

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Virtual Medical International, Inc.

A Nevada Corporation

3561 Lindell Road, Suite D639

Las Vegas, NV 89103

www.qebr.net

Sjl3000@yahoo.com

SIC Code: 3990

702-589-3094

Quarterly Report

For the Period Ending: September 30, 2020

(the "Reporting Period")

As of September 30 2020, the number of shares outstanding of our Common Stock was:

446,721,541

As of June 30, 2020, the number of shares outstanding of our Common Stock was:

446,721,541

As of our most recently completed fiscal year end, December 31, 2019, the number of shares outstanding of our Common Stock was:

446,721,541

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐

No: ☒ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐

No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

Yes: ☐ ⁽¹⁾⁽²⁾ No: ☒

1) Name of the issuer and its predecessors (if any)

Virtual Medical International, Inc. (the "Company"): August 26, 2010 to present

QE Brushes, Inc. July 19, 2007 to August 26, 2010;

The Company was incorporated in Nevada on July 19, 2007. The Company's status with Nevada is active.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

2) Security Information

Trading symbol:	<u>QEBR</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>92828H109</u>	
Par or stated value:	<u>\$0.00001</u>	
Total shares authorized:	<u>1,000,000,000</u>	as of date: <u>November 17, 2020</u>
Total shares outstanding:	<u>446,721,541</u>	as of date: <u>November 17, 2020</u>
Number of shares in the Public Float:	<u>22,877,939</u>	as of date: <u>November 17, 2020</u>
Total number of shareholders of record:	<u>295</u>	as of date: <u>November 17, 2020</u>

Additional class of securities (if any):

Trading symbol:	N/A	
Exact title and class of securities outstanding:	<u>Series B Preferred Stock</u>	
CUSIP:	<u>N/A</u>	
Par or stated value:	<u>\$0.00001</u>	
Total shares authorized:	<u>45,000,000</u>	as of date: <u>November 17, 2020</u>
Total shares outstanding:	<u>36,470,893</u>	as of date: <u>November 17, 2020</u>

Transfer Agent

Name: Empire Stock Transfer, Inc.
Phone: 702-818-5898
Email: info@empirestock.com

Is the Transfer Agent registered under the Exchange Act?² Yes: ☒ No: ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

² To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On September 28, 2019, as amended September 30, 2019, the Company entered into a Share Exchange Agreement with the shareholders of Idaho Country Mining Co. LLC ("ICMC"), Shenzhen DZD Digital Technology Ltd ("DZD") and DZD Digital Technology Ltd. ("DZD HK") in order to acquire 100% of each of the aforementioned entities for a total of 21,000,000 restricted shares of common stock. The acquisitions complement QEBR's existing subsidiaries by adding ICMC's services in data acquisition, data mining, encrypted data bookkeeping, and encrypted data acquisition; and, DZD, an engineering partner with ICMC in Shenzhen, China. DZD specializes in providing services for data processing, data mining, encrypted data bookkeeping, and researching of data technology. The transaction closed with an effective date of October 31, 2019, and the consideration shares in respect of the transaction were subsequently issued on November 6, 2019. As a result of these acquisitions, Mr. Jianxing (Oliver) Li and Mr. Jon Jun Liang were appointed to the Company's Board of Directors. Mr. Li was concurrently appointed Chief Financial Officer ("CFO") and Mr. Liang as Chief Technology Officer ("CTO").

On January 23, 2019, the Company closed an acquisition of 100% of the equity interest of Sheen Boom Investments Limited ("Sheen Boom"), a company incorporated in the British Virgin Islands. Sheen Boom holds 51% of the equity interest of Jihye Technology Limited ("Jihye"), a company incorporated in Hong Kong. The Company issued 5,100,000 shares to the original shareholders of Sheen Boom as consideration. Sheen Boom is an investment holding company that owns no operating assets. Jihye plans to open and operate a number of Filecoin farms globally, including an initial farm in Hong Kong, which is currently under construction, and subsequent farms in Japan, Korea, Singapore and Toronto. On June 28, 2020, the Company, Sheen Boom and Jihye entered into a Termination and Divestiture Agreement (the "Termination Agreement"). During the quarter, the Company determined it is no longer in the best interests of the Company to continue to hold these corporate entities as controlled subsidiaries due to the delayed timeline for operations and revenue to commence as a result of COVID-19. The divestiture is retroactively effective to March 31, 2020.

Concurrently DZD assumed the planned operations with respect to our proposed Filecoin mining operation. As a result of the substantive progress on the engineering of the Filecoin hardware completed by DZD technicians during the three months ended June 30, 2020, all research & development programs, and proposed plans to own and operate Filecoin farms globally shifted to DZD from Jihye.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Number of Shares outstanding as of <u>January 1, 2018</u>	<u>Opening Balance:</u> Common: <u>405,367,541</u> Preferred B: <u>36,470,893</u>	
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Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
May 16, 2018	New issuance	5,000,000	Common stock	\$0.35	Yes	Ms. Nankalamu (NFN) ⁽²⁾	Consideration for acquisition of Environmental Robotics Limited	Restricted	Exemption: Section 4(a)(2) of the Securities Act
May 24, 2018	New issuance	10,000,000	Common stock	\$0.35	Yes	Su Xiaobo	Consideration for acquisition of Xiaojin County Ruibo Big Data Technology Co., Ltd.	Restricted	Exemption: Section 4(a)(2) of the Securities Act
June 4, 2018	New issuance	250,000	Common stock	\$0.90	No	Patrick Loney	Legal services	Restricted	Exemption: Section 4(a)(2) of the Securities Act
January 23, 2019	New issuance	2,040,000	Common stock	\$1.99	No	Cassandra Tsz Wai Law	Consideration for acquisition of Sheen Boom Investment Limited	Restricted	Exemption: Section 4(a)(2) of the Securities Act
January 23, 2019	New issuance	1,020,000	Common stock	\$1.99	No	Chun Ling Ng	Consideration for acquisition of Sheen Boom Investment Limited	Restricted	Exemption: Section 4(a)(2) of the Securities Act
January 23, 2019	New issuance	1,020,000	Common stock	\$1.99	No	Chin Long Pon	Consideration for acquisition of Sheen Boom Investment Limited	Restricted	Exemption: Section 4(a)(2) of the Securities Act
January 23, 2019	New issuance	1,020,000	Common stock	\$1.99	No	Bulls Run Limited (Control persons Ms. Nankalamu and Mr. Ding-Shin "DS" Chang)	Consideration for acquisition of Sheen Boom Investment Limited	Restricted	Exemption: Section 4(a)(2) of the Securities Act
January 23, 2019	New issuance	4,000	Common stock	\$1.99	No	Kon Ki LO	Legal services	Restricted	Exemption: Section 4(a)(2) of the Securities Act

