COFFEE INC.

(f/k/a/ Café Holdings, Inc.)

Condensed Consolidated Quarterly Financial Statements and Footnotes

September 30, 2022

(unaudited)

COFFEE INC.
(f/k/a Café Holdings, Inc.)
and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 12,736	$ -
Prepaid expense	5,834	-
Other receivables	234,834	-
Assets attributable to disputed operations	-	3,217,090
Total current assets	253,404	3,217,090
Other non-current receivable	1,033,960	-
Total assets	$ 1,287,364	$ 3,217,090
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Note payable	$ 287,486	$ 400,000
Convertible notes payable	6,618,860	6,618,860
Liabilities attributable to discontinued operations	8,814,629	8,814,629
Accounts payable and accrued expenses	592,790	622,000
Liabilities attributable to disputed operations	-	2,257,489
Total current liabilities	16,313,765	18,712,978
Total liabilities	16,313,765	18,712,978
Commitments and contingencies (Note 4)	-	-
Shareholders' deficit:		
Common stock, $0.001 par value, 250,000,000 shares authorized, 189,827,928 and 189,827,928 shares issued and outstanding, at September 30, 2022 and December 31, 2021, respectively, and 20,179,231 and 20,179,231 shares conditionally issuable, at September 30, 2022 and December 31, 2021, respectively	210,007	210,007
Additional paid-in capital	3,699,194	3,699,194
Class A ordinary shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 0 and 0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	-	-
Class B ordinary shares of DEPT-UK (10,000,000 shares authorized, £1 par value, 0 and 0 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	-	-
Accumulated other comprehensive loss	91,063	91,063
Accumulated deficit	(42,668,632)	(43,138,119)
Total Café Holdings, Inc. shareholders' deficit	(38,668,368)	(39,137,855)
Non-controlling interest:		
Preference shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 20,431,502 and 20,431,502 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	23,158,096	23,158,096
Non-controlling interest	483,871	483,871
Total liabilities and shareholders' deficit	$ 1,287,364	$ 3,217,090

See accompanying notes to unaudited condensed consolidated financial statements.

COFFEE INC.
(f/k/a Café Holdings Inc.)
and Subsidiaries
Condensed Consolidated Statements of Operations
For the Nine Months Ended September 30,
(unaudited)

	2022	2021
Revenue, net	$ -	$ -
Operating expenses	757,755	-
Operating loss	(757,755)	-
Other income (expense)		
Gain on settlement	1,227,242	-
Net income	$ 469,487	$ -
Net loss per share	$ 0.00	$ -
Weighted average number of shares outstanding	189,827,928	189,827,928

See accompanying notes to unaudited condensed consolidated financial statements.

COFFEE INC.

(f/k/a Café Holdings, Inc.)
and Subsidiaries

Condensed Consolidated Statement of Shareholders' Deficit
September 30, 2022
(unaudited)

	Class A Ordinary Stock		Class B Ordinary Stock		Common Stock		Common Stock Issuable		Additional Paid-in Capital	Accumulated Other Compre-hensive Income (Loss)	Non-Controlling Interest	Accumulated Deficit	Total Equity
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount					
Balance, December 31, 2020	-	$ -	-	$ -	187,835,928	$189,828	20,179,231	$ 20,179	$3,699,194	$ 91,063	$ 23,641,967	$(42,316,119)	$ (14,673,888)
Net loss for the period ended September 30, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, September 30, 2021	-	$ -	-	$ -	187,835,928	$189,827	20,179,231	$ 20,179	$3,699,194	$ 91,063	$ 23,641,967	$(42,316,119)	$ (14,673,888)
Balance, December 31, 2021	-	$ -	-	$ -	187,835,928	$189,827	20,179,231	$ 20,179	$3,699,194	$ 91,063	$ 23,641,967	$(43,138,119)	$ (15,495,889)
Net loss for the period ended September 30, 2022	-	-	-	-	-	-	-	-	-	-	-	469,487	469,487
Balance, September 30, 2022	-	$ -	-	$ -	187,835,928	$189,827	20,179,231	$ 20,179	$3,699,194	$ 91,063	$ 23,641,967	$(42,668,632)	$ (15,026,401)

See accompanying notes to unaudited condensed consolidated financial statements.

