GLOBAL DIGITAL SOLUTIONS INC

FORM 10-Q
(Quarterly Report)

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Address	777 SOUTH FLAGLER DRIVE SUITE 800 WEST WEST PALM BEACH, FL, 33401
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Industry	IT Services & Consulting
Sector	Technology
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _________ to _________

Commission file number: 000-26361

GLOBAL DIGITAL SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

New Jersey	**22-3392051**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
777 South Flagler Drive, Suite 800 West Tower West Palm Beach, FL	**33401**
(Address of Principal Executive Offices)	(Zip Code)

(561) 515-6163
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act: ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2023, there were 953,532,051 shares of the registrant's common stock outstanding.

GLOBAL DIGITAL SOLUTIONS, INC.
FORM 10-Q
FOR THE SIX MONTHS ENDED June 30, 2023, and June 30, 2022
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Global Digital Solutions, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

		June 30, 2023		December 31, 2022
		(Unaudited)		(Unaudited)
Assets				
Current assets				
Cash	$	2,805	$	1,043
Total current assets		2,805		1,043
Total assets	$	2,805	$	1,043
Liabilities and Stockholders' Deficit				
Current liabilities				
Accounts payable	$	516,439	$	363,402
Accrued expenses		2,100,841		2,028,801
Due to officer (Note 9)		3,281		3,281
Due to related entity, (Note 9)		9,624		50,233
Financed insurance policy		11,187		11,187
Derivative liability		2,075,000		3,421,000
Warrant liability		852,000		1,599,000
Convertible notes payable, net of discount of $144,167, and $246,470 respectively		3,370,386		3,992,396
Notes payable		4,607,125		4,607,125
Total Current Liabilities		13,545,883		16,076,425
Commitments and Contingencies (Note 6)				
Stockholders' deficit				
Preferred stock, $0.001 par value, 35,000,000 shares authorized, 1,000,000 shares issued and outstanding at June 30,2023 and 2022, respectively		1,000		1,000
Common stock, $0.001 par value, 2,000,000,000 shares authorized, 953,532,051 outstanding at June 30, 2023, and 800,543,896 outstanding at December 31, 2022		953,532		800,544
Additional paid-in capital		40,998,095		38,233,710
Accumulated deficit		(55,495,705)		(55,110,636)
Total stockholders' deficit		(13,543,078)		(16,075,382)
Total liabilities and stockholders' deficit	$	2,805	$	1,043

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

Global Digital Solutions, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	$ -	$ -	$ -	$ -
Cost of revenues	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
Selling, general and administrative expenses	279,944	215,148	441,477	495,499
Operating (loss) before other expense income	(279,944)	(215,148)	(441,477)	(495,499)
Other expense (income)				
Change in fair value of derivative liability	113,000	(327,000)	(1,023,000)	(282,000)
Change in Warrant Liability	104,000	(3,500)	(747,000)	(182,000)
Loss on conversion of notes payable	141,075	17,641	894,481	67,600
Amortization of original issue discount	211,250	196,216	427,636	678,450
Interest expense	118,997	387,484	373,725	603,241
Note conversion expense	6,500	-	17,750	-
Total other (expense) income	(694,822)	(270,841)	56,408	(885,291)
Loss Before Income Tax	(974,766)	(485,989)	(385,069)	(1,380,790)
Provision for Income Tax	-	-	-	-
Tax benefit of Net Operating Loss Carryforward	-	-	-	-
Net (Loss)	$ (974,766)	$ (485,989)	$ (385,069)	$ (1,380,790)
Loss per common share-diluted	$ -	$ -	$ -	$ -
Loss per common share-basic	$ 0.002	$ -	$ 0.002	$ 0.01
Weighted average common shares outstanding, basic	953,532,051	693,982,757	684,606,401	683,592,355

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

Global Digital Solutions, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Unaudited)

	Common Stock		Preferred Stock		Paid-In	Shares	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Payablr	Deficit	Total
Balance, December 31, 2021	737,263,858	$ 737,264	1,000,000	$ 1,000	$ 37,370,384	$ 180,000	$ (49,349,575)	$ (11,060,927)
Shares issued for conversion of debt	58,280,038	58,280	-	-	568,326	-	-	626,606
Shares issued for services	5,000,000	5,000	-	-	175,000	(180,000)	-	-
Reduction in derivative liability	-	-	-	-	120,000	-	-	120,000
Net Loss	-	-	-	-	-	-	(5,761,061)	(5,761,061)
Balance December 31, 2022	800,543,896	$ 800,544	1,000,000	$ 1,000	$ 38,233,710	-	(55,110,636)	(16,075,382)
Shares issued for conversion of debt	100,958,182	100,958	-	-	1,662,030	-	-	1,762,988
Reduction in derivative liability	-	-	-	-	511,000	-	-	511,000
Net Income	-	-	-	-	-	-	589,697	589,697
Balance, March 31, 2023	901,502,078	$ 901,502	1,000,000	$ 1,000	$ 40,406,740	-	$ (54,520,939)	$ (13,211,697)
Shares issued for conversion of debt	40,029,973	40,030	-	-	501,355	-	-	541,385
Shares issued for issuace of debt	2,000,000	2,000	-	-	-	-	-	2,000
Reduction in derivative liability					90,000			90,000
Shares issued for services	10,000,000	10,000	-	-	-	-	-	10,000
Net Loss			-				(974,766)	(974,766)
Balance, June 30, 2023	953,532,051	$ 953,532	1,000,000	$ 1,000	$ 40,998,095	-	$ (55,495,705)	$ (13,543,078)

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

Global Digital Solutions, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2023	June 30, 2022
Cash flows from operating activities:		
Net (Loss)	$ (385,069)	$ (1,380,790)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Amortization of debt discount	427,636	484,826
Change in fair value of derivative liability	(1,023,000)	(282,000)
Change in fair value of warrant liability	(747,000)	(182,000)
Shares isued for services	10,000	-
Consulting fees added to note payable principal	-	197,000
Extension fees added to notes payable principal	164,644	242,674
Loss on conversion of notes payable	894,481	67,600
Conversion fees added to notes payable	17,750	-
Changes in operating assets and liabilities:		
Prepaid expenses	-	22,500
Due from related entity	-	80,913
Accounts payable	153,038	27,080
Accrued expenses	254,892	366,383
Due to officer	-	(38,043)
Due to related entity	-	-
Net cash (used in) operating activities	$ (232,628)	$ (393,857)
Cash flows from investing activities:		
Proceeds due from affiliate	219,928	**131,734**
Net cash provided by investing activities	$ 219,928	**131,734**
Cash flows from financing activities:		
Proceeds from convertible notes	274,999	425,000
Repayments of convertible notes	(260,537)	(177,534)
Net cash provided by financing activities	$ 14,462	$ 247,466
Net (decrease) increase in cash	$ 1,762	(14,656)
Cash at beginning of period	1,043	98,800
Cash at end of period	$ 2,805	$ 84,144
Non-Cash Items		
Convertible notes paid by officer	$ -	$ 25,163
Conversion of Convertible notes payable	$ -	$ (557,760)
Debt discount from issuance of shares of common stock with convertible note	$ 278,000	-
Settlement of derivative liability to APIC	$ 601,000	-
Additional Paid in Capital from conversion of convertible notes payable	-	$ 120,000
Day one expense	$ (45,000)	-
Convertible debt settled through issuance of common shares and accrued interest	$ 1,396,392	$ 638,851

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

GLOBAL DIGITAL SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED June 30, 2023
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS

The Company was incorporated in New Jersey as Creative Beauty Supply, Inc. (“Creative”) in August 1995. In March 2004, Creative acquired Global Digital Solutions, Inc., a Delaware corporation (“Global”). The merger was treated as a recapitalization of Global, and Creative changed its name to Global Digital Solutions, Inc. (“the Company”, “we”), Global provided structured cabling design, installation and maintenance for leading information technology companies, federal, state, and local government, major businesses, educational institutions, and telecommunication companies.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has sustained losses and experienced negative cash flows from operations since inception, and for the six months had net loss of approximately $ 385,000, which was comprised of the loss on conversion of Convertible notes payable of approximately $ 895,000, amortization of original issue discount of approximately $428,000, and interest expense of approximately $374,000. The expense was partially offset by the change in fair value of derivative liability of $1,023,000 and Change in Warrant Liability of $747,000. The Company used net cash of $232,628 to fund operating activities at June 30, 2023, had an accumulated deficit of approximately $55,496,000 and a working capital deficit of approximately $ 13,543,000.