October 31, 2019(1)	New issuance	3,412,400	Common Stock	\$0.56	No	Shenzhen Xiangyuan Tiantong Technology Co. Ltd. Beneficial owner: Jon Jun Liang	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	5,061,200	Common Stock	\$0.56	No	Moto Legend (Hong Kong) Limited Beneficial owner: Hong Liang Wang	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	5,699,200	Common Stock	\$0.56	No	Haifeng Zhou	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	791,700	Common Stock	\$0.56	No	Tianxia Cailian (Beijing) Investment Consulting Ltd. Beneficial owner: Zhan Jun Wang	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	441,400	Common Stock	\$0.56	No	Qi Zhang	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	3,919,500	Common Stock	\$0.56	No	Tibet Zhenshi S&T Development Center (Limited Partnership) Beneficial owner: Zhan Jun Wang	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
October 31, 2019(1)	New issuance	1,674,600	Common Stock	\$0.56	No	Dan Peng	Consideration for acquisition of ICMC, DZD and DZD HK	Restricted	Exemption: Section 4(a)(2) of the Securities Act
Shares Outstanding on <u>September 30, 2020</u> :	<u>Ending Balance:</u> Common: <u>446,721,541</u> Preferred B: <u>36,470,893</u>								

(1) Effective closing date for acquisition of DZD, DZD HK and ICMC was October 31, 2019; shares issued administratively on November 6, 2019.

(2) Ms. Nankalamu has a single legal name. As such, no first name is provided, and we have indicated as such with the abbreviation “NFN” for No First Name in all instances where Ms. Nankalamu is referenced.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer’s equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)³:

Name: Li Shen, The Accounting Connection
Title: CGA
Relationship to Issuer: Third Party Accountant

The unaudited condensed financial statements for the comparative three and nine month periods ended September 30, 2020 and 2019 are appended to this report including Balance Sheets, Statements of Operations and Comprehensive Loss, Statements of Cash Flows, Statements of Stockholders' Equity and notes thereto.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Virtual Medical International, Inc. (the "Company") was originally incorporated in the State of Nevada on July 19, 2007 as QE Brushes, Inc. On August 26, 2010, the Company changed its name to Virtual Medical International, Inc. The Company initially was in the business of internet-based medical education, offering web-based programs to educate patients on the risks and benefits of medical treatments.

On May 16, 2018, the Company acquired 100% of the equity interest of Environmental Robotics Limited ("ER"), a company incorporated in the Marshall Islands. ER holds 100% of the equity interest of Jinbaixing (Shenzhen) Clean Energy Technology Service Co., Ltd ("Jinbaixing"), a company incorporated in the People's Republic of China ("PRC"). The Company issued 5,000,000 shares to the original shareholders of ER as consideration. Both ER and Jinbaixing are investment holding companies and do not currently hold assets.

On May 24, 2018, the Company, through Jinbaixing, acquired 40% of the equity interest of Xiaojin County Ruibo Big Data Technology Co., Ltd. ("Big Data"), a company incorporated in the PRC. Big Data is engaged in the business of mining cryptocurrencies. The Company issued 10,000,000 shares to the original shareholders of Big Data as consideration.

On October 29, 2018, the Company filed a Second Amended and Restated Articles of Incorporation (the "Restated Articles") with the Secretary of State of Nevada. The Restated Articles set forth the following changes to the Company's Articles of Incorporation: (i) discontinued the practice of issuing "blank check" preferred stock, in which the board of directors of the Company may designate new series of preferred stock by filing Articles of Designation with the Secretary of State of Nevada; (ii) increased the authorized Common Stock to 1,000,000,000 shares; (iii) maintained the designated Series B Preferred Stock at 45,000,000 shares; and (iv) eliminated the Series

³ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

C Preferred Stock. The Company effected the Restated Articles for the purposes of providing sufficient capital stock to use as consideration for our possible business acquisition in the future and for other reasons.

On January 23, 2019, the Company closed an acquisition of 100% of the equity interest of Sheen Boom Investments Limited (“Sheen Boom”), a company incorporated in the British Virgin Islands. Sheen Boom holds 51% of the equity interest of Jihye Technology Limited (“Jihye”), a company incorporated in Hong Kong. The Company issued 5,100,000 shares to the original shareholders of Sheen Boom as consideration. Sheen Boom is an investment holding company that owns no operating assets. Jihye plans to open and operate a number of Filecoin farms globally, including an initial farm in Hong Kong, which is currently under construction, and subsequent farms in Japan, Korea, Singapore and Toronto.

On September 28, 2019, as amended September 30, 2019, the Company entered into a Share Exchange Agreement with the shareholders of Idaho Country Mining Co. LLC (“ICMC”), Shenzhen DZD Digital Technology Ltd (“DZD”) and DZD Digital Technology Ltd. (“DZD HK”) in order to acquire 100% of each of the aforementioned entities for a total of 21,000,000 restricted shares of common stock. The acquisitions complement QEBR's existing subsidiaries by adding ICMC's services in data acquisition, data mining, encrypted data bookkeeping, and encrypted data acquisition; and, DZD, an engineering partner with ICMC in Shenzhen, China. DZD specializes in providing services for data processing, data mining, encrypted data bookkeeping, and researching of data technology. The transaction closed with an effective date of October 31, 2019, and the consideration shares in respect of the transaction were subsequently issued on November 6, 2019. As a result of these acquisitions, Mr. Jianxing (Oliver) Li and Mr. Jon Jun Liang were appointed to the Company’s Board of Directors. Mr. Li was concurrently appointed Chief Financial Officer (“CFO”) and Mr. Liang as Chief Technology Officer (“CTO”).