COFFEE INC.
(f/k/a Café Holdings Inc.)
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30,
(unaudited)

	2022	2021
Cash flows from operating activities:		
Net income attributable to common shareholders	$ 469,487	$ -
Adjustments to reconcile net income before taxes and non-controlling interest to net cash provided by operations:		
Assets attributable to disputed operations	3,217,090	-
Liabilities attributable to disputed operations	(2,257,489)	-
Changes in operating assets and liabilities:		
Prepaid expense	(5,834)	-
Other receivables	(234,834)	-
Other receivables, non-current portion	(1,033,960)	-
Accounts payable	(29,210)	-
Net cash provided by operating activities	125,250	-
Cash flows from (used in) financing activities:		
Repayment on notes payable	(112,514)	-
Net cash used in financing activities	(112,514)	-
Net increase in cash	12,736	-
Cash at beginning of period	-	-
Cash at end of period	$ 12,736	$ -
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Coffee Inc. (f/k/a Café Holdings Inc. ("CHI"), hereinafter the "Company," "we," "us," "our," or "Coffee Inc.") was incorporated in the State of Nevada on July 22, 2014, under the name of FWF Holdings, Inc. The Company changed its name on August 4, 2016. The Company was originally engaged in the business of commercial production and distribution of hot sauce (see Note 3). On August 4, 2016, the Company changed its year end from July 31 to August 31.

On July 8, 2016, the Company experienced a change in control. Atlantik LP ("Atlantik"), a related party, acquired a majority of the issued and outstanding common stock of the Company in accordance with a stock purchase agreement by and between Atlantik and Nami Shams (the "Seller"). On the closing date, July 8, 2016, pursuant to the terms of the stock purchase agreement, Atlantik purchased from the Seller 115,000,000 shares of the Company's outstanding restricted common stock for $200,000, representing 76.1% of the Company's outstanding common stock at that time.

On September 1, 2016, the Company acquired 99.8% of the voting stock of the Department of Coffee and Social Affairs Limited, a United Kingdom corporation (the "DEPT-UK"), and the Company agreed to issue DEPT-UK's majority shareholder 170,000,000 shares of the Company's common stock—110,000,000 shares initially and 60,000,000 shares at a time determined by the Company's Board of Directors but no later than August 31, 2017, which deadline was subsequently extended to August 31, 2019. Also, on September 1, 2016, the Company acquired 115,000,000 shares of the Company's common stock from Atlantik in exchange for issuing Atlantik a promissory note for $320,000, which shares were then cancelled, and which note has since been paid in full. As a result of the acquisition and the issuance of the initial 110,000,000 shares of common stock, and the cancellation of the 115,000,000 Atlantik shares, DEPT-UK is now the majority-owned subsidiary of the Company, and the Company experienced a change of control.

DEPT-UK formed a wholly owned subsidiary, Department of Coffee and Internal Affairs Limited ("DCIA"), on September 11, 2014, as filed with the Registrar of Companies for England and Wales. As of September 30, 2021, DCIA has had no operations or activity.

On April 5, 2017, the Company formed Department of Coffee and Social Affairs IL, Inc. ("DEPT-IL"), an Illinois corporation.

On May 18, 2017, the Company formed Department of Coffee and Social Affairs White Space Limited ("DEPT-UKWS"), as filed with the Registrar of Companies for England and Wales. DEPT-UKWS is a subsidiary of DEPT-UK. As of September 30, 2021, DEPT-UKWS has had no operations or activity.

For financial reporting purposes, the acquisition of DEPT-UK and the change of control in connection with acquisition represented a "reverse merger" rather than a business combination, and DEPT-UK is deemed to be the accounting acquirer in the transaction. For the periods subsequent to August 31, 2016, the acquisition is being accounted for as a reverse-merger and recapitalization. DEPT-UK is the acquirer for financial reporting purposes, and the Company (DOCASA, Inc., f/k/a FWF Holdings, Inc.) is the acquired company. Consequently, the assets and liabilities and the operations that are reflected in the historical financial statements prior to the acquisition are those of DEPT-UK and have been recorded at the historical cost basis of DEPT-UK, and the financial statements after completion of the acquisition include the assets and liabilities of both the Company and DEPT-UK, and the historical operations of DEPT-UK prior to closing and operations of both companies from the closing of the acquisition.

