

TMM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

TMM, INC
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in Bank	24,112	
Prepaid Expenses	<u>22,768</u>	
<u>TOTAL CURRENT ASSETS</u>		46,880
<u>Product Design & Development Costs (Note 3)</u>		
VDK Codec Costs Capitalized	2,005,215	
Code Review and Enhancements	<u>3,308,719</u>	
Total Product Design, Development And Fixed Asset Costs	5,313,934	
Less: Amortization to Date (Note 1)	<u>(3,411,413)</u>	
<u>NET PRODUCT DESIGN & DEVELOPMENT COSTS</u>		1,902,521
<u>OTHER ASSETS (Note 3)</u>		
Legal & Related Costs	674,580	
Less: Amortization to Date (Note 1)	<u>(253,903)</u>	
<u>NET OTHER ASSETS</u>		<u>420,677</u>
<u>TOTAL ASSETS</u>		<u>2,370,078</u>
<u>LIABILITIES AND SHAREHOLDER EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accrued Expenses (Notes 4 & 13)	<u>592,746</u>	
<u>TOTAL CURRENT LIABILITIES</u>		592,746
<u>LONG TERM LIABILITIES</u>		
Loans Payable (Note 13)	<u>1,193,000</u>	
<u>TOTAL LONG TERM LIABILITIES</u>		1,193,000
<u>SHAREHOLDER EQUITY (Notes 6 , 7, 8, 9, 12, & 14)</u>		
Capital Stock:		
Preferred stock, 50,000,000 shares authorized, 1,810,000 issued and outstanding.		
Common stock, \$0.001 par value 750,000,000 shares authorized 331,846,450 issued and outstanding		
	733,063	
Additional Paid in Capital	29,645,901	
Retained Earnings	<u>(29,794,632)</u>	
<u>TOTAL SHAREHOLDER EQUITY</u>		<u>584,332</u>
<u>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</u>		<u>2,370,078</u>

See accompanying notes to financial statements

TMM, INC
CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

INCOME

Interest Income

1

EXPENSES

Bank Charges	2,373
Computer Programming & Expenses	203,035
Consultants	68,423
Depreciation of Development	
Costs (Note 1)	496,305
Amortization of Capitalized	
Legal Fees (Note 1)	80,949
Director Fees	19,000
Legal & Professional (Notes 3, 4 & 11)	43,960
Interest Expense (Notes 4 & 13)	47,425
Office Supplies & Expenses	22,196
Administration Fees (Note 10)	90,492
Taxes	825
Travel	<u>11,685</u>

<u>TOTAL EXPENSES</u>	<u>1,086,668</u>
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<u>NET LOSS</u>	(1,086,667)
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<u>Retained Earnings - Beginning</u>	<u>(28,707,965)</u>
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<u>RETAINED EARNINGS - ENDING</u>	<u>(29,794,632)</u>
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See accompanying notes to financial statements

TMM, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss) (1,086,667)

Adjustments to Reconcile Net Income (Loss) to
Net Cash Provided or Used by Operating
Activities:

Depreciation & Amortization 577,254
Increase in Prepaid Expenses (22,768)
Increase in Accrued Expenses 47,422

TOTAL ADJUSTMENTS 601,908

NET CASH USED BY OPERATIONS (484,759)

CASH FLOWS FROM INVESTING ACTIVITIES

- 0 -

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds of Loans Payable 456,500

TOTAL CASH FLOWS FROM FINANCING ACTIVITIES 456,500

NET CHANGE IN CASH (28,259)

CASH AT BEGINNING OF PERIOD 52,371

CASH AT END OF PERIOD 24,112

Supplemental Information: Cash Paid for Interest - 0 -

See accompanying notes to financial statements

TMM, INC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	<u>CAPITAL STOCK (\$)</u>	<u>PREFERRED SHARES (#)</u>	<u>COMMON SHARES (#)</u>	<u>ADDITIONAL PAID IN CAPITAL</u>	<u>PRIVATE PLACEMENT PROCEEDS</u>	<u>ACCUMULATED DEFICIT</u>	<u>TOTAL</u>
<u>BALANCE AT</u> <u>DECEMBER 31, 2016</u>	733,063	1,810,000	331,846,450	29,645,901	- 0 -	(28,707,965)	1,670,999
2017 Activity:							
<u>2017 Net Loss</u>						(1,086,667)	(1,086,667)
<u>BALANCE</u> <u>SEPT 30, 2017</u>	<u>733,063</u>	<u>1,810,000</u>	<u>331,846,450</u>	<u>29,645,901</u>	<u>- 0 -</u>	<u>(29,794,632)</u>	<u>584,332</u>

See accompanying notes to financial statements

TMM, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of TMM, Inc (the Company) and Digital Focus Inc, its wholly owned subsidiary, is presented to assist in understanding the Company's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BUSINESS ACTIVITY

TMM, Inc is in the business of developing and distributing TRUDEF™ digital video compression technology and video scaling technologies. The original codec was developed in the early 1990's in collaboration with Iterated Systems, Inc. The Company has contracted programmers to modernize, develop and test various proprietary commercial software products.