On June 28, 2020, the Company, Sheen Boom and Jihye entered into a Termination and Divestiture Agreement (the “Termination Agreement”). During the quarter ended June 30, 2020 the Company determined it is no longer in the best interests of the Company to continue to hold these corporate entities as controlled subsidiaries due to the delayed timeline for operations and revenue to commence as a result of COVID-19. The divestiture is retroactively effective to March 31, 2020. Concurrently DZD assumed the planned operations with respect to our proposed Filecoin mining operation. As a result of the substantive progress on the engineering of the Filecoin hardware completed by DZD technicians during the three months ended June 30, 2020, all research & development programs, and proposed plans to own and operate Filecoin farms globally shifted to DZD from Jihye.

The Company is currently focused on the operation of subsidiary ICMC with services in data acquisition, data mining, encrypted data bookkeeping, and encrypted data acquisition; and, DZD, an engineering partner with ICMC in Shenzhen, China. DZD specializes in providing services for data processing, data mining, encrypted data bookkeeping, and researching of data technology. Subsequent to the quarter ended September 30, 2020 the Company announced plans to change its business focus to return to the Company’s former operation in the medical education and healthcare field by seeking acquisitions in the Medical Grade CBD oil business.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference. Data below is as at September 30, 2020:

Subsidiary Name	Domicile	Address	Officer/Director	% Owned	Owned By
Environmental Robotics Limited (“ER”)	Republic of the Marshall Islands	Room C, 15/F., Ritz Plaza, 122 Austin Road, Tsimshatsui, Kowloon, Hong Kong	Ms. Nankalamu (NFN) ⁽¹⁾	100%	The Company
Jinbaixing (Shenzhen) Clean Energy Technology Service Co., Ltd (“Jinbaixing”)	PRC	No. 1 Qianwan One Road, Building A, Office 201, Qianhai Special Economic Zone, Shenzhen, China	Ms. Nankalamu (NFN) ⁽¹⁾	100%	ER

Xiaojin County Ruibo Big Data Technology Co., Ltd. ("Big Data")	PRC	Zhongmachang Village, Wori Township, Xiaojin County, Aba Tibetan and Qiang Autonomous Prefecture, Sichuan Province, PRC	Mr. Hu Danyeung	40%	Jinbaixing
Idaho Country Mining Co. LLC ("ICMC")	Idaho, USA	208 S 4th Ave, Caldwell, ID, USA 83605	Mr. Jon Jun Liang	100%	The Company
Shenzhen DZD Digital Technology Ltd. ("DZD")	PRC	17 Fl, Liuchuang Building, 29 Gaoxin Nanhuan Road, Nanshan, Shenzhen 517000	Mr. Jianxing (Oliver) Li	100%	The Company
DZD Digital Technology Ltd. ("DZD HK")	Hong Kong	17 Fl, Liuchuang Building, 29 Gaoxin Nanhuan Road, Nanshan, Shenzhen 517000	Mr. Jianxing (Oliver) Li	100%	The Company

- (1) Ms. Nankalamu has a single legal name. As such, no first name is provided, and we have indicated as such with the abbreviation "NFN" for No First Name in all instances where Ms. Nankalamu is referenced.

C. Describe the issuers' principal products or services, and their markets

The Company controls companies based in China, Hong Kong and Idaho, USA, and holds equity in one operating company, Big Data, based in China. As a group the companies focus on cryptocurrency mining, data acquisition, data mining, encrypted data bookkeeping, encrypted data acquisition and researching of data technology.

6) Issuer's Facilities

The Issuer has the use of several facilities for its group operations.

- (1) An allocated portion of 13,000 square feet of total office space located at 17 Fl, Liuchuang Building, 29 Gaoxin Nanhuan Road, Nanshan, Shenzhen 517000 currently under long term lease by certain shareholders of the Company is provided to Jinbaixing, DZD and DZD HK at no cost other than the reimbursement of applicable utilities on a monthly basis;
- (2) The Company's corporate head office located at 3561 Lindell Road, Suite D639, Las Vegas, NV 89103 is currently provided to the Company free of charge by one of our directors and officers;
- (3) The Company's wholly owned subsidiary, Idaho Country Mining Co. LLC, entered into a three year lease effective May 1, 2018 for 6,000 square feet of warehouse space located in Caldwell, Idaho. Under the terms of the lease the Company provided a security deposit of \$3,500 and agreed to monthly base rent of \$2,828 in year 1, \$2,900 in year two and \$2,975 in year three. Monthly operating expenses are estimated to be approximately \$672 monthly, and subject to adjustment. The lease terminates on April 30, 2021 unless otherwise modified or extended. The Company has the option to renew the lease for one (1) additional three (3) year term within 60 days of expiry at such rates as may be agreeable between the parties at the time of the renewal.

Minimum future lease payments, net of operating expenses, are as follows:

Fiscal 2020 - \$8,925

7) Officers, Directors, and Control Persons

Ownership percentage of Class outstanding based on a total of 446,721,541 common and 36,470,893 Class B Preferred Shares issued and outstanding as of September 30, 2020.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Dr. Larry Eastland ⁽²⁾	Chief Executive Officer President / Secretary / Director	Pacific Palisades, CA	None	N/A	None	Appointed June 28, 2019
Allied Express Holdings Limited	Greater than 5%	Hong Kong SAR, China	326,593,000	Common	73.09%	Beneficially owned by Pui Lam Cheung
NYJJ Investments Limited	Greater than 5%	Hong Kong SAR, China	25,000,000 7,700	Preferred B Common	68.54% > 1%	Beneficially owned by Ms. Nankalamu (NFN) ⁽¹⁾
Mr. Jianxing (Oliver) Li	Chief Financial Officer / Director	Hong Kong SAR, China	None	N/A	None	Appointed October 5, 2019
Mr. Jon Jun Liang	Chief Technology Officer / Director	Hong Kong SAR, China	3,412,400	Common	Less than 1%	Appointed October 5, 2019 Shares held indirectly by Shenzhen Xiangyuan Tiantong Technology Co. Ltd.

⁽¹⁾ Ms. Nankalamu has a single legal name. As such, no first name is provided, and we have indicated as such with the abbreviation “NFN” for No First Name in all instances where Ms. Nankalamu is referenced.

⁽²⁾ Mr. Larry Eastland resigned as CEO subsequent to September 30, 2020 and no successor has been appointed as of the date of this report.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

Our CEO, President, Secretary and Director, Dr. Larry Eastland, and relative to his controlled consulting company, LEA Capital Advisors, in 2010, received a desist and refrain order from the State of California Business, Transportation and Housing Agency Department of Corporations, regarding selling securities in the State of California without a broker-dealer certificate from the California Corporations Commissioner.

