

# **PotNetwork Holding Inc.**

**Unaudited Consolidated Financial Statements**

**As on**

**September 30, 2017**

**PotNetwork Holding Inc.**  
**Unaudited consolidated Balance Sheets**  
As of September 30, 2017, and December 31, 2016

	Sep 30 2017	Dec 31 2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash	576,880	100
Accounts Receivable	259,713	710
Purchases paid for, but in transit	483,956	
Total Current assets	\$1,320,549	\$810
Rent & Utility Deposits	33,673	33,673
<b>TOTAL ASSETS</b>	<b>\$1,354,222</b>	<b>\$34,483</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	24,750	24,750
Other Payables	5,273	0
Total Current Liabilities	\$30,023	\$24,750
Note Payable - La Playa	150,000	0
Loans from Third Parties with accrued interest (Note 11)	240,904	228,494
Note Payable (Note 12)	2,418,624	2,018,264
Other liabilities	88,462	0
Total Liabilities	\$2,893,063	\$2,238,228
<b>Stockholders' Equity</b>		
<b>Common:</b> Authorized 1,000,000,000 shares, \$ .00001 par value; and 569,920,485 Issued and outstanding at September 30, 2017 and 89,571,121 Issued and outstanding at December 31, 2016 respectively.	87,573	87,573
<b>Preferred Stock Class A Authorized - 50,000 shares, \$ .00001 Par value;</b> and 32,682 Issued and outstanding at September 30, 2017 and None Issued and outstanding at December 31, 2016 respectively.	200	200
<b>Preferred Stock Class D Authorized - 6,000 shares, \$ .00001 par value;</b> and 460 Issued and outstanding at September 30, 2017 and 460 Issued and outstanding at December 31, 2016 respectively.	200	200
Additional paid in capital	263,131	263,131
Retained Earnings	(1,924,895)	(2,588,129)
Total Stockholders' Equity	(1,538,841)	(2,203,745)
Total Liabilities & Equity	\$1,354,222	\$34,483

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

**PotNetwork Holding Inc.**  
**Unaudited consolidated Income Statement**  
For the nine months ended September 30, 2017 and 2016

	Nine Months Ended	
	Sep 30 2017	Sep 30 2016
Sales	\$ 9,522,425	\$ 772,088
Cost of Goods Sold	\$ 5,990,334	\$ 435,975
<b>Gross Profit (Loss)</b>	<b>\$ 3,532,090</b>	<b>\$ 336,113</b>
<b>Expenses:</b>		
Advertisement	\$ 513,594	\$ 25,853
Shipping [Pkg. supplies/FedEx/UPS/USPS]	\$ 579,759	
email Marketing	\$ 31,150	
Marketing - Payments made to Vendors	\$ 757,785	
Marketing - Website Expenses	\$ 25,551	
Marketing - Travel: Air Ticket, etc.	\$ 161,875	
Marketing - Travel: Boarding & Lodge	\$ 180,807	
Marketing - Travel: Rent a car/Taxi	\$ 42,481	
Legal & Professional	\$ 91,355	\$ 16,193
Licenses & Taxes	\$ 37,836	
Payroll	\$ 149,361	\$ 30,104
Rent	\$ 15,221	\$ 39,046
Insurance	\$ 49,918	\$ 12,827
Admin - Auto Expenses	\$ 18,918	
Admin - Bank Charges	\$ 5,446	
Admin - Computers	\$ 30,586	
Admin - Dues & Subscriptions	\$ 20,461	
Admin - Misc.	\$ 794	\$ 13,127
Admin - Office Supplies	\$ 39,868	\$ 7,424
Admin - Repairs & Maintenance	\$ 63,491	
Admin - Telephone	\$ 35,786	
Admin - Utilities	\$ 4,402	
Interest	\$ 12,410	\$ 117,387
<b>Total Expenses</b>	<b>\$ 2,868,857</b>	<b>\$ 261,958</b>
Profit (Loss) before Income Tax	\$ 663,234	\$ 74,155
Provision for Income Tax	\$ -	\$ -
<b>Net Profit (Loss)</b>	<b>\$ 663,234</b>	<b>\$ 74,155</b>