METHOD OF ACCOUNTING

The Company keeps its books on the accrual basis.

USE OF ESTIMATES AND ASSUMPTIONS

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

INCORPORATION

The Company was incorporated on October 8, 1986, in the State of Nevada.

INCOME TAXES

Income Taxes are provided currently for all items included in the Statement of Income regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenues and expenses in different periods for tax and financial statement purposes.

CONSOLIDATION

These financial statements present the consolidated information of TMM, Inc. and Digital Focus, Inc., its wholly owned subsidiary. See Note 9.

TMM, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

DEPRECIATION & AMORTIZATION

Code Development and certain legal costs previously capitalized are being amortized using the straight line method over the estimated useful lives of the assets. Depreciation and Amortization has commenced since certain of the Company's products are currently available for general release to customers.

2. BASIS OF PRESENTATION

These Financial Statements have been compiled using historical data from reports prepared by the previous management of the Company along with the recent activity of the Company and the Shareholder Group who initiated the change in the Company's management. These financial statements are preliminary and are based on the best information available at this time. As the discovery and review of certain historical documents continues (the current management was voted into office on October 17, 2011) any revisions will be updated in the next fiscal quarter (See Note 5). These statements have not been audited or reviewed and accordingly, no opinion or any other form of assurance is expressed on them.

3. COMPOSITION OF CERTAIN ASSET ACCOUNTS

VDK Codec Costs Capitalized: Represents historical costs previously capitalized and fully amortized for the development of the VDK Codec code.

Code Review and Enhancements: Represent funds spent currently to review, update and enhance the Company's software. These costs have been capitalized as computer software to be sold, leased or otherwise marketed as a separate product or process. The Company's intention is to market the software. Since it is currently being demonstrated to prospective customers the Company believes it meets the feasibility test required for capitalization. Also, the Company has adequate technical, financial and any other required resources to complete the development and sell or lease the resulting product or process. Also included in this account are funds spent for computer equipment and the secured facilities and improvements being used in the development of the code. (See Note 1)

TMM, INC
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Legal and Related Costs: Represents fees and costs paid for the shareholder action together with professional and consulting fees incurred with respect to certain recoveries, and the discovery, updating and evaluation of certain corporate governance documents and proprietary information. Also included are legal fees paid and costs incurred for the filing of numerous patents for updated Code Enhancements, Product Development and technological advances made to the company's software.(See Notes 5 & 11).

The above costs are deemed to have certain ongoing value and as such have been presented as assets of the Company. Amortization of these assets has commenced as detailed in Note 1.

4. ACCRUED EXPENSES

In May 2016, several law firms representing the Company presented invoices for accumulated legal services related to the litigation referenced in Notes 5 & 11 and also for legal services in connection with securing patents for the Company's updated and revised technology. Although some of these services may have been provided in prior periods and are being reviewed for validity, the company is accruing all of the liabilities at this time.

5. LITIGATION

On March 21, 2013, the Company and its subsidiary, Digital Focus, Inc. (DFI), filed a lawsuit in the Clark County, Nevada District Court to protect and resolve their respective rights as to certain intellectual property and technology, which lawsuit and corresponding counterclaims could have a material effect on these financial statements and the financial position of the Company. In recent months, the Company has completed development of new digital compression and scaling technologies that are unrelated to the Company's original technology that is the subject of the lawsuit. The Company's new technologies include new proprietary algorithms that are described at least in part in provisional patent applications filed by the Company in 2015. As a result of such new product developments, the Company no longer sees the need to continue to spend valuable resources litigating over technology that is not in development by the Company. Accordingly, upon motion made by the Company and granted by the Court, the Company's claims against Defendants were

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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voluntarily dismissed on February 19, 2016. Motions to dismiss and for summary judgment as to Defendants' counterclaims against the Company, DFI and certain individual Counter defendants were filed. On November 23, 2016, a Nevada State court rendered a ruling providing licensing rights to Dimension, Inc., a Nevada corporation, for a certain version of the 1993 fractal code named PVS/SGI. The Company is appealing the decision. On February 7, 2017, the Company received the ruling by Nevada State Court denying \$867,000 in legal fees sought by defendants Dimension, Inc. et al. The trial judge further ruled that TMMI's claims against Dimension were non-frivolous and survive summary judgement motions. The court also reduced defendants' claims for court costs, granting them \$55,000 in costs, which TMMI is considering for appeal.

6. PRIVATE SUBSCRIPTION OFFERINGS

The Company initiated several private placement stock subscriptions in 2015. The Offerings consist of one common share and one share purchase warrant. The prices of these units are \$0.05 and \$0.08. The exercise price of the warrants are \$0.05, \$0.075, \$0.08 and \$0.12. The right to exercise these warrants expire on August 8, 2017 and December 31, 2019.