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Richard A. Friedman
Firm: Sheppard, Mullin, Richter & Hampton LLP
Address 1: 30 Rockefeller Plaza
Address 2: New York, NY 1012-0015
Phone: (212) 634-3096 (Phone)
Email: rafriedman@sheppardmullin.com

Accountant or Auditor

Name: Li Shen, CGA
Firm: The Accounting Connection
Address 1: 145-251 Midpark Blvd. S.E.
Address 2: Calgary, Alberta T2X 1S3
Phone: 403-693-8004
Email: support@theaccountingconnection.com

Other Service Providers

Provide the name of any other service provider(s), including, counsel, advisor(s) or consultant(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement**, or provided assistance or services to the issuer during the reporting period.

Jacqueline Danforth, Compliance Consultant
The Ideal Connection
30 North Gould St, Suite 5953
Sheridan, WY 82801
Tel: (646) 831-6244
jd@theidealconnection.com

10) Issuer Certification

Principal Executive Officer:

I, Dr. Larry Eastland, certify that:

1. I have reviewed this Quarterly disclosure statement of Virtual Medical International, Inc. for the three and nine months ended September 30, 2020;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 23, 2020

/s/Larry Eastland

President

(Principal Executive Officer)

Principal Financial Officer:

I, Mr. Jianxing (Oliver) Li, certify that:

1. I have reviewed this Quarterly disclosure statement of Virtual Medical International, Inc. for the three and nine months ended September 30, 2020;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 23, 2020

/s/ Jianxing (Oliver) Li

CFO and Director

(Principal Financial Officer)

FINANCIAL STATEMENTS

VIRUTAL MEDICAL INTERNATIONAL, INC.

Financial Statements

For the Three and Nine Months ended September 30, 2020 and 2019

Unaudited – Prepared by Management

	<u>Page</u>
Condensed Consolidated Balance Sheets	F-2
Condensed Consolidated Statements of Operations	F-3
Condensed Consolidated Statements of Stockholders' Equity	F-4
Condensed Consolidated Statements of Cash Flows	F-5
Notes to the Condensed Consolidated Financial Statements	F-6 to F-14

VIRTUAL MEDICAL INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 35,446	\$ 55,702
Accounts receivable	-	39,673
Prepaid expenses	<u>33,813</u>	<u>53,804</u>
Total Current Assets	69,259	-
Non-current Assets		
Investment in equity method investee	<u>5,837,330</u>	<u>5,703,385</u>
TOTAL ASSETS	<u>\$ 5,906,589</u>	<u>\$ 5,371,759</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 32,093	\$ 20,960
Deposit received	16,237	105,569
Due to related party	<u>71,464</u>	<u>60,212</u>
Total Current Liabilities	<u>119,794</u>	<u>186,741</u>
 TOTAL LIABILITIES	 <u>119,794</u>	 <u>186,741</u>
Stockholders' Equity		
Preferred Stock at \$0.00001 par value, 45,000,000 shares authorized, Series B Preferred at \$0.00001 par value, 45,000,000 shares designated, 36,470,893 shares issued and outstanding as of September 30, 2020 and December 31, 2019	365	365
Common Stock at \$0.00001 par value, 1,000,000,000 shares authorized, 446,721,541 shares issued and outstanding as of September 30, 2020 and December 31, 2019	4,467	4,467
Additional paid in capital	115,208,367	110,708,367
Accumulated deficit	(109,426,513)	(100,012,469)
Accumulated other comprehensive income	<u>109</u>	<u>(659)</u>
Total Company's Stockholders' Equity	5,786,795	10,700,071
Non-controlling interest	<u>-</u>	<u>(5,034,248)</u>
Total Stockholders' Equity	<u>5,786,794</u>	<u>5,665,823</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 5,906,589</u>	<u>\$ 5,852,564</u>

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

VIRTUAL MEDICAL INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited)

	Three months ended September 30,		Nine Ended September 30,	
	2020	2019	2020	2019
Net revenues	\$ <u>10,313</u>	<u>-</u>	\$ <u>86,491</u>	\$ <u>20,968</u>
Operating expenses				
Cost of revenues	38,480	-	151,138	1,659
General and administrative	2,717	13,743	8,682	54,054
Stock based compensation	-	-	4,500,000	-
Professional fees	<u>5,775</u>	<u>3,128</u>	<u>49,113</u>	<u>21,741</u>
Total operating expenses	<u>46,972</u>	<u>16,871</u>	<u>4,708,933</u>	<u>77,454</u>
Loss from operations	(36,659)	(10,889)	(4,622,442)	(56,486)
Share of profits from investment in equity method	87,050	70,565	133,945	278,918
Impairment of goodwill	-	-	-	(9,151,283)
Loss on divestment	-	-	(4,925,547)	-
Net income (loss)	\$ <u>50,391</u>	\$ <u>59,676</u>	\$ <u>(9,414,044)</u>	\$ <u>(8,928,851)</u>
Less: net income (loss) attributable to Noncontrolling interest		<u>3,325</u>	<u>-</u>	<u>(4,500,520)</u>
Net income (loss) attributable to Virtual medical International Inc..	\$ <u>50,391</u>	\$ <u>63,001</u>	\$ <u>(9,414,044)</u>	\$ <u>(4,428,331)</u>
Basic and diluted net loss per common share	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>(0.02)</u>	\$ <u>(0.02)</u>
Weighted average shares used in completing basic and diluted net loss per common share	<u>446,721,541</u>	<u>4,25,721,541</u>	<u>446,721,541</u>	<u>425,293,103</u>
Comprehensive Income (Loss):				
Net loss	\$ 50,391	\$ 59,676	\$ (9,414,044)	\$ (8,928,851)
Effect of foreign currency translation	15	299	768	(22)
Comprehensive Loss	\$ <u>50,406</u>	\$ <u>59,975</u>	\$ <u>(9,414,812)</u>	\$ <u>(8,928,873)</u>