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

**PotNetwork Holding Inc.**  
**Unaudited consolidated Statement of Cash Flows**  
For the nine months ended September 30, 2017 and 2016

	<b>Nine Months Ended</b>	
	<b>Sep 30</b>	<b>Sep 30</b>
	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
<b>Net Income (Loss)</b>	<b>\$664,904</b>	<b>\$74,155</b>
Adjustments to reconcile net income (loss) to net cash provided by operations		
Accounts Receivable	(\$259,003)	(\$3,817)
Purchases Paid for, but in-Transit	(\$483,956)	
Accts payable		(\$6,505)
Other Payables under current liabilities	\$5,273	
Accrued interest	\$12,410	
Notes Payable - La Playa	\$150,000	
Notes Payable - SIGN	\$400,360	
Other liabilities	\$88,462	(\$62,850)
<b>Total Adjustments to reconcile net income (loss) to net cash provided by operations</b>	<b>\$576,780</b>	<b>\$983</b>
<b>Investing Activities</b>		
Loans Receivable	\$0	
<b>Net cash provided by investing activities</b>	<b>\$0</b>	<b>\$983</b>
<b>Financing Activities</b>		
<b>Net cash provided by financing activities</b>	<b>\$0</b>	<b>\$0</b>
<b>NET CASH INCREASE (DECREASE) For PERIOD</b>	<b>\$576,780</b>	<b>\$983</b>
Cash, Beginning	\$100	\$1,083
Cash, Ending	\$576,880	\$100

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

**PotNetwork Holding Inc.**  
**Unaudited consolidated Statement of Stockholders Equity**  
**As of September 30, 2017**

Description	Shares	Amount	Additional Paid-in Capital	Surplus (Deficit)
Common Stock as on Dec. 31, 2015	7,621,650,000	\$87,573	\$1,461,532	(\$2,068,107)
1 for 1000 split reduction	(7,614,028,350)			
After the split	7,621,650			
Shares Issued	51,678,750		(\$755,729)	
Shares Issued	30,271,121		(\$442,672)	
Net Profit (Loss)				(\$520,022)
Common Stock as on Dec. 31, 2016	89,571,521	\$87,573	\$263,131	(\$2,588,129)
Shares Issued	59,348,964			
Shares Issued - First Capital Venture [March 2017]	300,000,000			
Shares Issued - Q1-2017 Conversion "Sign"	39,000,000			
Shares Issued - Q3-2017 Conversion "Sign"	82,000,000			
Shares Cancelled				
Net Profit (Loss) - DiamondCBD				\$663,234
Common Stock as on Sep. 30, 2017	569,920,485	\$87,573	\$263,131	(\$1,924,895)

Number of shares as of Sep. 30, 2017 is agreement with the statement received from the Share Transfer Agent

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

**PotNetwork Holding Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the nine months ended **September 30, 2017**  
**Unaudited**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

On 3rd March 2017, PotNetwork Holding Inc. was reincorporated following its acquisition of First Capital Venture Holdings Co. Coinciding with that event, the company entered a triangular merger pursuant Colorado law, which is the financial and substantive equivalent to that set forth in “Section 251(g) of the Delaware General Corporation Law”. The principal purpose of this reorganization strategy was designed to insulate the newly acquired entity, First Capital Venture Co., from the liabilities of predecessor issuer. As such, while those liabilities must still be reflected as part of the consolidated financial statements, the successor issuer or the public entity as currently constituted, PotNetwork Holding Inc. and the subsidiary, First Capital Venture Co., are legally insulated from, and not liable for, those liabilities for which the other subsidiary is obligated.

The company was previously known as United Treatment Centers Inc., and changed its name to PotNetwork Holding Inc. in July 2015.