These factors raise substantial doubt about the Company’s ability to continue as a going concern, within one year from the issuance ate of the financial statements. The Company funded its activities to date almost exclusively from equity and debt financings.

The Company needs to raise additional funds immediately and continue to raise funds until they begin to generate sufficient cash from operations and may not be able to obtain the necessary financing on acceptable terms, or at all.

The Company will continue to require substantial funds to continue development of its core business. Management’s plans in order to meet the operating cash flow requirements include financing activities such as private placements of common stock, and issuances of debt and convertible debt instruments, and the establishment of strategic relationships which management expects will lead to the generation of additional revenue or acquisition opportunities.

While Management believes that the Company will be successful in obtaining the necessary financing to fund operations, there are no assurances that such additional funding will be achieved or that they will succeed in future operations.

Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to successfully execute the plans to pursue acquisitions and raise the funds necessary to complete such acquisitions. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial information as of and for the six months ended June 30, 2023, and 2022 has been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments, unless otherwise indicated) considered necessary for a fair presentation of our financial position at such date and the operating results and cash flows for such periods. Operating results for the six months ended June 30, 2023, are not necessarily indicative of the results that may be expected for the entire year or for any other subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the rules of the U.S. Securities and Exchange Commission, or the SEC. These unaudited financial statements and related notes should be read in conjunction with our Annual Report on Form 10-K that includes the audited financial statements for the year ended December 31, 2022, as filed with the SEC on June 9, 2023.

The condensed consolidated balance sheet at December 31, 2022, has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, NACSV, GDSI Florida, LLC, Global Digital Solutions, LLC, and Harm Alarm. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity-based transactions, and disclosure of contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the financial statements. Significant estimates include the derivative liability valuation, deferred tax asset and valuation allowance, and assumptions used in Black-Scholes-Merton, or BSM, or other valuation methods, such as expected volatility, risk-free interest rate, and expected dividend rate.

Income Taxes

Income taxes are accounted for based upon an asset and liability approach. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

Accounting guidance requires the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company believes its income tax filing positions and deductions will be sustained upon examination and accordingly, no reserves, or related accruals for interest and penalties have been recorded at June 30, 2023, and December 31, 2022. The Company recognizes interest and penalties on unrecognized tax benefits as well as interest received from favorable tax settlements within income tax expense.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. We maintain our cash in high-quality financial institutions. The balances, at times, may exceed federally insured limits. As of June 30, 2023, the bank balance is not over the federally insured limit. As of June 30, 2023 and December 31, 2022, we had no cash equivalents.

Fair Value of Financial Instruments

The carrying value of cash, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments. The carrying amounts of debt were also estimated to approximate fair value. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). This fair value measurement framework applies at both initial and subsequent measurement.

The three levels of the fair value hierarchy defined by ASC 820 are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities

- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly

- Level 3 – Significant unobservable inputs that cannot be corroborated by market data.

Derivative Financial Instruments

We account for conversion options embedded in convertible notes payable in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC') 815, *"Derivatives and Hedging"*. Subtopic ASC 815-15, *Embedded Derivatives* generally requires companies to bifurcate conversion options embedded in the convertible notes from their host instruments and to account for them as free-standing derivative financial instruments. Derivative liabilities are recognized in the consolidated balance sheet at fair value as *Derivative Liabilities* and based on the criteria specified in FASB ASC 815-40, *Derivatives and Hedging – Contracts in Entity's own Equity*. The estimated fair value of the derivative liabilities is calculated using various assumptions and such estimates are revalued at each balance sheet date, with changes recorded to other income or expense as *Change in fair value of derivative liability* in the condensed consolidated statement of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or equity, is evaluated at the instrument origination date and reviewed at the end of each event date (i.e. conversions, payments, etc.) and the measurement period end date for financial reporting, as applicable.

Earnings (Loss) Per Share ("EPS")

Basic EPS is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted EPS includes the effect from potential issuance of common stock, such as stock issuable pursuant to the exercise of stock options and warrants and the assumed conversion of convertible notes.

The following table summarizes the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive:

	Six Months Ended June 30,	
	2023	**2022**
Convertible notes and accrued interest	397,043,404	794,451,846
Preferred Stock	296,201,242	255,284,000
Stock options	13,650,002	13,650,002
Warrants	80,000,000	90,096,875
Potentially dilutive securities	786,894,648	1,153,482,723

Stock Based Compensation

In accordance with ASC 718, "Compensation – Stock Compensation" the Company measures the cost of employee services received in exchange for share-based compensation measured at the grant date fair value of the award.

The Company's accounting policy for equity instruments issued to advisors, consultants, and vendors in exchange for goods and services follows the provisions of FASB ASC 505-50. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the advisor, consultant or vendor is reached or (ii) the date at which the advisor, consultant or vendor's performance is complete. In the case of equity instruments issued to advisors and consultants, the fair value of the equity instrument is recognized over the term of the advisor or consulting agreement. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with accounting standards for "Accounting for Derivative Instruments and Hedging Activities."

Accounting standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. accounting standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of Conventional Convertible Debt Instrument."

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Original issue discounts ("OID") under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Convertible Securities

Based upon ASC 815-15, we have adopted a sequencing approach regarding the application of ASC 815-40 to convertible securities. We will evaluate our contracts based upon the earliest issuance date. In the event partial reclassification of contracts subject to ASC 815-40-25 is necessary, due to our inability to demonstrate we have sufficient shares authorized and unissued, shares will be allocated on the basis of issuance date, with the earliest issuance date receiving first allocation of shares. If a reclassification of an instrument were required, it would result in the instrument issued latest being reclassified first.

Recent Accounting Pronouncements

Management is evaluating the new accounting pronouncements but does not expect them to have material impact on our financial position or results of operations.

Management's Evaluation of Subsequent Events

The Company evaluates events that have occurred after the balance sheet date of June 30, 2023, through the date which the financial statements were issued. Based upon the review, other than described in Note 12 – Subsequent Events, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements.

NOTE 3 – ACCRUED EXPENSES

As of June 30, 2023, and December 31, 2022, accrued expenses consist of the following amounts:

	June 30, 2023	December 31, 2022
Accrued compensation to executive officers	$ 134,013	141,997
Accrued professional fees and settlements	78,684	73,890
Accrued interest	1,888,144	1,812,914
Total accrued expenses	$ 2,100,841	$ 2,028,801

NOTE 4 – FAIR VALUE MEASUREMENTS

We had no Level 1 or Level 2 assets and liabilities at June 30, 2023, and December 31, 2022. The Derivative liabilities are Level 3 fair value measurements.

The following is a summary of activity of Level 3 liabilities during the periods ended June 30, 2023, and December 31, 2022:

	June 30, 2023	December 31, 2022
Derivative liability:		
Balance at beginning of period	$ 3,421,000	$ 809,000
Additions	278,000	641,500
Settlements	(601,000)	(120,000)
Change in fair value	(1,023,000)	2,090,500
Balance at end of year	$ 2,075,000	$ 3,421,000

	June 30, 2023	December 31, 2022
Warrant liability:		
Balance at beginning of period	$ 1,599,000	$ 606,000
Additions	-	-
Change in fair value	(747,000)	(933,000)
Balance at end of year	$ 852,000	$ 1,599,000

Embedded Derivative Liabilities of Convertible Notes

At June 30, 2023, the fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the following weighted-average inputs: the price of the Company's common stock of $0.0165; a risk-free interest rate ranging from 5.06% to 5.4%, the expected volatility of the Company's common stock ranging from 182.65% to 184.56%; the estimated remaining term, a dividend rate of 0%. and the various estimated reset exercise prices weighted by probability. At December 31, 2022, the fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the following weighted-average inputs: risk free rate – 4.73%, term 1 year, volatility 173.74%, dividend rate 0%.

