.26	0.20
Balance, September 30, 2022	3,907,738	\$ 0.03 - 0.19	\$ 0.13
Granted	-	-	-
Cancelled	-	-	-
Exercised	-	-	-
Expired	(2,907,738)	0.10 - 0.19	0.15
Balance, September 30, 2023	1,000,000	\$ 0.03 - 0.19	\$ 0.07
Vested and exercisable, September 30, 2023	1,000,000	\$ 0.03 - 0.19	\$ 0.07
Unvested, September 30, 2023	-	\$ -	\$ -

The following table summarizes information concerning outstanding and exercisable options as of September 30, 2022:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>		
	<u>Number Outstanding</u>	<u>Average Remaining Contractual Life (in years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Average Remaining Contractual Life (in years)</u>	<u>Weighted Average Exercise Price</u>
\$0.03 - 0.19	1,000,000	0.77	\$ 0.07	1,000,000	0.77	\$ 0.07
\$0.03 - 0.19	1,000,000	0.77	\$ 0.07	1,000,000	0.77	\$ 0.07

During the years ended September 30, 2023 and 2022, no stock compensation was recorded for the value of options vesting during the period, and as of September 30, 2023, no unvested compensation remained that will be amortized over the remaining vesting period.

As of September 30, 2023, there were 29,000,000 shares of stock options remaining available for issuance under the 2010 Plan. There was no intrinsic value for option shares outstanding at September 30, 2023.

Stock Warrants

The table below summarizes the Company's warrants activities for the years ended September 30, 2023 and 2022:

	Number of Warrant Shares	Exercise Price Range Per Share	Weighted Average Exercise Price
Balance, September 30, 2021	32,032,075	\$ 0.07 - 0.40	\$ 0.16
Granted	-	-	-
Cancelled	-	-	-
Exercised	-	-	-
Expired	(8,461,133)	0.12 - 0.18	0.15
Balance, September 30, 2022	23,570,942	0.07 - 0.40	0.16
Granted	-	-	-
Cancelled	-	-	-
Exercised	-	-	-
Expired	(8,645,000)	0.12 - 0.40	0.15
Balance, September 30, 2023	14,925,942	\$ 0.07 - 0.20	\$ 0.16
Vested and exercisable, September 30, 2023	14,925,942	\$ 0.07 - 0.20	\$ 0.16

The following table summarizes information concerning outstanding and exercisable warrants as of September 30, 2023:

Range of Exercise Prices	Warrants Outstanding			Warrants Exercisable		
	Number Outstanding	Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$ 0.07 - 0.20	14,925,942	0.75	\$ 0.16	14,925,942	0.75	\$ 0.16
0.21 - 0.40	-	-	-	-	-	-
\$ 0.07 - 0.40	14,925,942	0.75	\$ 0.16	14,925,942	0.75	\$ 0.16

There was no aggregate intrinsic value for warrant shares outstanding at September 30, 2023.

NOTE 7 – LEGAL MATTERS

The Company is periodically engaged in legal proceedings arising from and relating to its business operations. Except as otherwise described herein, we currently are not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect on our financial condition or results of operations.

The Company continues efforts to preserve revenue and reduce operating expenses through actions including, but not limited to, facilities consolidation and staff reductions, which it hopes to implement through negotiated transactions with lessors, employees and other third parties. Such actions may result in disputes with and claims by such parties which, if not resolved through negotiations, may impact negatively the Company's ability to continue as a going concern. To date, the Company has negotiated settlement of all ex-employee wage and benefits claims except for the claim filed with the Illinois Department of Labor asserting a violation of the Illinois Wage Payment and Collection Act by the Company's former CEO. That claim alleges unpaid wages in the amount of \$158,715 and unpaid vacation pay in the amount of \$20,833 for a total amount of \$179,548, as well as certain statutory damages including, but not limited to, 2% of the wages due per month plus attorneys' fees if the ex-CEO elects to file suit for a violation of the Act and is successful in obtaining a judgment on his claim. The Company has filed its response to such claim with the Department denying the

substantive allegations therein and asserting certain factual and legal defenses, including breach of fiduciary duty, as a bar to all claimed compensation. The claim remains pending, but as the date hereof, no suit has been filed against the Company asserting a violation of the Act based on said claim.

As discussed in Note 5, on or about June 29, 2020, HHE filed case number 2020L006092 in the Circuit Court of Cook County alleging failure to pay Base Rent and abandonment of certain office space in Hoffman Estates, Illinois subject to a Commercial Lease dated May 26, 2016 (the "HHE litigation"). HHE sought at least \$672,888 in base rent and other amounts under the lease, as well as treble damages from our ex-CEO and two past Directors who were serving on our Board as of the date of the lease. On October 6, 2021, HHE and the Company agreed to a settlement on the terms discussed in Note 5 above. On February 10, 2022, the initial payment of \$125,000 was paid to HHE (see Note 5).

On or about January 8, 2021, Periklis Papadopoulos, a former Director who was named as an additional Defendant in the HHE litigation, filed a counterclaim against the Company seeking indemnification for attorneys' fees he incurred in obtaining his dismissal from the HHE litigation. Subsequent to September 30, 2021, the Company settled the counterclaim by agreeing to pay \$41,914, with \$15,000 payable on or about January 4, 2022 and the balance in sixteen monthly installments commencing June 4, 2022, each in the amount of \$1,791. The settlement amount shall be reduced to \$37,000 if it is paid prior to April 1, 2022, or \$39,000 if paid before July 1, 2022. The Company agreed to entry of a judgment in the amount of \$41,914 to secure payments under the settlement agreement. This amount is included in Accounts payable and accrued expenses on the accompanying Balance Sheets. Upon payment of the settlement, Papadopoulos will provide the Company with a satisfaction of judgment. During the year ended September 30, 2022, but prior to April 1, 2022, the Company made payments totaling \$37,000. This satisfied the judgment as of September 30, 2022, and the Company recorded a gain on settlement of debt of \$4,914 during the year ended September 30, 2022.

NOTE 9 – INCOME TAXES

At September 30, 2022, the Company had net operating loss ("NOL") carryforwards for federal and state income tax purposes of approximately \$22 million that may be offset against future taxable income through 2042. No tax benefit has been reported with respect to these net operating loss (NOL) carryforwards because the Company believes that the realization of the Company's net deferred tax assets of approximately \$5,800,000 was not considered more likely than not and accordingly, the potential tax benefits of the net loss carryforwards are offset by a full valuation allowance.

The Company recognizes as income tax expense, interest and penalties on uncertain tax provisions. As of September 30, 2023 and 2022, the Company has not accrued interest or penalties related to uncertain tax positions. Tax years 2020 through 2023 remain open to examination by the major taxing jurisdictions to which the Company is subject.

The Company's effective income tax rate differs from the amount computed by applying the federal statutory income tax rate to loss before income taxes as follows:

	September 30, 2023	September 30, 2022
Income tax benefit at federal statutory rate	(21.0)%	(21.0)%
State income tax benefit, net of federal benefit	(4.0)%	(4.0)%
Change in valuation allowance	25.0%	25.0%
Income taxes at effective income tax rate	<u>- %</u>	<u>- %</u>

The components of deferred taxes consist of the following at September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
Net operating loss carryforwards	\$ 5,800,000	\$ 5,575,000
Less: Valuation allowance	(5,800,000)	(5,575,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>