- Formerly=United Treatment Centers, Inc. until 7-2015
- Formerly=United Treatment Centers, Inc. until 10-2013
- Formerly=MyMedicalCD, Ltd. until 1-2009
- Note=11-04 State of Incorporation Nevada changed to Wyoming
- Formerly=Interactive Solutions Corp. until 11-04
- Formerly=Araldica Wineries Ltd. until 2-00
- Formerly=H P Capital Corp. until 9-96

PotNetwork Holding Inc. is a publicly traded company with the ticker symbol as "POTN."

On 31st January 2017, PotNetwork Holding Inc. acquired First Capital Venture Co. Now, PotNetwork Holding, Inc has two wholly owned subsidiaries, First Capital Venture Co., the makers of Diamond CBD Oils and Sunrise Auto Mall Inc., a pre-owned auto dealership started in July 2014.

Going forward, POTN intends to focus only on the CBD business. Henceforth, the financial statements of PotNetwork Holding Inc. reflect the only one business of Diamond CBD.

Diamond CBD focuses on the research, development, and multi-national marketing of premium hemp extracts that contain a broad range of cannabinoids and natural hemp derivatives. Diamond’s CBD infused Chill Gummy line consists of a wide range of

popular flavors such as traditional Gummy Bears, tasty Watermelon Slices, tart Sour Snakes, sprinkled Rainbow Bites, yummy Gummy Worms, tangy Sour Bears, quenching Ocean Gummies, nutty Choco Peanut Butter, chewy Gummy Rings, puckering Sour Faces, citrusy Mini Fruit, and buttery Choco Nuts.

Since January 2016, Gary Blum leads PotNetwork Holding Inc. Effective October 2017, Richard Goulding, MD joined as the Chief Executive Officer. The management team consists of hemp industry pioneers and natural product experts, chemists, and scientists.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATIONS**

The statements were prepared following generally accepted accounting principles of the United States of America consistently applied.

### **USE OF ESTIMATES:**

Use of estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

### **CASH AND CASH EQUIVALENTS**

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of acquisition.

### **PROPERTY AND EQUIPMENT**

Property and equipment are stated at the written-down value [after deducting the depreciation from the cost]. This company adapted the depreciation rates as provided in the IRS publications, using the Modified Accelerated Cost Recovery System (MACRS). Computers and office equipment are considered as 5-year property Office furniture and fixtures are 7-year property in MACRS and apply the 200% declining balance method over a GDS recovery period. Where possible, section 179 depreciation is also applied.

### **INTANGIBLE ASSETS**

**Initial Measurement:** Intangible asset acquisitions in which the consideration given is cash are measured by the amount of cash paid, which generally includes the transaction costs of the asset acquisition. However, if the consideration given is not in the form of cash (that is, in the form of noncash

assets, liabilities incurred, or equity interests issued), measurement is based on either the cost which shall be measured based on the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is clearer and, thus, more reliably measurable.

**Subsequent Measurement:** The company accounts for its intangible assets under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Subtopic ("ASC") 350-30-35 "Intangibles-- Goodwill and Other--General Intangibles Other than Goodwill-Subsequent Measurement". Under this method the company is required to test an indefinite-lived intangible asset for impairment on at least an annual basis. This is done by comparing the asset's fair value with its carrying amount. If the carrying amount exceeds the asset's fair value, the difference in those amounts is recognized as an impairment loss. The Company impaired the trade-mark as of December 31, 2015.

## **INCOME TAXES:**

The Company accounts for its income taxes in accordance with the Financial Accounting Standards ("SFAS") No.109, Accounting for Income Taxes. Under this standard, deferred tax assets and liabilities represent the estimated tax effects of future deductible or taxable amounts attributed to differences between the financial statements carrying amounts and the tax bases of existing assets and liabilities. The standard also allows recognition of income tax benefits for loss carryforwards, credit carryforwards and certain temporary differences for which tax benefits have not previously been recorded. Valuation allowances are provided for uncertainties associated with deferred tax assets.