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

VIRTUAL MEDICAL INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Series B Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated other comprehen- sive Income (loss)	Accumulated Deficit	Non- controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance December 31, 2019	36,470,893	\$ 365	446,721,541	\$ 4,467	\$ 110,708,367	\$ (659)	\$ (100,012,469)	\$ (5,034,248)	\$ 5,665,823
Net income (loss)	-	-	-	-	-	-	(29,700)	(1,380)	(31,080)
Foreign currency translation adjustment	-	-	-	-	-	(478)	-	-	(478)
Balance, March 31, 2020	36,470,893	\$ 365	446,721,541	\$ 4,467	\$ 110,708,367	\$ (1,137)	\$ (100,042,169)	\$ (5,035,628)	\$ 5,634,265
Stock option granted	-	-	-	-	4,500,000	-	-	-	4,500,000
Foreign currency translation adjustment	-	-	-	-	-	1,231	-	-	1,231
Net income (loss)	-	-	-	-	-	-	(9,434,735)	1,380	(9,433,355)
Divestment	-	-	-	-	-	-	-	5,034,248	5,034,248
Balance, June 30, 2020	36,470,893	365	446,721,541	4,467	115,208,367	94	(109,476,904)	-	5,736,389
Foreign currency translation adjustment	-	-	-	-	-	15	-	-	15
Net income (loss)	-	-	-	-	-	-	50,391	-	50,391
Balance, September 30, 2020	36,470,893	\$ 365	446,721,541	\$ 4,467	\$ 115,208,367	\$ 109	\$ (109,426,513)	\$ -	\$ 5,786,795

	Series B Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated other comprehen- sive Income (loss)	Accumulated Deficit	Non- controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance December 31, 2018	36,470,893	\$ 365	420,617,541	\$ 4,206	\$ 88,791,668	\$ -	\$ (83,445,666)	\$ -	\$ 5,350,573
Shares issued for business combinations			5,100,000	51	10,148,948			(18,343)	10,130,656
Shares issued for services			4,000	-	7,960			-	7,960
Foreign currency translation adjustment	-	-	-	-	-	8		-	8
Net income (loss)	-	-	-	-	-		(4,664,229)	(4,488,320)	(9,152,549)
Balance, March 31, 2019	36,470,893	\$ 365	425,721,541	\$ 4,257	\$ 98,948,576	\$ 8	\$ (88,109,895)	\$ (4,506,663)	\$ 6,336,648
Foreign currency translation adjustment	-	-	-	-	-	(329)	-	-	(329)
Net income (loss)	-	-	-	-	-	-	172,897	(8,873)	164,024
Balance, June 30, 2019	36,470,893	365	425,721,541	\$ 4,257	\$ 98,948,576	(321)	(87,936,998)	(4,515,536)	6,500,343
Foreign currency translation adjustment	-	-	-	-	-	299	-	-	299
Net income (loss)	-	-	-	-	-	-	63,001	(3,325)	59,676
Balance, September 30, 2019	36,470,893	\$ 365	425,721,541	\$ 4,257	\$ 98,948,576	(22)	\$ (87,873,997)	\$ (4,518,861)	\$ 6,560,318

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

VIRTUAL MEDICAL INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash Flows from Operating Activities		
Net loss	\$ (9,414,044)	\$ (4,428,331)
Net income (loss) attributable to Noncontrolling interest	-	(4,500,520)
Adjustments to reconcile net profit to net cash used in operating activities:		
Expenses paid by related party	11,252	39,153
Service fees paid by issue of common stock	-	7,960
Stock option granted as stock-based compensation	4,500,000	-
Share of profits from investment in equity method investee	(133,945)	(278,918)
Impairment loss of goodwill	-	9,151,283
Loss on divestment	4,928,364	-
Changes in operating assets and liabilities:		
Prepaid expenses	5,715	(13,031)
Accounts receivable	39,673	-
Accounts payable and accrued liabilities	29,963	(4,931)
Customer deposits	16,237	23,075
Net cash used in operating activities	<u>(16,785)</u>	<u>(4,262)</u>
Cash Flows Used in Investing Activities		
Cash of subsidiaries upon acquisition (divest)	<u>(1,364)</u>	<u>6,393</u>
Net cash provided by investing activities	<u>(1,364)</u>	<u>6,393</u>
Net cash used in discontinued operating activities	<u>(2,200)</u>	<u>-</u>
Net change in cash and cash equivalents	(20,349)	2,131
Effects of exchange rates on cash	93	30
Cash and cash equivalents - beginning of period	<u>55,702</u>	<u>-</u>
Cash and cash equivalents - end of period	<u><u>\$ 35,446</u></u>	<u><u>\$ 2,161</u></u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ <u>-</u>	\$ <u>-</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>
Non-Cash Investing and Financing Activity:		
Net assets acquired from business combination	\$ <u>-</u>	\$ <u>(37,435)</u>
Net assets disposal from divestment	\$ <u>(109,894)</u>	\$ <u>-</u>
Common stock issued for services	\$ <u>-</u>	\$ <u>7,960</u>

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

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - ORGANIZATION AND OPERATIONS

Virtual Medical International, Inc. (the “Company”) was originally incorporated in the State of Nevada on July 19, 2007 as QE Brushes, Inc. On August 26, 2010, the Company changed its name to Virtual Medical International, Inc. The Company initially was in the business of internet-based medical education, offering web-based programs to educate patients on the risks and benefits of medical treatments.

On May 16, 2018, the Company acquired 100% of the equity interest of Environmental Robotics Limited (“ER”), a company incorporated in the Marshall Islands. ER holds 100% of the equity interest of Jinbaixing (Shenzhen) Clean Energy Technology Service Co., Ltd (“Jinbaixing”), a company incorporated in the People’s Republic of China (“PRC”). The Company issued 5,000,000 shares to the original shareholders of ER as consideration. Both ER and Jinbaixing are investment holding companies and do not currently hold assets.

On May 24, 2018, the Company, through Jinbaixing, acquired 40% of the equity interest of Xiaojin County Ruibo Big Data Technology Co., Ltd. (“Big Data”), a company incorporated in the PRC. Big Data is engaged in the business of mining cryptocurrencies. The Company issued 10,000,000 shares to the original shareholders of Big Data as consideration.