NOTE 5 – NOTE PAYABLE

During August 2017, Dragon Acquisitions, a related entity owned by William Delgado, and an individual lender entered into a promissory note agreement for $20,000 as well as $2,000 in interest to accrue through maturity on August 31, 2018, for a total of $22,000 due on August 31, 2018. The lender has extended the maturity date to December 31, 2022. Dragon Acquisitions assumed payment of a payable of the Company and the Company took on the note. The Company defaulted on the note at maturity in August 2018. The $20,000 note remained outstanding at June 30 ,2023 and December 31, 2022, and through the date of this report.

On December 22, 2017, the Company entered into a financing agreement with Parabellum, an accredited investor, for $1.2 million, which was then amended in 2020 and increased to $2,550,000. Under the terms of the agreement, the Company is to receive milestone payments based on the progress of the Company's lawsuit (see Note 6) for damages against Grupo Rontan Metalurgica, S.A (the "Lawsuit"). Such milestone payments consist of (i) an initial purchase price payment of $300,000, which the Company received on December 22, 2017, (ii) $150,000 within 30 days of the Lawsuit surviving a motion to dismiss on the primary claims, (iii) $100,000 within 30 days of the close of all discovery in the Lawsuit and (iv) $650,000 within 30 days of the Lawsuit surviving a motion for summary judgment and challenges on the primary claims. As part of the agreement, the Company shall pay the investor an investment return of 100% of the litigation proceeds to recoup all money invested, plus 27.5% of the total litigation proceeds received by the Company. As June 30,2023, and December 31, 2022, and through the date of this report, the $2,550,000 note remains outstanding.

On December 23, 2017 (the "Effective Date") the Company entered into a $485,000, 7% interest rate, demand promissory note with Vox Business Trust, LLC ("Vox"). The note was in settlement of the amounts accrued under a consulting agreement (see Note 6), consisting of $200,000 owed for retainer payments through December 2017, as well as $285,000 owed to Vox when the Resolution Progress Funding was met on December 22, 2017. As part of the agreement, Vox may not demand payment prior to the date of the Resolution Funding Date.

The Company shall make mandatory prepayment in the following amounts and at the following times –

- $1,000 on the Effective Date.
- $50,000 on the date on which the judge presiding over the lawsuit issues a ruling or decision in which the lawsuit survives a motion to dismiss.
- $50,000 on the date on which discovery closes with respect to the lawsuit.
- $100,000 on the date on which the judge presiding over the lawsuit issues a ruling or decision in which the lawsuit survives a motion for summary judgement on the claims.

Under the terms of the Vox note consulting agreement (see Note 6), any unpaid consulting fees subsequent to December 2017 causes a default on the note with unpaid consulting fees to be added to the principal of the note. As of June 30, 2023, and December 31, 2022. and through the date of this report, the principal balance totaling $861,500 and interest of $290,813 is outstanding. The note remains in default. However, Vox has voluntarily refrained from making demand prior to the resolution funding date.

On December 26, 2017 (the "Effective Date"), the Company entered into a $485,000, 7% interest rate, demand promissory note with RLT Consulting, Inc. The note was in settlement of the amounts accrued under a consulting agreement (see Note 6), consisting of $200,000 owed for retainer payments through December 2017, as well as $285,000 owed to RLT when resolution progress funding was met on December 22, 2017. As part of the agreement, RLT may not demand payment prior to the date of the resolution funding date. The Company also agreed to grant 5,000,000 shares within 90 days of the resolution progress funding date and 10,000,000 shares within 90 days of the resolution funding date. The 5,000,000 shares were issued on March 13, 2018. The Company shall make mandatory prepayment in the following amounts and at the following times –

- $1,000 on the Effective Date.

- $50,000 on the date on which the judge presiding over the lawsuit issues a ruling or decision in which the lawsuit survives a motion to dismiss.
- $50,000 on the date on which discovery closes with respect to the lawsuit.
- $100,000 on the date on which the judge presiding over the lawsuit issues a ruling or decision in which the lawsuit survives a motion for summary judgement on the claims.

Under the terms of the RLT note consulting agreement (see Note 6), any unpaid consulting fees subsequent to December 2017 causes a default on the note with unpaid consulting fees to be added to the principal of the note. as of June 30, 2023, and December 31, 2022, and through the date of this report the principal balance totaling $861,500 and interest of $ 305,589 is outstanding.

Through the date of this report, monthly consulting fees have not been repaid and were added to the principal balance of the note. The note remains in default. However, RLT has voluntarily refrained from making demand prior to the resolution funding date. RLT was granted a first priority security interest in the litigation proceeds and is pari passu to Parabellum and Vox. To that end, they share in the litigation in a priority position to proceed to repay the note.

During April 2018, the Company entered into a two-month $36,000 note payable with $31,000 in proceeds paid directly to a third-party vendor for expenses. The note did not bear interest and included a $5,000 original issue discount. During June 2018, the Company defaulted on the note. The lender has extended the maturity date to December 31, 2021. As of December 31,2022 and June 30, 2023, and through the date of this report, $11,000 remain outstanding.

During May 2018, the Company entered into an Investment Return Purchase Agreement with an accredited investor (the "Purchaser") for proceeds of $200,000 (the "Investment Agreement"). Under the terms of the Investment Agreement, the Company agreed to pay the Purchaser the $200,000 proceeds plus a 10% return, or $20,000 (the "Investment Return") within three (3) months from the date of the Investment Agreement. Such Investment Return shall be paid earlier if the Company secures funding totaling $500,000 within 90 days from the date of the Investment Agreement. The lender has extended the maturity date to December 31, 2021. In addition, the Company agreed to issue to the Purchaser 2,000,000 warrants to purchase common stock of the Company at an exercise price of $0.01 per share, exercisable for a period of three (3) years. As of June 30, 2023, and December 31, 2022, and through the date of this report, the $200,000 principal and $20,000 Investment Return remained outstanding. The note is past the maturity date and has not been repaid through the date the financial statements were issued.

On May 12, 2020, the Company obtained a Paycheck Protection Program ("PPP") loan in the amount of $103,125 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Interest on the loan is at the rate of 1% per year, and all loan payments are deferred until December 12, 2020, at which time the balance is payable in $5,805 monthly installments through May 12, 2022, if not forgiven in accordance with the CARES Act and the terms of the promissory note executed by the Company in connection with the loan. The promissory note contains events of default and other provisions customary for a loan of this type. As required, the Company used the PPP loan proceeds for payroll, healthcare benefits, and utilities. The program provided that the use of PPP Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act.

The Company has requested debt forgiveness from the SBA. As of June 30, 2023, and December 31, 2022, and through the date of this report the SBA has not responded to the request and NNVA has waived the monthly payment.

Convertible Notes Payable

During January 2015, the Company entered into a one-year $78,750 convertible note payable with LG Capital Funding (LG). The note bears interest at 8% per annum and is convertible at any time at the option of LG into shares of our common stock at a conversion price equal to a 40% discount of the lowest closing bid price for 20 prior trading days including the notice of conversion date. The embedded derivative liability associated with the conversion option of the note was bifurcated from the note and recorded at its fair value on the date of issuance and at each reporting date. The note requires the Company to reserve four times the potential number of shares of common stock issuable upon conversion, or 17,676,000 and 29,914,000 at December 31, 2022, and June,30,2023 respectively. The Company defaulted on the note in January 2016. Additionally, as a result of declines in the fair value of the Company's common stock, from time to time the Company did not have sufficient authorized shares to maintain this required four times share reserve. Accordingly, the note holder had the right to accelerate the repayment of the note and unpaid interest. In addition, LG has the right to require that additional shares and/or monies be paid in connection with the defaults. During December 2017, in settlement of default, the Company and LG entered into a Convertible Note Redemption Agreement under which the Company was to repay $68,110, $39,921 in unpaid principal outstanding at December 31, 2017, and $28,189 in accrued interest, in five payments through April 2018. Through April 2018, the Company repaid $6,500 of principal under the Convertible Note Redemption Agreement. The Company defaulted on the Convertible Note Redemption Agreement in April 2018 and the $28,189 in accrued interest was converted to principal. As of June 30, 2023, and December 31, 2022 and through the date of this report, the principal balance totaling $48,610 and interest of $17,044 is outstanding.

