SMARTCARD MARKETING SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
September 30, 2023

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Consolidated Financial Statements:

SmartCard Marketing Systems Inc.
Balance Sheets
As of September 30, 2023, and December 31, 2022

	September30, 2023 (unaudited)	December 31, 2022 Audited
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19	$ 189
Accounts receivable, net	375,045	375,045
Total current assets	375,064	375,235
Investments	1,800,000	1,800,000
Intangible assets, net	143,628	280,588
Total assets	$ 2,318,692	$ 2,455,825
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,902,745	$ 2,440,762
Convertible promissory note payable	139,196	458,381
Total current liabilities	3,041,941	2,899,143
Deferred revenue	1,195,000	1,375,000
Total liabilities	4,236,941	4,274,143
Stockholders' deficit:		
Common stock, $0.001 par value, 500,000,000 shares authorized, 491,892,061 and 472,369,839 shares issued and outstanding as of September 30, 2023 and December 31, 2022	491,892	491,892
Additional paid-in capital	6,956,619	6,547,719
Accumulated deficit	(9,366,760)	(8,857,930)
Total stockholders' deficit	(1,918,249)	(1,818,321)
Total liabilities and stockholders' deficit	$ 2,318,692	$ 2,455,825

See accompanying notes, they are integral to these consolidated financial statements.

SmartCard Marketing Systems Inc.
Statements of Operations
For the Three and Nine Months Ended September 30, 2023 and 2022

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
Revenues	$ 134,202	$ 177,071	$ 215,343	$ 440,487
Cost of net revenue	$ 8,615	$ -	34,082	4,999
Gross profit	125,587	177,071	181,261	435,488
Operating expenses:				
General and administrative	340,760	208,006	686,021	791,454
Sales and marketing	$ -	$	2,000	1,757
Total operating expenses	340,760	208,006	688,021	793,211
Loss from operations	(215,173)	(30,935)	(506,760)	(357,723)
Provision for income taxes	-	-	-	-
Net loss	$ (215,173)	$ (30,935)	$ (506,760)	$ (357,723)
Weighted average common shares outstanding - basic and diluted	507,992,061	491,892,061	499,942,061	482,130,950
Net loss per common share - basic and diluted	$ (0.0004)	$ (0.0001)	$ (0.0010)	$ (0.0007)

See accompanying notes, they are integral to these consolidated financial statements

SmartCard Marketing Systems Inc.
Statements of Changes in Stockholders' Deficit
For the Year Ended September 30, 2023

	Common Stock		Additional Paid-in	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2021	472,369,839	$ 472,370	$ 5,688,741	$(8,417,539)	(2,256,429)
Issuance of common shares for services	1,744,444	1,744	76,756	-	78,500
Issuance of common shares for software acquired	17,777,778	17,778	782,222	-	800,000
Net loss	-	-	-	(206,629)	(206,629)
Balances at March 31, 2022	491,892,061	491,892	6,547,719	(8,624,168)	(1,584,558)
Net loss	-	-	-	(120,159)	(120,159)
Balances at June 30, 2022	491,892,061	491,892	6,547,719	(8,744,327)	(1,704,716)
Net loss	-	-	-	(25,936)	(25,936)
Balances at September 30, 2022	491,892,061	$ 491,892	$ 6,547,719	$(8,770,263)	$ (1,730,652)
Balances at December 31, 2022	491,892,061	$ 491,892	$ 6,547,719	$(8,857,930)	$ (1,818,319)
Issuance of common shares for services	1,000,000	1,000	34,000	-	35,000
Conversion of notes and accounts payable into shares	15,100,000	15,100	374,900	-	390,000
Net loss	-	-	-	(148,145)	(148,145)
Balances at March 31, 2023 (unaudited)	507,992,061	491,892	6,956,619	(9,006,075)	(1,557,564)
Net loss	-	-	-	(143,442)	(143,442)
Balances at June 30, 2023 (unaudited)	507,992,061	491,892	6,956,619	(9,149,517)	(1,701,007)
Net loss	-	-	-	(217,243)	(217,243)
Balances at September 30, 2023 (unaudited)	507,992,061	$ 491,892	$ 6,956,619	$(9,366,760)	$ (1,918,249)

See accompanying notes, they are integral to these consolidated financial statements.

SmartCard Marketing Systems Inc.
Statements of Cash Flows
For the Nine Months Ended September 30, 2023 and 2022

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (506,760)	$ (357,723)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	138,259	138,259
Shares issued for services	35,000	78,500
Changes in operating assets and liabilities:		
Accounts receivable		(192,800)
Accounts payable and accrued liabilities	459,915	370,921
Deferred revenue	(180,000)	(190,000)
Net cash used in operating activities	(53,586)	(152,844)
Cash flows from investing activities:		
Software development costs	(1,299)	(45,855)
Net cash provided by investing activities	(1,299)	(45,855)
Cash flows from financing activities:		
Proceeds from convertible notes payable	373,900	220,000
Repayments of convertible loans	(319,185)	(21,278)
Net cash provided by financing activities	54,715	198,722
Net change in cash and cash equivalents	(171)	23
Cash and cash equivalents at beginning of year	189	48
Cash and cash equivalents at end of year	$ 19	$ 71
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common shares for software acquired	$ -	$ -
Loans payable converted into shares	$ 390,000	$ 250,000
Accounts payables converted into shares	$ -	$ 550,000
Investments	$ -	$ 600,000

See accompanying notes, they are integral to these consolidated financial statements.