On October 29, 2018, the Company filed a Second Amended and Restated Articles of Incorporation (the “Restated Articles”) with the Secretary of State of Nevada. The Restated Articles set forth the following changes to the Company’s Articles of Incorporation: (i) discontinued the practice of issuing “blank check” preferred stock, in which the board of directors of the Company may designate new series of preferred stock by filing Articles of Designation with the Secretary of State of Nevada; (ii) increased the authorized Common Stock to 1,000,000,000 shares; (iii) maintained the designated Series B Preferred Stock at 45,000,000 shares; and (iv) eliminated the Series C Preferred Stock. The Company effected the Restated Articles for the purposes of providing sufficient capital stock to use as consideration for our possible business acquisition in the future and for other reasons.

On January 23, 2019, the Company closed an acquisition of 100% of the equity interest of Sheen Boom Investments Limited (“Sheen Boom”), a company incorporated in the British Virgin Islands. Sheen Boom holds 51% of the equity interest of Jihye Technology Limited (“Jihye”), a company incorporated in Hong Kong. The Company issued 5,100,000 shares to the original shareholders of Sheen Boom as consideration. Sheen Boom is an investment holding company that owns no operating assets. Jihye plans to open and operate a number of Filecoin farms globally, including an initial farm in Hong Kong, which is currently under construction, and subsequent farms in Japan, Korea, Singapore and Toronto.

On September 28, 2019, as amended September 30, 2019, the Company entered into a Share Exchange Agreement with the shareholders of Idaho Country Mining Co. LLC (“ICMC”), Shenzhen DZD Digital Technology Ltd (“DZD”) and DZD Digital Technology Ltd. (“DZD HK”) in order to acquire 100% of each of the aforementioned entities for a total of 21,000,000 restricted shares of common stock. The transaction closed with an effective date of October 31, 2019, and the consideration shares in respect of the transaction were subsequently issued on November 6, 2019. As a result of these acquisitions, Mr. Jianxing (Oliver) Li and Mr. Jon Jun Liang were appointed to the Company’s Board of Directors. Mr. Li was concurrently appointed Chief Financial Officer (“CFO”) and Mr. Liang as Chief Technology Officer (“CTO”).

On June 28, 2020, the Company, Sheen Boom and Jihye entered into a Termination and Divestiture Agreement (the “Termination Agreement”). During the quarter, the Company determined it is no longer in the best interests of the Company to continue to hold these corporate entities as controlled subsidiaries due to the delayed timeline for operations and revenue to commence as a result of COVID-19. The divestiture is retroactively effective to March 31, 2020 (ref: Note 4). Concurrently DZD assumed the planned operations with respect to our proposed Filecoin mining operation. As a result of the substantive progress on the engineering of the Filecoin hardware completed by DZD technicians during the three months ended June 30, 2020, all research & development programs, and proposed plans to own and operate Filecoin farms globally shifted to DZD from Jihye.

The Company continued to operate subsidiary ICMC with services in data acquisition, data mining, encrypted data bookkeeping, and encrypted data acquisition; and, DZD, an engineering partner with ICMC in Shenzhen, China. DZD specializes in providing services for data processing, data mining, encrypted data bookkeeping, and researching of data technology. Subsequent to the quarter ended September 30, 2020 the Company announced plans to change its business focus to return to the Company’s former operation in the medical education and healthcare field by seeking acquisitions in the Medical Grade CBD oil business.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries as set out below. All significant inter-company accounts and transactions have been eliminated. The consolidated financial statements include 100% of assets, liabilities, and net income or loss of its wholly-owned subsidiaries, and 51% percent of the assets, liabilities, and net income or loss of Jihye Technology Limited through divestiture.

The Company's subsidiaries are listed as follows:

Name of Company	Place of incorporation	Attributable equity interest % as of		Principal business activities
		September 30, 2020	December 31, 2019	
Environmental Robotics Limited ("ER")	Marshall Islands	100	100	Investment holding
Jinbaixing (Shenzhen) Clean Energy Technology Service Co., Ltd ("Jinbaixing")	PRC	100	100	Investment holding
Sheen Boom Investment Limited ("Sheen Boom")*	British Virgin Islands	Nil	100	Investment holding
Idaho Country Mining Co. LLC	USA	100	Nil	Data acquisition
Shenzhen DZD Digital Technology Ltd.	PRC	100	Nil	Data processing
DZD Digital Technology Ltd.	Hong Kong	100	Nil	Data processing
Jihye Technology Limited ("Jihye")*	Hong Kong	Nil	51%	Computer consultancy

*Divested by way of agreement dated June 28, 2020, with effective date of March 31, 2020.

Equity investments for which we are able to exercise significant influence over but do not control the investee and are not the primary beneficiary of the investee's activities are accounted for using the equity method. Accordingly, Big Data has been accounted for using the equity method.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (cont'd)

The Company's significant estimates include income taxes provision and valuation allowance of deferred tax assets; the fair value of financial instruments; the carrying value and recoverability of long-lived assets, including the values assigned to an estimated useful lives of computer equipment; and the assumption that the Company will continue as a going concern. Those significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to those estimates or assumptions, and certain estimates or assumptions are difficult to measure or value. Management bases its estimates on historical experience and on

various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Foreign currency translation and re-measurement

The Company translates its foreign operations to the U.S. dollar in accordance with ASC 830, "Foreign Currency Matters".

The reporting and functional currency for the Company, ER, Sheen Boom and ICMC is the US dollar, while that for Jinbaixing, Big Data, and DZD is the Chinese Renminbi ("RMB") and that for Jihye and DZD HK is the Hong Kong Dollar ("HKD"). Jinbaixing, Big Data, DZD, DZD HK and Jihye, whose records are not maintained in those entities' respective functional currencies, re-measure their records into their functional currency as follows:

- Monetary assets and liabilities at exchange rates in effect at the end of each period
- Nonmonetary assets and liabilities at historical rates
- Revenue and expense items at the average rate of exchange prevailing during the period

Adjustments arising from such translations are included in accumulated other comprehensive income in shareholders' equity.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Related parties

The Company follows ASC 850-10 for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the Related parties include a) affiliates of the Company; b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Commitments and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commitments and contingencies (cont'd)

The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

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

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time, that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

Revenue recognition

Effective January 1, 2018, the Company adopted ASC 606, "Revenue from Contracts with Customers." The Company has evaluated the new guidance and its adoption did not have a significant impact on the Company's financial statements and a cumulative effect adjustment under the modified retrospective method of adoption will not be necessary. The Company derives its revenues from the rendering of computer consultancy services, the allocation of data resources in our data center, commission fees relative to customer introductions to our business partners and the sale of services and equipment. The Company considers revenue realized or realizable and earned when all of the following criteria are met:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied

Accounts Receivable and Allowance for Doubtful Accounts

The Company determines the allowance for doubtful accounts by considering a number of factors, including the length of time the accounts receivable are beyond the contractual payment terms, previous loss history, and the customer's current ability to pay its obligation. When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, the Company records a charge to the allowance to reduce the customer's related accounts. During the three and nine months period ended September 30, 2020, the allowance for doubtful accounts totaled \$0.