On November 1, 2017, DEPT-UK acquired Tapped and Packed Ltd ("Tapped"), a UK company, for a combination of cash and shares of common stock of the Company. See Note 2. Tapped became a subsidiary of DEPT-UK as a result of the transaction. Tapped has four shop locations in the UK which serve coffee and food.

On February 23, 2018, the Board of Directors determined to change the Company's fiscal year end to December 31 from August 31. The Company believes this change will benefit the Company by aligning its reporting periods to be more consistent with peer coffee companies.

On May 23, 2018, DEPT-UK acquired Bea's of Bloomsbury Limited ("Bea's"), a UK company, for shares of common stock of the Company. See Note 2. Bea's became a subsidiary of DEPT-UK as a result of the transaction. Bea's has five shop locations in the UK which serves coffee and food.

Effective October 29, 2018, majority of the shareholders of the Company approved the following changes to the Company's Articles of Incorporation:

On October 29, 2018, the majority of the shareholders of the Company approved the amendment to the Articles of Incorporation to change the Company's name from "DOCASA, Inc." to "The Coffeesmiths Collective, Inc." The purpose of the name change will help further our brand identity and will reflect the major focus of our business operations as a specialty coffee company. The filing of the name change with the state of Nevada was completed and effected as of October 29, 2018. The Company filed with FINRA for a name change and symbol change on November 1, 2018. On December 4, 2018, both changes were approved.

On November 15, 2018, DEPT-UK executed a Share Purchase Agreement with Thomas Acland, David Downie, William Vernon, Kate Elizabeth Acland, and Martyn Ward for the acquisition of Coffee Global Limited (a/k/a Cafe2U ("Cafe2U"). Cafe2U became a subsidiary of DEPT-UK as a result of the transaction. Cafe2U is a franchised mobile coffee van and has 85 vans in the UK all operating under a master franchise agreement.

On December 1, 2018, the Company executed a Capital Contribution Agreement with Paul Leisen, Joan Lundgren, John Sweeney, Jacob Muller and Travis Schaffner for the acquisition of Dollop Coffee, LLC ("Dollop"). Dollop became a subsidiary of Coffeesmiths Collective as a result of the transaction. Dollop has coffee cafes and provides roasting and distribution and has 16 locations in Chicago, Illinois.

On December 1, 2018, DEPT-UK executed a Share Purchase Agreement with Silverstream Investments Ltd. for the acquisition of The Roastery Department Ltd. ("The Roastery"). The Roastery became a subsidiary of DEPT-UK as a result of the transaction. The Roastery is a roastery and has one location in the UK.

On various dates during 2018, DEPT-UK executed various share purchase agreements and asset purchase agreements with various third parties for coffee shops, roastery, bakery and assets, as applicable. The acquired entities became subsidiaries of DEPT-UK. The acquired assets were incorporated into the operations of DEPT-UK. These acquisitions, in aggregate, were for $783,869 in cash and deferred cash payments of $594,692.

On February 18, 2019, Dept. Cold Brew changed its name to Baker & Spice (London) Ltd.

On March 14, 2019, Coffeesmiths Collective, Ltd. ("CCL"), a limited liability company, was formed. It is a subsidiary of the parent company and the UK parent company to DEPT-UK and the other subsidiaries located in the UK.

On various dates during the twelve months ended December 31, 2019, the Company executed 10 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 35 other coffee shops ("Other Acquisitions - 2019"). The acquired businesses became subsidiaries of the Company. The acquired assets were incorporated into the operations of CCL. These acquisitions, in the aggregate, were for $4,581,906 in cash, $554,450 in shares and deferred cash payments of $936,715.