1. NATURE OF OPERATIONS

Smart Card Marketing Systems, Inc. (the "Company") consist of Smart Card Marketing Systems, Inc. (OTC:SMKG) and its wholly owned subsidiary VelocityMWallet Technology LLC.

Smart Card Marketing Systems, Inc. is a Paytech and Fintech solutions and advisory corporation formed under the laws of Delaware as a solutions provider to the payments industry, delivering cloud-based applications to banks, telecoms and enterprises. The Company's in-house lab offers customers proprietary software solutions via its Platforms as a Service "PAAS" licensing model with embedded payments, including:

Key Multi-tenant solutions

- Genorocity, a marketplace tech for content publishing, with integrated wallet and mpos + softpos for merchants with couponing, and rewards platform for the retail and events industry.
- Check21SAAS, a Remote Deposit Check solution for X9 clearing.
- Axepay platform for Digital Payments, Cross-border and Banking 4.0
- Granularchain, a digital ID and Closed Chain solution for the Blockchain
- OriginatorX, a SmartContract and Tokenization platform for the Real World Assets "RWA" and Utilities Tokens for the Digital Assets Markets

VelocityMWallet Technology LLC is a Delaware limited liability company which also provides proprietary software solutions, such as Velocity MWallet, a transaction payment ecosystem for alternative payment solutions and processing as a Payments Facilitator.

2. GOING CONCERN

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated profits since inception, has sustained net losses of $506,760 and $357,723 for the nine months ended September 30, 2023 and 2022. As of September 30, 2023, the Company had an accumulated deficit of $9,366,760. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and/or to obtain additional working capital from related and third-parties. Through the date the consolidated financial statements were available to be issued, the Company has been financed by its primary shareholder and third-party investors. No assurances can be given that the Company will be successful in these efforts. 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 as a result of this uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP"). The Company's fiscal year is December 31.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, VelocityMWallet Technology LLC. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At December 31, 2022 and 2021, all of the Company's cash and cash equivalents were held at two accredited financial institutions.

Cash and Cash Equivalents

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

Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

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

- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2023 and December 31, 2022. The carrying values of the Company’s assets and liabilities approximate their fair values.

Accounts Receivable

Accounts receivable are derived from products and services delivered to customers and are stated at their net realizable value. Each month, the Company reviews its receivables on a customer-by-customer basis and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Intangible Assets

Intangible assets consist of capitalized software development costs. The Company accounts for costs incurred to develop software for internal use in accordance with Financial Accounting Standards Board (“FASB”) *ASC 350-40 “Internal-Use Software”*. As required by ASC 350-40, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing.

Costs incurred during the preliminary project stage along with post-implementation stages of internal use software

are expensed as incurred. Capitalized development costs are amortized over a period of three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

Software development costs are amortized over a useful life of 5 years.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its property, equipment, and other long-lived assets in accordance with FASB ASC 360 *"Property, Plant and Equipment",* which requires recognition of impairment of long-lived assets in the event the net book value of such assets exceed the estimated future undiscounted cash flows attributable to such assets or the business to which such intangible assets relate. If the sum of the expected cash flows, undiscounted, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. As of September 30, 2023 and December 31, 2022, no impairment was recorded.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

Consulting, licensing and processing fee revenues are recognized when the services are provided under the terms of client agreements as the performance obligations are satisfied. Payments received in advance of providing services are recorded as deferred revenue and amortized to revenue as services are performed.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred.

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The 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. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the consolidated financial statements.

Net Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As of March 31, 2022, there were an estimated 15,666,667 potentially dilutive securities outstanding due to the Company's convertible notes (see Note 5).

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

4. INVESTMENTS

In 2019, the Company entered into an agreement to license its technology to XPay World in exchange for 7% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $1,200,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years.

In 2020, the Company entered into an agreement to license its technology to OriginatorX in exchange for 50% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $500,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years. As of December 31, 2021, the fair value of the investment was concluded to be indeterminable, and the Company recorded an impairment of $500,000 pertaining to the investment. As of September 30, 2022 and December 31, 2021, the carrying value of the investment was $0.

In 2022, the Company entered into an agreement to license its technology to Acers Group LLC in exchange for 15% of its equity. The Company valued the transaction, approximating the fair value of the investment, at $600,000. The Company recorded the corresponding deferred revenue accordingly. The Company recognizes the revenue over the estimated useful life of the technology of 5 years. This agreement has been terminated and being reversed.

5. CONVERTIBLE NOTES

In 2023, the Company converted $390,000 in notes payable into 15,100,000 shares of common stock.

In the nine months ended September 30, 2023, the Company received proceeds of $373,900

All outstanding convertible notes have short-term maturities or are in default as of September 30, 2023, and therefore are recorded as current liabilities in the consolidated balance sheets.

6. STOCKHOLDERS' EQUITY

In 2023, the Company converted $390,000 in notes payable into 15,100,000 shares of common stock.

In 2023, the Company issued 1,000,000 shares for services totaling $35,000.

In 2022, the Company issued 1,744,444 shares of common stock for services performed at a fair value of $78,500.

In 2022, the Company converted $800,000 in notes and accounts payable into 17,777,778 shares of common stock.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 17, 2023, the date the consolidated financial statements were available to be issued. Based on this evaluation, no material events were identified which require adjustment or disclosure in these consolidated financial statements, other than those disclosed above.