Stock Based Compensation

We have share-based compensation plans under which employees, consultants, suppliers and directors may be granted restricted stock, as well as options to purchase shares of our common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by us at the grant date, based on the fair value of the award, over the requisite service period using an estimated forfeiture rate. Grants of stock options and stock to non-employees and other parties are accounted for in accordance with the ASC 718.

Financial Instruments

The Company's financial instruments consist primarily of Cash and cash equivalents, Prepaid expenses, Accounts payable and accrued liabilities and Due to related party. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (cont'd)

ASC 820, Fair Value Measurements, defines fair value as the price at which an asset could be exchanged or a liability transferred in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation models are applied which may involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

Income Tax Provisions

The Company has adopted ASC Topic 740 – "Income Taxes" ASC Topic 740 which requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC Topic 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Net income (loss) per common share

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per share". Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. The Company's diluted loss per share is the same as the basic loss per share for the years ended December 31, 2019 and 2018, as there are no potential shares outstanding that would have a dilutive effect.

Recent Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

NOTE 3 – GOING CONCERN

As reflected in the accompanying financial statements, the Company had an accumulated deficit at September 30, 2020 of \$109,426,513 and we are not yet generating sufficient revenues to meet our ongoing operational costs. These factors among others raise substantial doubt about the Company's ability to continue as a going concern.

While the Company is attempting to increase revenue generating operations, the Company's cash position is currently not sufficient to support the Company's daily operations. The Company divested certain underperforming subsidiaries during the most recent quarter ended September 30, 2020 in order to reduce overhead. Management intends to raise additional funds by way of a public or private offering, debt financing or contributions from existing shareholders. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate revenues. The recent COVID-19 pandemic could have an adverse impact on the Company going forward. COVID-19 has caused significant disruptions to the global financial markets, which may severely impact the Company's ability to raise additional capital and to pursue its ongoing business operations. The Company may be required to continue to substantially reduce operations or cease operations if it is unable to finance shortfalls in our operating costs. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report and is highly uncertain and subject to change. Management is actively monitoring the situation but given the daily evolution of the COVID-19 outbreak, the Company is not able to estimate the effects of the COVID-19 outbreak on its operations or financial condition in the next 12 months. There are no assurances that the Company will be able to meet its obligations, raise funds or implement its business plans as anticipated.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – ACQUISITIONS AND DIVESTITURES

(1) Acquisition and Divestiture of Sheen Boom and Jihye:

On January 23, 2019, the Company acquired 100% of the equity of Sheen Boom, a company incorporated in the British Virgin Islands. Sheen Boom holds 51% of the outstanding equity of Jihye, a company incorporated in Hong Kong. The Company issued 5,100,000 shares of common stock to the original shareholders of Sheen Boom, valued at \$10,149,000. Sheen Boom is an investment holding company. Jihye's principal business activities are the provision of computer consulting and equipment sales and services.

Allocation of the purchase price is as follows:

	Acquisition-date Fair Values
Noncontrolling interest	\$ 18,343
Consideration transferred	\$ 10,149,000
<u>Assets</u>	
Cash and cash equivalent	6,393
Prepaid expenses	41,550
<u>Liabilities</u>	
Customer deposits	(85,378)
Net asset value acquired	\$ (37,435)
Goodwill	\$ 10,168,092

Management wrote off goodwill of \$10,168,092 during the year ended December 31, 2019 of which, \$4,982,365 goodwill impairment was attributed to the non-controlling interest.

Upon review and consideration of the ongoing capital requirements and current stage of development of the business operations of each of Sheen Boom and Jihye and the failure of each to meet expected progress targets, management determined it is no longer in the best interests of the company to continue to hold these corporate entities as controlled subsidiaries. Both Sheen Boom and 51% controlled subsidiary were divested under the terms of a Termination and Divestiture Agreement (the "Termination Agreement") on June 28, 2020, with an effective date retroactive to March 31, 2020.

Under the Termination Agreement, the Company, Sheen Boom and Jihye agreed the original agreement of January 23, 2019 shall be void with no further force or effect, and the Company agreed to transfer back to the original shareholders the outstanding shares of Sheen Boom for one dollar (\$1) and other such good and valuable consideration. Further, concurrent with the return of the shares, the original shareholders shall accept all assets, liabilities and other obligations of Sheen Boom as evidenced on the books and records of Sheen Boom effective the date of transfer, holding the Company harmless and terminating any further obligations of the Company with regard to Sheen Boom and its 51% controlled subsidiary, Jihye.

Assets and liabilities included in divestiture:

	Divestment Date March 31, 2020
<u>Assets</u>	
Cash and cash equivalent	1,364
Prepaid expenses	13,721
<u>Liabilities</u>	
Accounts payable and accrued liabilities	(1,290)
Due to related party	(17,659)
Customer deposits	(106,030)
Net asset value divested	\$ (109,894)

Loss on divestment of business combinations:

	Divestment Date March 31, 2020
(Gain) on net assets divested	\$ (109,894)
Loss on realized foreign exchange	1,193
Loss on non-controlling interest	5,034,248
Total:	\$ 4,925,547

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – ACQUISITIONS AND DIVESTITURES (continued)

(1) Acquisition and Divestiture of Sheen Boom and Jihye (cont'd):

The Results of the Discounted Operations which are not separated in the Company's condensed consolidated statements of operations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30	
	2020	2019	2020	2019
Net revenues	\$ -	\$ 5,982	\$ -	\$ 20,968
Operating expenses				
Cost of sale	-	-		1,657
General and administrative	-	12,769	2,817	39,991
Total operating expenses	-	12,769	2,817	52,760
Income (Loss) from operations	\$ -	\$ (6,787)	\$ (2,817)	\$ (31,792)

(2) Acquisition of DZD, DZD HK and ICMC:

On September 28, 2019, as amended September 30, 2019, the Company entered into a Share Exchange Agreement with the shareholders of Idaho Country Mining Co. LLC ("ICMC"), Shenzhen DZD Digital Technology Ltd ("DZD") and DZD Digital Technology Ltd. ("DZD HK") in order to acquire 100% of each of the aforementioned entities for a total of 21,000,000 restricted shares of common stock.