On February 18, 2020, the Company secured financing for £30 million of equity with the investment group, Silverstream Investments Ltd. ("Silverstream"). Silverstream was already the largest lender to the Company at the time prior to the new proposed investment. Through their prior debt financing, they held a secured position over all of the assets of the UK operations. The projected closing of the new equity investment was on or about March 30, 2020. The only substantial pre-condition to closing the equity investment was that there be no outstanding or pending litigation of substance against the Company. The funds were designed to advance the Company's expansion plans in both the UK and the U.S. and to enable the Company to weather the down time due to what it perceived was an impending COVID-19 crisis for the sector.

On February 20, 2020, the Company changed its name from The Coffeesmiths Collective, Inc. to Café Holdings, Inc. ("CHI"). The Company filed the change of name with the State of Nevada. The required paperwork was submitted to FINRA for review and was approved.

As of March 4, 2020, CHI's loan arrangement with Silverstream Investments Limited increased from $1,280,315 as at December 31, 2019 to $3,618,860 by April 3, 2020. This was in part due to the conversion of a £1 million pound advance from the new equity investment by Silverstream received on February 21, 2020, and its subsequent conversion to debt when this investment subsequently failed to complete.

On March 21, 2020, the Governor of Illinois issued a "lockdown" notice causing the closure of all food, beverage and hospitality in Chicago until late June 2020. This was the first of several lockdowns in the Chicago area.

On March 22, 2020, the Company was informed that the Conditions Precedent in the SPA had not been met due to the receipt of the legal action by Weiss and the proposed Silverstream investment was rescinded.

On or about March 22, 2020, Silverstream exercised its rights under its secured financing and foreclosed on all UK assets. This left only the Dollop assets in the U.S. in the Company.

On March 23, 2020, the UK Government ordered the immediate closure of hundreds of thousands of businesses across the UK in a "lockdown" affecting 95% of the Company's UK operating assets for a period that lasted, to varying degrees, for over 24 weeks. This lockdown was then repeated again many months later.

On June 30, 2020, Coffee Global Limited and Taylor Street Baristas (London) Limited was sold.

During this period, the UK Directors, advised by specialist restructuring and insolvency experts, determined that the non-operating holding company CCL in which sat the Group's headquarters and administrative functions, was no longer viable as it could no longer charge central costs to its subsidiaries in accordance with its business model nor draw upon fresh equity of the then rescinded equity investment.

As a result, the assets of the UK group specifically have either been sold at fair market price or transferred to existing secured preference debt holders who sought to realize their security. Those assets not transferred to debt holders were liquidated.

On or about July 20, 2020, whatever assets had not been liquidated due to COVID-19 or had been taken over by Silverstream in the UK went into Administration.

On October 12, 2022, the Company changed its name from Café Holdings Inc to Coffee Inc. The Company filed the change of name with the State of Nevada. The required paperwork was submitted to FINRA for review and was approved.

Nature of Operations

We were in the specialty coffee industry, specifically with company-operated stores. The Company predominately generated revenue through sales at company operated stores in the UK and the US where we sold our proprietary coffee and related products, and complementary food and snacks.

On March 30, 2022, the Company has entered a Heads of Terms Agreement (the "Agreement") with a specialty coffee company in the United Kingdom to launch a U.S.-based coffee subscription business, to be based in Illinois, and built around a successful model operating in the UK for several years. The Agreement includes the branding, expertise and continuous product development for Café Holdings, Inc. The blends available for subscription will all be at Specialty Grade. In addition, the Company has retained the services of a specialist global digital marketing agency to market this new service. The Company hopes to publish further information about this agreement and the subscription coffee business venture in the next few months.

The Company is also currently working with several global professionals on the launch of a new asset-backed, blockchain-based, cryptocurrency venture in support of small coffee farmers around the world. The Company will not be launching a cryptocurrency but will be involved in the ownership of blockchain technology that can be licensed by third parties to launch blockchain & cryptocurrency-based projects. The first of these projects is now being negotiated and we anticipate announcements to this effect in early 2023.