During January 2015, the Company entered into a two-year convertible note payable for up to $250,000 with JMJ Financial (JMJ), of which $110,000 was funded between January and April 2015. The note was issued with an original issue discount of 10% of amounts funded, had a one-time 12% interest charge as it was not repaid within 90 days of the funding date, and is convertible at any time at the option of JMJ into shares of our common stock at the lesser of $0.075 per share or 60% of the average of the trading price in the 25 trading days prior to conversion. The embedded derivative liability associated with the conversion option of the note was bifurcated from the note and recorded at its fair value on the date of issuance and at each reporting date. The note requires the Company to reserve 26,650,000 shares of common stock. JMJ had the option to finance additional amounts up to the balance of the $250,000 during the term of the note. The Company defaulted on the note during January 2017. During December 2017, in settlement of default, the Company and JMJ entered into a Repayment Agreement under which the Company was to repay $84,514, $69,070 in unpaid principal outstanding at December 31, 2017, and $15,444 in accrued interest, in four payments through May 2018. Through May 2018, the Company repaid $25,000 of principal under the Repayment Agreement. The Company defaulted on the Repayment Agreement in May 2018 and the $15,444 in accrued interest was converted to principal. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $59,514 and interest of $10,564 is outstanding.

On April 7, 2020, the Company entered into a convertible promissory note arrangement with Auctus Fund, LLC in the principal amount of $197,000. The principal amount of the note with interest at 12% is due on February 7, 2021. The note is convertible into shares of The Company's common stock. The conversion price shall equal the lessor of (i) Current Market price or (ii) Variable Market price as defined as Market Price less a 50% discount price. As of June 30, 2023 and December 31, 2022, and through the date of this report, the principal balance totaling $197,000 and interest of $76,830 is outstanding. The note is past the maturity date and has not been repaid through the date the financial statements were issued.

On February 25, 2021, the Company and Leonite Capital LLC entered into a securities purchase agreement for a prime rate plus 8% convertible note in the aggregate principal of $2,285,714. The note shall be paid in one or more tranches. The maturity for each tranche shall be twelve-month period from advance date. The holder has the right at any time to convert all or any part of the outstanding principal into shares of common stock of the Company. The conversion price shall be a fixed conversion price of $0.06, which upon a default event, shall be equal to the lesser of (i) the fixed conversion price; (ii) or 70% of the lowest intraday price during the 21 days preceding the conversion request.

On March 1, 2021, the Company received the first tranche of $1,000,000 from Leonite Capital. In connection with the note, the Company issued 20,000,000 warrants, exercisable at $0.10, with a 10-year term and contain full-ratchet anti-dilution protection provisions, with a fair value of $507,000. The Company also issued 4,000,000 shares of common stock as commitment shares to the noteholder, with a fair value of $204,000. The warrants and the commitment shares resulted in a debt discount of $1,000,000, which will be amortized using the effective interest method over the life of the convertible note, and the excess of $101,000 recognized as interest expense at issuance. The warrants were evaluated to be classified as a liability, as based on the various convertible notes outstanding with variable conversion rates it cannot be determined if there are sufficient authorized shares available during the contract period.

On June 14, 2022, Leonite Capital converted $204,080 of principal at a conversion price of $.01 for 20,408,015 shs of common stock. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $513,103 and $970,111 respectively is outstanding. On May 19, 2022, The Company and Leonite Capital agreed to an extension of the Note's Maturity date to February 25, 2023. In consideration the Company agreed to an extension fee of 20% of the outstanding Balance. At May 19, 2022, the fixed conversion price was amended to $0.01 from $$0.06. The Second amendment extended the due date of the note to June 30, 2023, and included an extension fee of $35,000 and legal fees of $5,000.

On February 8, 2023, Leonite Capital converted $87,754 of principal, and $14,246 of interest and fees at a conversion price of $.01 for 10,000,000 shs of common stock.

On February 21, 2023, Leonite Capital converted $105,076 of principal, and $44,924 of interest and fees at a conversion price of $.01 for 15,000,000 shs of common stock.

On March 1, 2023, Leonite Capital converted $193,184 of principal, and interest $6,816 of $ principal and fees at a conversion price of $.01 for 20,000,000 shs of common stock.

On March 17, 2023, Leonite Capital converted $190,637 of principal, and interest and fees of $9,363 at a conversion price of $.01 for 20,000,000 shs of common stock.

On April 18, 2023, Leonite Capital converted $139,185 of principal, and interest and fees of $10,815 at a conversion price of $.01 for 15,000,000 shs of common stock.

On May 22, 2023, Leonite Capital converted $131,230 of principal, and interest and fees of $8,780 at a conversion price of $.01 for 14,000,000 shs of common stock.

On January 4, 2023, the Company and Leonite Capital, LLC. entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $41,667, due on January 4 2024. The note is convertible into shares of common stock of the Company. The conversion price shall be the lower of $0.01 or the lowest trade price on the date of the First Tranche. As of June 30, 2023, and through the date of this report the principal balance of $41,667 and interest of $1,667 is outstanding. Upon the advance of the First Tranche the Company shall issue warrants to purchase 5,000,000 shares of the Company common stock. The exercise price is $0.024 per share with a term of 120 Months.

On March 25, 2021, the Company and GS Capital Partners LLC entered into a securities purchase agreement for a prime rate plus 8% convertible note in the aggregate principal of $2,285,714. The note shall be paid in one or more tranches. The maturity for each tranche shall be twelve-month period from advance date. The holder has the right at any time to convert all or any part of the outstanding principal into shares of common stock of the Company. The conversion price shall be a fixed conversion price of $0.06, which upon a default event, shall be equal to the lesser of (i) the fixed conversion price; (ii) or 70% of the lowest intraday price during the 21 days preceding the conversion request.

On April 1, 2021, the Company received the first tranche of $1,142,857 from GS Capital, LLC. In connection with the note, the Company issued 20,000,000 warrants, exercisable at $0.10, with a 10-year term and contain full-ratchet anti-dilution protection provisions, with a fair value of $507,000. The Company also issued 4,000,000 shares of common stock as commitment shares to the noteholder, with a fair value of $204,000. The warrants and the commitment shares resulted in a debt discount of $1,000,000, which will be amortized using the effective interest method over the life of the convertible note, and the excess of $101,000 recognized as interest expense at issuance. The warrants were evaluated to be classified as a liability, as based on the various convertible notes outstanding with variable conversion rates it cannot be determined if there are sufficient authorized shares available during the contract period.

The Company received the second tranche as follows; May 24, 2021, $796,000, July 15, 2021, $90,000, and July 21, 2021, $208,500.

On April 21, 2022, GS Capital, LLC converted $31,229. of principal and interest at a conversion price of $.01 for 3,122,914 shares of common stock. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $1,858,157 and $2,141,632 respectively is outstanding. On May 17, 2022, the Company and GS Capital Partners, LLC entered into an agreement that the maturity date of all four tranches has been extended by nine months, and changed the fixed conversion price was amended to $0.01 from $0.06.

On February 7, 2023, GS Capital Partners, LLC. converted $53,475, of principal and $13,886 of interest at a conversion price of $.01 for 6,736,045 shs of common stock.

On February 23, 2023, GS Capital Partners, LLC. converted $65,000, of principal and $17,278 of interest at a conversion price of $.01 for 8,277,753, shs of common stock.

On March 7, 2023, GS Capital Partners, LLC. converted $80,000, of principal and $21,633 of interest at a conversion price of $.01 for 10,163,288, shs of common stock.

On March 17, 2023, GS Capital Partners, LLC. converted $85,000, of principal and $23,311 of interest at a conversion price of $.01 for 10,831,096 shs of common stock.

On May 17, 2023, GS Capital Partners, LLC. converted $85,000, of principal and $25,300 of interest at a conversion price of $.01 for 11,029,973 shs of common stock.

On August 18, 2022, the Company and GS Capital Partners LLC entered into a securities purchase agreement for a 10% convertible note in the aggregate principal of $172,000. A lump- sum interest payment for twelve (12) months shall be immediately due on the Issue date and shall be added to the principal balance and payable on the maturity date August 18, 2023. Principal payments shall be made in nine (9) installments each in the amount of $21,022 commencing on the one hundred twentieth(120th) day following the Issue date The holder has the right at any time to convert all or any part of the outstanding principal into shares of common stock of the Company. The conversion price shall be equal to 70% of the lowest intraday price during the 20 days preceding the conversion request. The note was funded on August 18, 2022. As of June 30, 2023, and through the date of this report, the principal balance totaling $172,000 and interest of $15,050 is outstanding.