## **FINANCIAL INSTRUMENTS**

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

The carrying amounts reported in the balance sheet for cash, accounts payable and notes payable approximate their estimated fair market value based on the short-term maturity of this instrument. In addition, FASB ASC 825-10-25 "Fair Value Option" was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value.

### **NOTE 3 - GOING CONCERN**

The financial statement of the Company has been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business.

Receivables from our customers as on the balance sheet date, are less than 30 days old.

As the company has no uncertainties as on the balance sheet date, the financial statements need no adjustments.

DiamondCBD is in business since 2015. In other words, it is considered as a business with limited operating history. Hence, this business is subject to all risks inherent in a developing business enterprise. Continued success depends on the problems, difficulties, complications, and delays frequently encountered in the competitive and regulatory environment in which it operates.

As a new industry, there are no established entities whose business model DiamondCBD can follow or build on the success of. Perhaps, DiamondCBD can set the standards in the years to come.

Regulatory risk: Hemp based CBD are often confused with marijuana based CBD which remains Illegal under Federal Law.

Although DiamondCBD does not sell any marijuana based CBD products, its products are could often be confused as being illegal by federal/state authorities and by consumers.

The company is involved in a highly competitive industry where it may compete with numerous other companies who offer alternative methods or approaches, who may have far greater resources, more experience, and personnel perhaps more qualified

than the company does. Such resources, experience and personnel may provide a substantial competitive advantage to the competition.

#### **NOTE 4 - PROVISION FOR INCOME TAXES**

With the accumulated losses carried forward, no provision for tax liability has been made in the financial statements.

Net operating loss carry-forward, expires twenty years from the date the loss was incurred.

As of 31<sup>st</sup> December 2016, the Company had a net operating loss carryforward of \$2,588,129. However, the availability of a net operating loss carryforward and the associated deduction, is subject to complex and restrictive federal income tax provisions as codified by Internal Revenue Code section 172 and related Treasury Regulations, all of which are subject to change in the availability of which can never be free from doubt.

#### **NOTE 5 - INVENTORY**

This company has arranged to buy the exact quantity from the suppliers, based on the customer orders and thereby has eliminated the need for holding inventory on hand at any point of time.

Otherwise, this company values the inventory at the lower of cost or market.

#### **NOTE 6 - COMMITMENTS AND CONTINGENCIES**

There are no commitments and contingencies that exist at present.

#### **NOTE 7 – SALES DISCOUNT & RETURN POLICY**

- This company allows free returns unopened items within 15 days of purchase.
- Free return labels are provided the returns, meaning that the company pays for the shipping cost for the returns]
- The customers need not call the company for the returns because it can be easily done online in the company web-site
- Experienced professional staff reviews the selling price on an ongoing basis.
- Exceptions are reviewed and approved by the manager.
- Sales return are insignificant and hence no reserves are provided.

#### **NOTE 8 – BUDGET & INTERNAL CONTROL PROCEDURES**

- Internal control procedures for inventory and cash control are being developed and implemented on an ongoing basis to ensure higher levels of performances.

- Annual financial budget is reviewed by the Board of Directors
- Quarterly variance reports are considered by the Board of Directors.

#### **NOTE 9 – PAYROLL PROCEDURE**

Based on the time punched in and out by the employees, pay roll is processed by an independent payroll company to determine the taxes to be withheld and paid.

#### **NOTE 10 - CAPITAL STOCK**

- **Common Stock:** Authorized 1,000,000,000 shares, \$ .00001 par value; and 569,920,485 Issued and outstanding as on the balance sheet date
- **Preferred Stock Class A:** Authorized – 50,000 shares, \$ .00001 Par value; and 32,682 Issued and outstanding as on the balance sheet date.
- **Preferred Stock Class D:** Authorized - 6,000 shares, \$ .00001 par value; and 460 Issued and outstanding as on the balance sheet date.