Principles of Consolidation

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

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 reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company has no cash in excess of FDIC limits in the U.S. and Financial Services Compensation Scheme in the UK.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

We follow accounting guidance for financial and non-financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

> Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
>
> Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. We have adopted this update. We do not believe this guidance will impact the recognition of our primary source of revenue from company-owned coffee shops. The adoption of this guidance did not have a material impact on our unaudited consolidated financial statements.

Stock-Based Compensation

The Company accounts for stock-based instruments issued to employees in accordance with ASC Topic 718. ASC Topic 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. The value of the portion of an award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line attribution method. The Company accounts for non-employee share-based awards in accordance with the measurement and recognition provisions ASC Topic 505-50. The Company estimates the fair value of stock options at the grant date by using the Black-Scholes option-pricing model.

Income Taxes

The Company adopted the provisions of ASC 740, "Income Taxes." When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying condensed consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of June 30, 2022, tax years 2014 - 2021 remain open for IRS audit and tax years 2015–2021 remain open for HM Revenue & Customs ("HMRC") audit. The Company has received no notice of audit from the IRS or HMRC for any of the open tax years.

Net Earnings (Loss) Per Share

In accordance with ASC 260-10, “Earnings Per Share,” basic net earnings (loss) per common share is computed by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common stock shares outstanding during the period. The Company does not currently have any potential dilutive securities outstanding as of September 30, 2022, and December 31, 2021.

Going Concern

The Company had net income attributable to common shareholders for the nine months ended September 30, 2022 of $469,487 and a working capital deficit as of September 30, 2022 of $16,060,361, and has cash provided by operations of $125,250 for the nine months ended September 30, 2022. In addition, as of September 30, 2022, the Company had a shareholders’ deficit and accumulated deficit of $38,668,368 and $42,668,632, respectively. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The ability of the Company to continue its operations is dependent on the execution of management’s plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. If the Company were not to continue as a going concern, it would likely not be able to realize its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the consolidated financial statements.

There can be no assurances that the Company will be successful in generating additional cash from the equity/debt markets or other sources to be used for operations. The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary. Based on the Company’s current resources, the Company will not be able to continue to operate without additional immediate funding. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all operational activities and/or contemplate the sale of its assets, if necessary.

Effect of Recent Accounting Pronouncements

The Company reviews new accounting standards and updates as issued. No new standards or updates had any material effect on these financial statements. The accounting pronouncements and updates issued subsequent to the date of these financial statements that were considered significant by management were evaluated for the potential effect on these financial statements. Management does believe that some of the subsequent pronouncements will have a material effect on these financial statements as presented and does not anticipate the need for any future restatement of these financial statements because of the retro-active application of any accounting pronouncements issued subsequent to December 31, 2021, through the date these financial statements were issued.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued an ASU on lease accounting. The ASU requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. The ASU is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. While the Company is still evaluating the ASU, the Company expects the adoption of the ASU to have a material effect on the Company’s financial condition due to the recognition of the lease rights and obligations as assets and liabilities. The Company expects the ASU to have a material effect on the Company’s results of operations and financial position, and the ASU will have no effect on cash flows.

The Company has been affected negatively by COVID-19 as the Company’s sales are from coffee shops which have been closed due to COVID-19 and the governments’ closing of food and beverage businesses in the UK and the US, which had a negative impact in 2021 and 2020.

NOTE 2 – CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE

The Company executed a convertible note payable with Silverstream Investments Limited (“Silverstream”) which has a balance of $6,618,860 and $6,618,860 as of September 30, 2022 and December 31, 2021, respectively. The note payable is convertible at $0.02 per share at the discretion of the lender.

The Company executed a note payable with Silverstream. The balance as of September 30, 2022 and December 31, 2021 was $287,486 and $400,000, respectively.

NOTE 3 – SHAREHOLDERS' EQUITY

Common Stock

The Company is authorized to issue up to 250,000,000 shares of common stock. Each outstanding share of common stock entitles the holder to one vote per share on all matters submitted to a shareholder vote. All shares of common stock are non-assessable and non-cumulative, with no pre-emptive rights.

On May 1, 2019, Allesch-Taylor exercised his rights to the common stock related to the issuable common stock (see Note 1) in regard to the acquisition in 2016, in the amount of 23,157,894 shares. Simultaneously with the issuance, Allesch-Taylor assigned these shares to unrelated third parties. After the issuance, there remains 23,929,231 shares of common stock issuable to Allesch-Taylor.