On June 7, 2021, the Company and Geneva Roth Remark Holdings, Inc., entered into a security purchase agreement (“SPA”) for an 8% promissory note in the aggregate principal of $251,625, with a maturity date of June 7, 2022. The note included an original issuance discount (“OID”) of $22,875, for a purchase price of $228,750. The interest was applied as a one-time interest charge upon the issuance date, in the amount of $20,130, recognized in accrued interest. The monthly payments will include the outstanding principal and accrued interest, in 10 monthly payments of $27,175, with the first payment on July 30, 2021. Upon an event of default, as set forth in the agreement, the holder shall have the right to convert the outstanding balance of the note into shares of common stock of the Company, with a conversion rate based on 75% of the lowest trading price of the common stock for the 5 trading days prior to the conversion date. In addition, upon default, the interest increases to 22%, and any outstanding principal and accrued interest shall be increased by 150%. The Company is required at have authorized and reserved four times the number of shares that is actually issuable upon full conversion of the note, which was initially 29,494,505 shares. While the note is still outstanding the Company shall not, without written consent of the holder, issue any variable convertible instruments with a convertible price that varies with the market price of the Company’s common stock, nor shall the Company without the holder’s written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. In connection with the note, the Company issued 2,096,875 warrants, exercisable each at $03, with a 3-year term. The Note was paid off on March 25, 2022.

On December 10, 2021, the Company and Sixth Street Lending LLC, entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $128,750, due on December 10, 2022. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 65% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. On June 7,2022, the convertible note, accrued interest, and redemption fee, for a total of $167,287 was paid off by the company.

On February 3, 2022, the Company and Sixth Street Lending LLC, entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $103,750.00, due on February 3, 2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 65% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. As of June 30, 2023, and through the date of this report, the principal balance totaling $103,750 and interest of $13,544 is outstanding.

On March 25, 2022, the Company and Sixth Street Lending LLC, entered into a security purchase agreement for a 12% Convertible Note in the aggregate principal of $258,638.00 due on March 25, 2023. A one-time interest charge of 12% $31,036 shall be added to the principal amount due. The note is payable in 10-month installments of $28,967.45 beginning on May 15,2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 75% of the Market Price for the during the ten,10 trading days prior to the conversion date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $256,219 and interest of $40,197 is outstanding.

On June 14, 2022, the Company and 1800 Diagonal Lending LLC, f/k/a Sixth Street Lending LLC entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $128,750, due on June 14, 2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 65% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling$162,685 and interest of $13,374 is outstanding.

On November 7, 2022, the Company and Gary Shover entered into a security purchase agreement for a 12% Convertible Note in the aggregate principal of $75,000 due on May 7, 2023. The note is convertible into shares of common stock of the Company at a fixed conversion price of $0.139 per share. The investor shall also receive warrants to purchase 500,000 common shares at $0.139 per share As of June 30,2023, and December 31, 2022, and through the date of this report, the principal balance totaling $75,000 and interest of $6,000 is outstanding.

On December 14, 2022, the Company and Ronal Minor entered into a security purchase agreement for a 12% Convertible Note in the aggregate principal of $25,000 due on June 14, 2023. The note is convertible into shares of common stock of the Company at a fixed conversion price of $0.139 per share. The investor shall also receive warrants to purchase 500,000 common shares at $0.139 per share As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $25,000 and interest of $1,500 is outstanding.

On February 6, 2023, the Company and Fourth Man, LLC entered into a Securities purchase agreement for 12% Convertible Note in the aggregate principal amount of $165,000 les an original issue discount of $16,500. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 8,250,000 warrants at an exercise price of $0.01 and an exercise period of five years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $165,000 and interest of $ 8,250 is outstanding.

On January 12, 2023, the Company and GS Capital Partners, LLC. entered into a Securities purchase agreement for 8% Convertible Note in the aggregate principal amount of $41,667 less an original issue discount of $4,167. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 5,000,000 warrants at an exercise price of $0.01 and an exercise period of ten years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $41,667 and interest of $ 1,667, is outstanding.

On January 12, 2023, the Company and GS Capital entered into a Securities purchase agreement for 8% Convertible Note in the aggregate principal amount of $41,667 less an original issue discount of $4,167. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 5,000,000 warrants at an exercise price of $0.01 and an exercise period of ten years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $37,000 and interest of $1,667, is outstanding.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Consulting agreements

The Company entered into two consulting agreements (see Note 5) in May 2016, for services to be provided in connection towards the resolution of the Rontan lawsuit (below). The consulting agreements includes a monthly retainer payment of $10,000 to each consultant. The agreement also includes consideration of 5,000,000 shares of restricted common stock of the Company, plus a 5% cash consideration of the Resolution Progress Funding, (defined as upon the retention of legal counsel and receipt of funding for the litigation), as of the Resolution Progress Funding date and 10,000,000 shares of restricted common stock of the Company and a 5% cash consideration of the Resolution Funding amount (defined as a settlement or judgement in favor of the Company by Rotan), at the Resolution Funding date. The Resolution Progress funding was met on December 22, 2017.

Share Purchase and Sale Agreement for Acquisition of Grupo Rontan Electro Metalurgica, S.A.

Effective October 13, 2015, the Company (as "Purchaser") entered into the SPSA dated October 8, 2015 with Joao Alberto Bolzan and Jose Carlos Bolzan, both Brazilian residents (collectively, the "Sellers") and Grupo Rontan Electro Metalurgica, S.A., a limited liability company duly organized and existing under the laws of Federative Republic of Brazil ("Rontan") (collectively, the "Parties"), pursuant to which the Sellers agreed to sell 100% of the issued and outstanding shares of Rontan to the Purchaser on the closing date.

The purchase price shall consist of a cash amount, a stock amount and an earn-out amount as follows: (i) Brazilian Real ("R") $100 million (approximately US$26 million) to be paid by the Purchaser in equal monthly installments over a period of forty eight (48) months following the closing date; (ii) an aggregate of R$100 million (approximately US$26 million) in shares of the Purchaser's common stock, valued at US$1.00 per share; and (iii) an earn-out payable within ten business days following receipt by the Purchaser of Rontan's audited financial statements for the 12-months ended December 31, 2017, 2018 and 2019. The earn-out shall be equal to the product of (i) Rontan's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the last 12 months, and (ii) twenty percent and is contingent upon Rontan's EBITDA results for any earn-out period being at least 125% of Rontan's EBITDA for the 12-months ended December 31, 2015. It is the intention of the parties that the stock amount will be used by Rontan to repay institutional debt outstanding as of the closing date.

Under the terms of a Finders Fees Agreement dated April 14, 2014, we have agreed to pay RLT Consulting Inc., a related party, a fee of 2% (two percent) of the Transaction Value, as defined in the agreement, of Rontan upon closing. The fee is payable one-half in cash and one-half in shares of our common stock.

Specific conditions to closing consist of:

a) Purchaser's receipt of written limited assurance of an unqualified opinion with respect to Rontan's audited financial statements for the years ended December 31 2013, and 2014 (the "Opinion");

b) The commitment of sufficient investment by General American Capital Partners LLC (the "Institutional Investor"), in the Purchaser following receipt of the Opinion;

c) The accuracy of each Parties' representations and warranties contained in the SPSA;

d) The continued operation of Rontan's business in the ordinary course;

e) The maintenance of all of Rontan's bank credit lines in the maximum amount of R$200 million (approximately US$52 million) under the same terms and conditions originally agreed with any such financial institutions, and the maintenance of all other types of funding arrangements. As of the date of the SPSA, Rontan's financial institution debt consists of not more than R$200 million (approximately US$52 million), trade debt of not more than R$50 million (approximately US$13 million) and other fiscal contingencies of not more that R$95 million (approximately US$24.7 million);

f) Rontan shall enter into employment or consulting service agreements with key employees and advisors identified by the Purchaser, including Rontan's Chief Executive Officer; and

g) The Sellers continued guarantee of Rontan's bank debt for a period of 90 days following issuance of the Opinion, among other items.

The Institutional Investor has committed to invest sufficient capital to facilitate the transaction, subject to receipt of the Opinion, as well as the ability to acquire 100% of the outstanding stock of Rontan at a price of $200 million BR, and the Company can acquire 100% of all real estate held by Rontan.