Allocation of the purchase price is as follows:

	Acquisition-date Fair Values			
	ICMC	DZD	DZD HK	Total
Consideration transferred	\$ 3,920,000	\$ 3,920,000	\$ 3,920,000	\$ 11,760,000
Assets				
Cash and cash equivalent	\$ 16,584	\$ 1,875	\$ 8,486	\$ 26,945
Accounts receivable	55,114	-	-	55,114
Prepaid expenses	32,389	-	-	32,389
Liabilities				
Due to related party	-	(1,420)	(13)	(1,433)
Net asset value acquired	\$ 104,087	\$ 455	\$ 8,473	\$ 113,015
Goodwill	\$ 3,815,913	\$ 3,919,545	\$ 3,911,527	\$ 11,646,985

Management wrote off goodwill of \$11,646,985 during the year ended December 31, 2019.

NOTE 5 – EQUITY INVESTMENT

On May 24, 2018, the Company acquired 40% of the equity interest of Big Data for 10,000,000 shares. (Please refer to Notes 1 and 2 for the details of the Company's acquisition and accounting policy). Under the equity method of accounting, the Company recorded our investment at cost totaling \$5,255,000. During the three and nine months ended September 30, 2020, the share of profits from equity investments is \$87,050 and \$133,945, respectively. During the three and nine months ended September 30, 2019, the share of profits from equity investments is \$70,565 and \$278,918, respectively. The total value of our Equity investment as of September 30, 2020 and December 31, 2019 was \$5,837,330 and \$5,703,385, respectively.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 6 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Company received advances of \$45,192 from related parties to pay ongoing operating expenses of the Company. During the nine months ended September 30, 2020, the Company received advances of \$11,252 from related parties to pay ongoing operating expenses of the Company.

As of September 30, 2020, and December 31, 2019, the Company owed \$71,464 and \$60,212, respectively to related parties. These amounts are interest free, unsecured and have no fixed terms of repayment.

NOTE 7 – STOCKHOLDERS' EQUITY

Preferred Stock

As of September 30, 2020, the Company had authorized 45,000,000 shares of Preferred Stock at a par value of \$0.00001. We have one class of Preferred Stock designated as of September 30, 2020.

Series B Preferred stock

The Company designated 45,000,000 shares of Preferred Stock as Convertible Series B Preferred Stock at a par value of \$0.00001. The Series B Preferred Stock has the right to vote alongside the Common Stock at a ratio of 1:1. Additionally, the Series B Preferred Stock must approve certain significant corporate actions with the approval of the Series B Preferred Stock voting separately as a class. The Series B Preferred Stock is not redeemable by the Company. The Series B Preferred Stock converts into Common Stock at a ratio of 1:1.

As of September 30, 2020, and December 31, 2019, 36,470,893 shares of Series B Preferred Stock were issued and outstanding.

Common stock

As of September 30, 2020, the Company had authorized 1,000,000,000 shares of Common Stock at a par value of \$0.00001.

During the year ended December 31, 2019, the Company issued a total of 26,104,000 shares of common stock issued as follows:

- 5,100,000 shares for the acquisition of Sheen Boom (see Note 4);
- 4,000 shares to an unrelated party for legal consultancy services; and,
- 21,000,000 shares for the acquisition of ICMC, DZD and DZD HK (see Note 4).

There were no shares issued during the three and nine months ended September 30, 2020.

As of September 30, 2020, and December 31, 2019, there were 446,721,541 shares of common stock issued and outstanding.

NOTE 8 – STOCK OPTIONS

Description of 2020 Stock Option and Stock Award Plan

The Company has 50,000,000 shares available for issuance under the 2020 Stock Option and Stock Award plan. The Company has outstanding unexercised stock option grants totaling 10,000,000 shares at an exercise price of \$0.05 per share as of September 30, 2020.

Determining Fair Value under ASC 718

The Company records compensation expense associated with stock options and other equity-based compensation using the Black-Scholes option valuation model for estimating fair value of stock options granted under our plan. The Company amortizes the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods.

During the nine months ended September 30, 2020, there were stock option grants for 10,000,000 fully vested shares with an exercise price of \$0.05 per share.

VIRTUAL MEDICAL INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE 8 – STOCK OPTIONS (continued)

The Company recognized stock based compensation expenses in the amount of \$4,500,000 on vested date.

The fair value of each option award referenced above is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions at the measurement date(s):

	Measurement date
Dividend yield	0%
Expected volatility	447.84%
Risk-free interest rate	0.62%
Expected life (years)	10
Stock Price	\$ 0.45
Exercise Price	\$ 0.05

A summary of the activity for the Company's stock options at September 30, 2020 and December 31, 2019, is as follows:

	Options Shares	Weighted Average Exercise Price (\$)
Outstanding as of January 1, 2020	-	-
Granted	10,000,000	0.05
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2020	10,000,000	0.05
Options exercisable, end of period	10,000,000	0.05

NOTE 9 – COMMITMENTS

On March 30, 2018 Company's wholly owned subsidiary, Idaho Country Mining Co. LLC, entered into a three-year lease effective May 1, 2018 for 6,000 square feet of warehouse space located in Caldwell, Idaho. Under the terms of the lease the Company provided a security deposit of \$3,500 and agreed to monthly base rent of \$2,828 in year 1, \$2,900 in year two and \$2,975 in year three. Monthly operating expenses are estimated to be approximately \$672 monthly, and subject to adjustment. The lease terminates on April 30, 2021 unless otherwise modified or extended. The Company has the option to renew the lease for one (1) additional three (3) year term within 60 days of expiry at such rates as may be agreeable between the parties at the time of the renewal.

Minimum future lease payments, net of operating expenses, are as follows:

Fiscal 2020 - \$8,925
Fiscal 2021 - \$11,900

NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated events for the period from September 30, 2020 through the date of the issuance of these financial statements and determined that there are no additional events requiring disclosure.