#### **NOTE 11 – Loan from Third Parties**

- A. K.N. is the holder of a note dated Sep. 11, 2012 in the original principal amount of \$100,000. Part of the original note was acquired in private transaction in June 2014. The security derives from 3 convertible promissory notes dated Mar. 25, 2010 amount \$150,000, Nov. 4, 2010 amount \$50,000 and Mar. 11, 2011 amount \$25,000. The balance of the note at Dec. 31, 2016 is \$112,000.
- The loan accrues interest @ the annual rate of eight percent (8%).
  - Interest for 2016 is \$8,000.
  - Interest for the nine months ended September 30, 2017 is \$6,000
  - As of 30<sup>th</sup> September 2017, balance due (including the accrued interest) is \$118,000
- B. Southridge note is for \$25,000
- The loan accrues interest @ the annual rate of eight percent (8%).
  - Interest for 2016 is \$1,000.
  - Interest for the nine months ended September 30, 2017 is \$1,250
  - As of 30<sup>th</sup> September 2017, balance due (including the accrued interest) is \$27,250
- C. Mammoth note is for \$7,000
- The loan accrues interest @ the annual rate of eight percent (8%).
  - Interest for 2016 is \$280.

- c. Interest for the nine months ended September 30, 2017 is \$420
  - d. As of 30<sup>th</sup> September 2017, balance due (including the accrued interest) is \$7,700
- D. As explained in Note 1, the liability of the subsidiary \$152,950 (including the accrued interest) as of 30<sup>th</sup> September 2017, is taken to the consolidated financial statements.
- E. "Sign" is the holder of a note dated Apr. 28, 2016 in the original principal amount of \$42,000.
- a. The loan accrues interest @ the annual rate of eight percent (8%).
  - b. Interest for 2016 is \$2,240.
  - c. Interest for the nine months ended September 30, 2017 is 2,520
  - d. As of 30<sup>th</sup> September 2017, balance due (including the accrued interest) is \$46,760
- F. "Sign" is holder of a note dated May 04, 2016 in the original principal amount of \$37,000.
- a. The loan accrues interest @ the annual rate of eight percent (8%).
  - b. Interest for 2016 is \$1,974
  - c. Interest for the nine months ended September 30, 2017 is 2,220
  - d. As of 30<sup>th</sup> September 2017, balance due (including the accrued interest) is \$41,194

	Loan	Accrued Interest	Total	
A	\$100,000	\$18,000	\$118,000	
B	\$25,000	\$2,250	\$27,250	
C	\$7,000	\$700	\$7,700	\$152,950
E	\$42,000	\$4,760	\$46,760	
F	\$37,000	\$4,194	\$41,194	\$87,954
	<u>\$211,000</u>	<u>\$29,904</u>	<u>\$240,904</u>	

## NOTE 12 – Notes Payable

- A. This note is from the original promissory note dated June 2, 2014 for the principal amount of \$1,850,000
- \$2,018,624 is the amount due as on 31st December 2016
  - The annual interest was eight percent (8%). But the interest does not accrue since the addendum agreement in exchange for a fixed conversion. Refer the terms of a security purchase agreement, “Sign”
  - 39,000,000 shares are converted in Q1-2017 for \$117,000

- As on 31st March 2017, the balance due on this note is \$1,901,624
- 82,000,000 shares are converted in Q3-2017 for \$246,000
- As on 30th September 2017, the balance due on this note is \$1,655,624.

B. In the second quarter of 2017, “Sign” wire-transferred \$285,500 and the company signed a new note with no interest, applying the addendum agreement in exchange for a fixed conversion.

C. In the third quarter of 2017, “Sign” wire-transferred \$477,500 and the company signed a new note with no interest, applying the addendum agreement in exchange for a fixed conversion.

A	\$1,655,624
B	\$285,500
C	\$477,500
	\$2,418,624