Subject to satisfaction or waiver of the conditions precedent provided for in the SPSA, the closing date of the transaction shall take place within 10 business days from the date of issuance of the Opinion.

Rontan is engaged in the manufacture and distribution of specialty vehicles and acoustic/visual signaling equipment for the industrial and automotive markets.

Subsequent to December 31, 2015, on April 1, 2016, we believed that we had satisfied or otherwise waived the conditions to closing (as disclosed under the SPSA, the closing was subject to specific conditions to closing, which were waivable by us,) and advised the Sellers of our intention to close the SPSA and demanded delivery of the Rontan Securities. The Sellers, however, notified us that they intend to terminate the SPSA. We believe that the Sellers had no right to terminate the SPSA and that notice of termination by the Sellers was not permitted under the terms of the SPSA.

On January 31, 2018, we announced that we initiated a lawsuit for damages against Grupo Rontan Metalurgica, S. A, ("Rontan") and that company's controlling shareholders, Joao Alberto Bolzan and Jose Carlos Bolzan. The action has been filed in the United States District Court for the Southern District of Florida. The complaint alleges that Rontan is wholly-owned by Joao Bolzan and Jose Bolzan. In the complaint, we further allege that Rontan and its shareholders improperly terminated a Share Purchase and Sale Agreement (the "SPA") by which we were to acquire whole ownership of Rontan.

On February 5, 2018, United States District Court Southern District of Florida filed a Pretrial Scheduling Order and Order Referring Case to Mediation dated February 5, 2018 for the Company's lawsuit against Grupo Rontan Electro Metalurgica, S.A., et al. The Case No. is 18-80106-Civ-Middlebrooks/Brannon. The court has issued a schedule outlining various documents and responses that are to be delivered by the parties as part of the discovery plan.

On April 25, 2018, the Note of Filing Proposed Summons was completed by the Company. On April 26, 2018, a summons was issued to Grupo Rontan Electro Metalurgica, S.A. Also, on May 15, 2018, the Company filed a motion for Issuance of Letters Rogatory.

On or about January 31, 2019, Defendants filed a Motion to Dismiss for Failure to State a Claim for failure to fulfill conditions precedent in the consummation of the contract in question. Defendants filed a Motion to Dismiss challenging jurisdiction, venue, and*forum nonconvenes*. On or about May 21, 2019, the Court denied their motions to dismiss for lack of personal jurisdiction, improper venue, and *forum nonconvenes*. The court granted their Motion to Dismiss for Failure to State a Claim for failure to fulfill conditions precedent in the consummation of the contract in question but, granted leave to amend. On or about June 7, 2019, counsel filed an amended complaint. On or about June 21, 2019, defendants answered the amended complaint. The litigation moved from the pleading stage to discovery. The Company and Rontan/Bolzans entered into court order mediation on November 7, 2019. (i) Motion to set aside Default Judgement (ii) Motion for hearing on damages.

NOTE 7 – STOCKHOLDERS' EQUITY

Stock Incentive Plans

2014 Global Digital Solutions Equity Incentive Plan

On May 9, 2014, our shareholders approved the 2014 Global Digital Solutions Equity Incentive Plan ("Plan") and reserved 20,000,000 shares of our common stock for issuance pursuant to awards thereunder, including options, stock appreciation right, restricted stock, restricted stock units, performance awards, dividend equivalents, or other stock-based awards. The Plan is intended as an incentive, to retain in the employ of the Company, our directors, officers, employees, consultants and advisors, and to attract new officers, employees, directors, consultants and advisors whose services are considered valuable, to encourage the sense of proprietorship and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries.

In accordance with the ACS 718, *Compensation – Stock Compensation*, awards granted are valued at fair value at the grant date. The Company recognizes compensation expense on a pro rata straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. The Company recognizes the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. The Company has not capitalized any portion of its stock-based compensation.

Awards Issued Under Stock Incentive Plans

As of June 30, 2023, and December 31, 2022, we have outstanding 13,650,002 stock options - all of which are fully vested stock options that were granted to directors, officers and consultants. The outstanding stock options are exercisable at prices ranging from $0.006 to $0.64 and expire between February 2024 and December 2025, for an average exercise price per share of $0.60 and an average remaining term of 3.3 years as of June 30, 2023.

During the six-month period ended June 30, 2023, and the year ended December 31, 2022, we did not recognize any stock-based compensation cost related to the outstanding stock options. The intrinsic value of options outstanding as of June 30, 2023, and December 31, 2022, was $0. Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the fiscal period in excess of the exercise price of the option multiplied by the number of options outstanding.

NOTE 8 – INCOME TAXES

The Company provides for a valuation allowance when it is more likely than not that they will not realize a portion of the deferred tax assets. The Company has established a valuation allowance against their net deferred tax asset due to the uncertainty that enough taxable income will be generated in those taxing jurisdictions to utilize the assets. Therefore, they have not reflected any benefit of such deferred tax assets in the accompanying financial statements.

The Company has reviewed all income tax positions taken or that)are expected to be taken for all open years and determined that their income tax positions are appropriately stated and supported for all open years. The Company is subject to U.S. federal income tax examinations by tax authorities for years after 2011 due to unexpired net operating loss carryforwards originating in and subsequent to that year. The Company may be subject to income tax examinations for the various taxing authorities which vary by jurisdiction.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the consolidated statements of operations.

The Company files income tax returns in the U.S. federal jurisdiction and the various states in which they operate. The former members of NACSV are required to file separate federal and state tax returns for NACSV for the periods prior to our acquisition of NACSV. The Company files consolidated tax returns for subsequent periods. The Company has not filed their U.S. federal and certain state tax returns since 2014 and currently do not have any examinations ongoing. Tax returns for the years 2012 onwards are subject to federal, state or local examinations.

NOTE 9 – RELATED PARTY TRANSACTIONS

Due to officer

The Due to officer is due on demand, does not bear interest and is unsecured. On June 14, 2022, the CEO William J Delgado Paid a convertible note payment in the amount of $27,175. During the nine--month period ending September 30,2022, he Company paid Mr. Delgado a total of $75,218 for his salary and a partial repayment for the convertible note payment. The balance owing to Mr. Delgado of $11,957 was paid off on July 7, 2022. At June 30, 2023,The amount owed to Mr. Delgado is $3,281.

Due to Related Party

During the six months ended June 30, 2023, the Company advanced Eco-Growth Strategies, Inc. a related entity $42,035, to cover operating expenses and Eco Growth repaid the amount advanced. At June 30, 2023, the Company has a payable of $9,624 to Eco Growth.

Accrued Compensation

As of June 30, 2023, and December 31, 2022, we had a receivable of $4,321 and a payable of $21,630, to William J. Delgado and $138,334 and $120,834 payable to Jerome Gomolski, respectively. Accrued compensation is included in Accrued expenses.

	Total	**William Delgado**	**Jerome Gomolski**
Balance December 31,2022	$ 141,997	$ 21,163	$ 120,834
2-Q 2023 Salary	150,000	120,000	30,000
Payments,	(157,984)	(145,484)	(12,500)
Balance June 30, 2023	$ 134,013	$ (4,321)	$ 138,334

Accounts Payable

	June 30, 2023	December 31, 2022
RLT Consulting	$ 21,591	$ 21,591
Jerry Gomolski	25,000	25,000
Charter 804CS	20,099	20,099
Gary Gray	12,000	12,000
	$ 78,690	$ 78,690

During August 2017, Dragon Acquisitions, an entity owned by William Delgado, a related party, and an individual lender entered into a Promissory Note agreement for $20,000 as well as $2,000 in interest to accrue through maturity on August 31, 2018, for a total of $22,000 due on August 31, 2018. Dragon Acquisition assumed payment of a payable of the Company and the Company took on the note. The Company defaulted on the note at maturity in August 2018. The lender has extended the maturity date to December 31, 2021. The $22,000 note remained outstanding as of June 30, 2023, and December 31, 2022, and through the date of this report.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that reflect management's current views with respect to future events and financial performance. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements include statements regarding the intent, belief or current expectations of us and members of our management team, as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission (the "SEC") on April 19, 2021, any of which may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in our forward-looking statements. These risks and factors include, by way of example and without limitation:

- our ability to successfully commercialize and our products and services on a large enough scale to generate profitable operation;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to successfully integrate acquired businesses or new brands;
- the impact of competitive products and pricing;
- supply constraints or difficulties;
- the retention and availability of key personnel;
- general economic and business conditions;
- substantial doubt about our ability to continue as a going concern;
- our need to raise additional funds in the future;
- our ability to successfully recruit and retain qualified personnel in order to continue our operations;
- intellectual property claims brought by third parties; and
- business interruptions resulting from geo-political actions, including war, and terrorism or disease outbreaks (such as COVID-19).