The Company is using the Subscription funds to cover its expenses associated with gathering and organizing the Company's corporate governance documents and intellectual property records. In addition, such subscription proceeds will enable the Company to continue developing its TRUDEF TM, TRUPIX TM and other related technologies.

7. ADDITIONAL STOCK ISSUANCE AND CANCELLATION

In April 2016, the Company issued 17,338,750 shares of common stock to individuals and companies who had contributed funds and services prior to the October 17, 2011 change in management and who had never received their shares.

Also at the balance sheet date there were 20,000,000 shares of common stock recovered by the Company as a result of the settlements of litigation initiated by the Company against former management members and a vendor for its non-performance under a contract. 16,250,000 shares have been returned and cancelled and

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and additional 3,750,000 shares are still in the process of being returned to the Company to be cancelled. As part of these settlements, the Company issued an additional 1,500,000 of common stock in 2013.

8. OPTIONS AND WARRANTS OUTSTANDING

The Company has the following Warrants and Options for Common Stock Outstanding:

Warrants for the issuance of Common Stock at \$0.05 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	27,525,000 shares
Warrants for the issuance of Common Stock at \$0.15 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	12,065,000 shares
Warrants for the issuance of Common Stock at \$0.15 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	18,300,000 shares
Warrants for the issuance of Common Stock at \$0.15 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	14,100,000 shares
Warrants for the issuance of Common Stock at \$0.15 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	12,340,000 shares
Warrants for the issuance of Common Stock at \$0.15 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	5,900,000 shares

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Warrants for the issuance of Common Stock at \$0.08 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	11,200,000 shares
Warrants for the issuance of Common Stock at \$0.12 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	2,937,500 shares
Warrants for the issuance of Common Stock at \$0.075 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	8,200,000 shares
Warrants for the issuance of Common Stock at \$0.05 per share (from the Private Subscription Offering). These warrants expire on December 31, 2019.	8,100,000 shares
Options for the issuance of Common Stock at \$0.02 per share on October 18, 2011. The right to exercise date has been extended to December 31, 2019.	21,300,000 shares
Options for the issuance of Common Stock at \$0.04 and \$0.10 per share in 2012. The right to exercise date has been extended to December 31, 2019.	29,400,000 shares
Options for the issuance of Common Stock at \$0.10 per share in 2013. The right to exercise date has been extended to December 31, 2019.	9,750,000 shares
Options for the issuance of Common Stock at \$0.10, \$0.14, \$0.15 and \$0.16 per share in 2014. The right to exercise expiration date has been set at December 31, 2019.	6,800,000 shares

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Options for the issuance of Common Stock at \$0.06, \$0.07, \$0.08, \$0.10 and \$0.16 per share in 2015. The right to exercise expiration date has been set at December 31, 2019.

32,750,000 shares

9. ACQUISITION OF DIGITAL FOCUS, INC

On June 8, 2012 TMM, Inc completed the acquisition of the outstanding shares of Digital Focus, Inc. a California corporation. Digital Focus, Inc.'s sole asset is a license agreement to the PVS/SGI code from Iterated Systems, Inc. that is currently the subject of the litigation referenced in Note 5.

10. ADMINISTRATION EXPENSES

The Company has contracted International Royalties Corp. to provide administrative services. IRC is reimbursed for the staff, facilities, office and other expenses related to the day to day administrative operations of the Company. IRC also oversees the ongoing development of the Codec.

11. LEGAL & PROFESSIONAL FEES

As reported in Note 3, certain legal and professional fees have been capitalized as additional Product Development, technology related litigation and Patent related costs. The legal and professional fees expensed are costs for operational services performed during the period.

12. PRIVATE PLACEMENT COSTS

Costs associated with the various Private Placements of Stock have been deducted from the proceeds of the applicable stock offerings. As a result, these costs are not included in the results of operations but as a reduction of the Additional Paid in Capital resulting from the placements.

13. LOANS PAYABLE

Loans Payable comprise funds advanced by shareholders and non-shareholders to the company. These loans mature in October 2018 and accrue interest at the rate of 4% to 7%. Interest expense of \$47,425 has been accrued for 2017.

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SEPTEMBER 30, 2017

14. EARNINGS (LOSS) PER SHARE INFORMATION

Earnings (Loss) per share for September 30, 2017 is as follows:

	<u>Earnings Per Share</u>	<u>Earnings Per Share (Fully Diluted)</u>
<u>Loss for 2017</u>	<u>(1,086,667)</u>	<u>(1,086,667)</u>
<u>Shares Outstanding:</u>		
Preferred	1,810,000	1,810,000
Common	331,846,450	331,846,450
Shares to be Cancelled	(3,750,000)	(3,750,000)
<u>If Exercised:</u>		
Warrants	- 0 -	120,667,500
Options	<u>- 0 -</u>	<u>100,000,000</u>
<u>Total Shares & Equivalents</u>	<u>329,906,450</u>	<u>550,573,950</u>
<u>Loss Per Share</u>	<u>(\$0.0033)</u>	<u>(\$0.0020)</u>