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events, or changes in the future operating results over time, except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Quarterly Report on Form 10-Q and, unless otherwise indicated, the terms "GDSI," "Company," "we," "us," and "our" refer to Global Digital Solutions, Inc. and our wholly owned subsidiaries GDSI Florida, LLC, HarmAlarm and North American Custom Specialty Vehicles, Inc. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Corporate History

We were incorporated in New Jersey as Creative Beauty Supply, Inc. ("Creative") in August 1995. In March 2004, Creative acquired Global Digital Solutions, Inc., a Delaware corporation. The merger was treated as a recapitalization of Global Digital Solutions, Inc., and Creative changed its name to Global Digital Solutions, Inc. ("GDSI"). We are focused in the area of cyber arms technology and complementary security and technology solutions. On October 22, 2012, we entered into an Agreement of Merger and Plan of Reorganization to acquire 70% of Airtronic USA, Inc. ("Airtronic"), a then debtor in possession under chapter 11 of the Bankruptcy Code once Airtronic successfully reorganized and emerged from bankruptcy (the "Merger"). During the period from October 2012 through November 2013, we were actively involved in the day-to-day management of Airtronic pending the completion of the Merger. The Merger did not occur, and we ceased involvement with Airtronic. In December 2012 we incorporated GDSI Florida LLC ("GDSI FL"), a Florida limited liability company. Except for the payment of administrative expenses on behalf of the Company, GDSI FL has no business operations. In January 2013, we incorporated Global Digital Solutions, LLC, a Florida limited liability company. In November 2013, we incorporated GDSI Acquisition Corporation, a Delaware corporation. On June 16, 2014, we acquired North American Custom Specialty Vehicles, LLC, into GDSI Acquisition Corporation, and changed the latter's name to North American Custom Specialty Vehicles, Inc. ("NACSV"). In July 2014, we announced the formation of GDSI International (f/k/a Global Digital Solutions, LLC) to spearhead our efforts overseas. In March of 2019, we acquired HarmAlarm ("HA"). HA was formed in 2002 as a private Texas company to pursue Infrared commercial applications in the aviation services area. HA has developed a system known as Pilot Assisted Landing Systems (PALS). We believe the precision and robustness of PALS has generated a host of new applications mainly through "landing trajectory" optimization which provides additional safety margin against weather related hazardous conditions, like wind shear, wake turbulence, icing, as well as low ceilings and fog.

Business Overview

We are engaged in the development of proprietary aviation technology. We are also looking to develop an automotive technology company currently in Brazil. We have been in litigation concerning Rontan Metallurgica in Sao Paulo, Brazil and have been awarded a default judgment regarding the acquisition of the company. We are currently awaiting final damages in the case.

Results of Operations

Comparison of the Six Months Ended June 30,2023 to the Six Months Ended June 30, 2022

Revenues

There was no revenue for the six months ending June 30, 2023, or June 30, 2022

Our operating expenses for the six months ended June 30, 2023, are summarized as follows in comparison to the six months ended June 30, 2022

	For The Six Months Ended June 30	
	2023	**2022**
Salaries and related expenses	$ 150,000	$ 150,000
Rent	2,310	2,340
Professional fees	238,620	39,499
Consulting services	20,500	237,160
Other general and administrative	30,047	66,550
Total Operating Expenses	$ 441,417	$ 495,499

Operating expenses for the six months ended June 30, 2023, decreased by $54,022 or 11 % as compared with the same period in 2022. The overall change in operating expenses is mainly due to the decrease in consulting services.

Liquidity, Financial Condition and Capital Resources

As of June 30, 2023, we had cash on hand of approximately $2,805 and a working capital deficiency of approximately $13,543,000, compared to cash on hand of approximately $1,043 and a working capital deficiency of approximately $16,075,000 as of December 31, 2022. The decrease in working capital deficiency for the six months ended June 30, 2023, was the result of decrease in Convertible Notes Payable of approximately $622,000, decrease in Derivative liability of $1,346,000, and decrease in, warrant liability of $747,000.

Working Capital Deficiency

Our working capital deficiency as of June 30, 2023, in comparison to our working capital deficiency as of December 31, 2022, can be summarized as follows:

	June 30, 2023	December 31, 2022
Current assets	$ 2,805	$ 1,043
Current liabilities	13,543,884	16,076,425
Working capital deficiency	$ (13,543.078)	$ (16,075,382)

Cash Flows

During the six months ended June 30, 2023, and 2022, our sources and uses of cash were as follows:

	Six Months Ended June 30,	
	2023	2022
Net cash (used in) operating activities	$ (232,628)	$ (393,857)
Net cash provided by investing activities	219,928	131,734
Net cash provided by financing activities	14,462	247,466
Increase (decrease) in cash	$ 1,762	$ (14,656)

Operating Activities

Net cash used in operating activities was approximately $233,000 for the six months ended June 30, 2023, primarily due to amortization of debt discount of approximately $216,000.

Investing Activities

During the six months ended June 30, 2023, and 2022 net cash provided by investing activities was $219,928. and $131,734.

Financing Activities

Net cash provided by by financing activities for the six months ended June 30, 2023, was $14,462 and $247,466 was provided in 2022.

Recent Financing Arrangements and Developments During the Period

On February 3, 2022, the Company and Sixth Street Lending LLC, entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $103,750, due on February 3, 2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 65% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. As of June 30, 2023, and through the date of this report, the principal balance totaling $103,750.00 is outstanding.

On March 25, 2022, the Company and Sixth Street Lending LLC, entered into a security purchase agreement for a 12% Convertible Note in the aggregate principal of $258,638.00 due on March 25, 2023. The note is payable in 10-month installments of $28,967.45 beginning on May 15, 2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 75% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. As of June 30, 2023, and through the date of this report, the principal balance totaling $206,917 is outstanding.

On June 14, 2022, the Company and 1800 Diagonal Lending LLC, entered into a security purchase agreement for a 8% Convertible Note in the aggregate principal of $128,750, due on June 14, 2023. The note is convertible into shares of common stock of the Company. The conversion price is equal to the Variable Conversion price which is defined as 65% of the Market Price for the lowest two trading dates during a fifteen-day trading period ending on the latest complete trading date prior to the Conversion date. As of June 30, 2023, and through the date of this report, the principal balance totaling $128,750 is outstanding.

On February 6, 2023, the Company and Fourth Man, LLC entered into a Securities purchase agreement for 12% Convertible Note in the aggregate principal amount of $165,000 les an original issue discount of $16,500. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 8,250,000 warrants at an exercise price of $0.01 and an exercise period of five years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $165,000 and interest of $ 8,250 is outstanding.

On January 12, 2023, the Company and GS Capital Partners, LLC entered into a Securities purchase agreement for 8% Convertible Note in the aggregate principal amount of $41,667 less an original issue discount of $4,167. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 5,000,000 warrants at an exercise price of $0.01 and an exercise period of ten years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $41,667 and interest of $ 1,667, is outstanding.

On January 12, 2023, the Company and Leonite Capital, LLC. entered into a Securities purchase agreement for 8% Convertible Note in the aggregate principal amount of $41,667 less an original issue discount of $4,167. The note will mature in 12 months from the issue date. The note is convertible into shares of common stock of the Company at a price of $0.01. The Company shall issue 5,000,000 warrants at an exercise price of $0.01 and an exercise period of ten years from the issue date. As of June 30, 2023, and December 31, 2022, and through the date of this report, the principal balance totaling $4,137,000 and interest of $1,667, is outstanding.

On August 18, 2022, the Company and GS Capital Partners LLC entered into a securities purchase agreement for a 10% convertible note in the aggregate principal of $172,000. A lump- sum interest payment for twelve (12) months shall be immediately due on the Issue date and shall be added to the principal balance and payable on the maturity date August 18,2023. Principal payments shall be made in nine (9) installments each in the amount of $21,022.22 commencing on the one hundred twentieth(120th) day following the Issue date The holder has the right at any time to convert all or any part of the outstanding principal into shares of common stock of the Company. The conversion price shall be equal to 70% of the lowest intraday price during the 20 days preceding the conversion request. As of June 30, 2023, and through the date of this report, the principal balance totaling $172,000, is outstanding.

Going Concern

The accompanying financial statements have been prepared in conformity with GAAP, assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has sustained losses and experienced negative cash flows from operations since inception, and for the six months ended

June 30, 2023, it had a net loss of approximately $385,000 which was mostly the result of the Change in Fair Value of Derivative liability of $1,023,000 the change in fair value of warrant liability $747,000 offset by loss on conversion of notes payable of approximately $894,000, amortization of original issue discount of approximately 427,000 and interest expense of approximately 374,000. The Company used net cash of $232,628 to fund operating activities at June 30, 2023, and had an accumulated deficit of approximately $55.496,000 and a working capital deficit of approximately $13,543,000. These factors raise substantial doubt about the Company's ability to continue as a going concern, within one year from the issuance date of the financial statements. The Company has funded their activities to date almost exclusively from equity and debt financings.

Future Financing

We will require additional funds to implement our growth strategy for our business. In addition, while we have received capital from various private placements that have enabled us to fund our operations, these funds have been largely used to develop our processes, although additional funds are needed for other corporate operational and working capital purposes. However, not including funds needed for capital expenditures or to pay down existing debt and trade payables, we anticipate that we will need to raise an additional $2,000,000. to cover all of our operational expenses over the next 12 months, not including any capital expenditures needed as part of any commercial scale-up of our equipment. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There can be no assurance that additional financing will be available to us when needed or, if available, that such financing can be obtained on commercially reasonable terms. If we are not able to obtain the additional necessary financing on a timely basis, or if we are unable to generate significant revenues from operations, we will not be able to meet our other obligations as they become due, and we will be forced to scale down or perhaps even cease our operations.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

Significant Accounting Policies and Estimates

Our significant accounting policies are more fully described in the notes to our unaudited condensed consolidated financial statements included herein for the quarter ended June 30, and in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on June 9, 2023.

Fair Value Measurement

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in the valuation of an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at dates of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the periods. Our significant estimates and assumptions include the recoverability and useful lives of long-lived assets, the fair value of our common stock, stock-based compensation, warrants issued in connection with notes payable, derivative liabilities and the valuation allowance related to our deferred tax assets. Certain of our estimates, including the carrying amount of the intangible assets, could be affected by external conditions, including those unique to us and general economic conditions. It is reasonably possible that these external factors could have an effect on our estimates and could cause actual results to differ from those estimates.

Derivative Financial Instruments

We account for conversion options embedded in convertible notes payable in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC') 815, *"Derivatives and Hedging"*. Subtopic ASC 815-15, *Embedded Derivatives* generally requires companies to bifurcate conversion options embedded in the convertible notes from their host instruments and to account for them as free-standing derivative financial instruments. Derivative liabilities are recognized in the consolidated balance sheet at fair value as *Derivative Liabilities* and based on the criteria specified in FASB ASC 815-40, *Derivatives and Hedging – Contracts in Entity's own Equity*. The estimated fair value of the derivative liabilities is calculated using various assumptions and such estimates are revalued at each balance sheet date, with changes recorded to other income or expense as *Change in fair value of derivative liability* in the condensed consolidated statement of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or equity, is evaluated at the instrument origination date and reviewed at the end of each event date (i.e., conversions, payments, etc.) and the measurement period end date for financial reporting, as applicable.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with accounting standards for "Accounting for Derivative Instruments and Hedging Activities."

Accounting standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. accounting standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of Conventional Convertible Debt Instrument."

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Original issue discounts ("OID") under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Income Taxes

Income taxes are accounted for based upon an asset and liability approach. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

Accounting guidance requires the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company believes its income tax filing positions and deductions will be sustained upon examination and accordingly, no reserves, or related accruals for interest and penalties have been recorded at June 30, 2023, and December 31, 2022. The Company recognizes interest and penalties on unrecognized tax benefits as well as interest received from favorable tax settlements within income tax expense.

Stock-based Compensation

In accordance with ASC 718, "Compensation – Stock Compensation" the Company measures the cost of employee services received in exchange for share-based compensation measured at the grant date fair value of the award.

The Company's accounting policy for equity instruments issued to advisors, consultants, and vendors in exchange for goods and services follows the provisions of FASB ASC 505-50. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the advisor, consultant or vendor is reached or (ii) the date at which the advisor, consultant or vendor's performance is complete. In the case of equity instruments issued to advisors and consultants, the fair value of the equity instrument is recognized over the term of the advisor or consulting agreement. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable.

New and Recently Adopted Accounting Pronouncements

Any new and recently adopted accounting pronouncements are more fully described in Note 2 to our unaudited condensed consolidated financial statements herein for the quarter ended June 30, 2023.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable. As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Under the supervision and with the participation of our management, including our principal executive officer, who is also our principal financial officer, we are required to perform an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, as of June 30, 2023. Management has not completed such evaluation and, as such, has concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer, who is also our principal financial officer, as appropriate to allow timely decisions regarding required disclosures. As a result of the material weakness in internal controls over financial reporting described below, we concluded that our disclosure controls and procedures as of June 30, 2023, were not effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management and the Company's consolidated subsidiaries are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its principal executive and principal financial officer and effected by the Company's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its unaudited condensed consolidated financial statements for external reporting purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses in Internal Control over Financial Reporting

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2023 based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2022, was not effective.

A material weakness, as defined in the standards established by the Sarbanes-Oxley, is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim unaudited condensed consolidated financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of the Company's internal control over financial reporting was due to the following material weaknesses:

- Inadequate segregation of duties due to limited personnel consistent with control objectives;
- Absence of functioning audit committee;
- Adherence to formal policies and procedures post-bankruptcy; and
- Lack of risk assessment procedures on internal controls to detect financial reporting risks on a timely manner.

Changes in Internal Control Over Financial Reporting

Other than described above there have been no changes in our internal control over financial reporting that occurred during the first quarter of 2023, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently 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 companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A. RISK FACTORS

An investment in the Company's common stock involves a number of very significant risks. You should carefully consider the risk factors included in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on April 23, 2023, in addition to other information contained in our reports and in this quarterly report in evaluating the Company and its business before purchasing shares of our common stock. Except as set forth below, there have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2022. The Company's business, operating results and financial condition could be adversely affected due to any of those risks.

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

The following disclosures set forth certain information with respect to all securities sold by the Company during the six months ended June 30, 2023, without registration under the Securities Act:

Convertible Notes Payable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
31.1*	Certification of Principal Executive Officer			
31.2*	Ceritfication of Principal Financial Officer			
32.1**	Section 1350 Certification of Principal Executive Officer			
32.2**	Section 1350 Certification of Principal Financial Officer			
101.INS	XBRL Instance Document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

* *Filed herewith.*

** *In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL DIGITAL SOLUTIONS, INC.

By: *_/s/ William J. Delgado_*
William J. Delgado
Chief Executive Officer
Date: September 14, 2023

By: *_/s/ Jerome J. Gomolski_*
Jerome J. Gomolski
Chief Financial Officer
Date: September 14, 2023

Exhibit 31.1

GLOBAL DIGITAL SOLUTIONS, INC.
CEO CERTIFICATE
PURSUANT TO SECTION 302

I, William J. Delgado, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 14, 2023

By: */s/ William J. Delgado*
Name: William J. Delgado
Title: Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

GLOBAL DIGITAL SOLUTIONS, INC.
CFO CERTIFICATE
PURSUANT TO SECTION 302

I, Jerome J. Gomolski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 14, 2023

By: */s/ Jerome J. Gomolski*
Name: Jerome J. Gomolski
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: September 14, 2023

By: */s/ William J. Delgado*
Name: William J. Delgado
Title: Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date:	September 14, 2023
By:	*/s/ Jerome J. Gomolski*
Name:	Jerome J. Gomolski
Title:	Chief Financial Officer (Principal Financial and Accounting Officer)