In the twelve months ended December 31, 2019, the Company issued 915,159 shares of common stock related to various acquisitions and stock-based compensation. The shares were valued at $1,270,088.

As of September 30, 2022, the Company has not granted any stock options.

Preference Shares and Non-Controlling Interest

Non-controlling interest is shown as a component of shareholders' deficit on the consolidated balance sheets and the share of new loss attributable to non-controlling interest is shown as a component of net loss in the consolidation statements of operations and comprehensive loss.

The Articles of Association of DEPT-UK, pursuant to the Companies Act 2006, authorized DEPT-UK to issue up to 25,000,000 preference shares, par value £1.00 per share (such subsidiary preference shares referred to herein as "Preference Shares"). Such Preference Shares have no votes and limited distribution rights. Subject to the provisions of the Companies Act 2006, DEPT-UK shall have the right pursuant to Section 687-688 of the Companies Act 2006 to redeem at par the whole or any part of the Preference Shares at any time or times after the date of issue of the said Preference Shares upon giving to the holders not less than three months' previous notice in writing. The Preference Shares, at the discretion of the Board of Director of DEPT-UK, can be purchased at the value they were issued or can be converted into contributed capital. The Preference Shares are accounted for as non-controlling interest. As of September 30, 2022, and December 31, 2021, 20,431,502 and 20,431,502 shares were outstanding, respectively. Of the outstanding shares, 1,592,710 and 1,592,710 were issued to related parties (Stefan Allesch-Taylor and Matthew Gill), as of September 30, 2022, and December 31, 2021, respectively.

Contributions were used to fund working capital, acquisitions and capital expenditures. The Preference Shares are reflected on the consolidated balance sheet as non-controlling interest.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of November 7, 2022, the only outstanding issues are below. Other than these issues, there were no other pending or threatened lawsuits known. Due to the Litigation, the Company is not privy to activities related to Dollop Coffee.

On March 20, 2020, the Company received Notice of a Claim filed in the State of Illinois in the Circuit Court of Cook County, Case No. 2020CH03407, Dollop Brand, LLC, et al. v. DOCASA, Inc., et al (the "Litigation") informing the Company of an alleged immediate dissolution of its 51% joint venture in Dollop Coffee, LLC ("Dollop Coffee") by minority shareholder Dollop Brand, LLC ("Brand") and Brand's principal Dan Weiss ("Weiss"). There were also further claims of $20 million against the Company and against officers of the Company who served on the Dollop Coffee Board of Managers (*i.e.,* directors). In the complaint filed in March 2020, Weiss declared that he now owned 89% of Dollop. The Company firmly believes these actions to be vexatious, arbitrary and both unlawful and illegal in their substance. The Company's attorneys provided Weiss with regulations that, during this debate of ownership, the Company had an obligation to file consolidated financial statements with the OTC Markets. Weiss categorically refused to provide any information to the Company. The Company therefore could not file the required financials January 2020 to date. The Company has a tentative settlement with Weiss that is expected to be executed in or about September 2021.

The payment to Dollop Coffee LLC for the 51% equity investment by CHI was enabled through a Ten-Year Zero Coupon Convertible Loan Note for $3 million from Silverstream Investments Limited in December 2019. The consideration for Dollop, paid in full at closing, included both payments for equity and the provision of working capital. Further funding of up to $1.3 million for the purchase of minority shareholder interests in Dollop was to be made available when final acquisition terms with those shareholders had been agreed. This transaction never took place. The terms of the $3 million Silverstream loan were that it was convertible into equity in the Company (CHI) at any time between December 2019 and December 2029 at a 40% discount to the average bid price in the 4 weeks preceding conversion. Alternatively, the loan is repayable at any time (only if repaid in full) if conversion does not take place but in these circumstances Silverstream will be entitled to a repayment termination fee equivalent to 7% per annum interest for the life of the outstanding loan, payable in shares in the company at a 40% discount to the average bid price in the 4 weeks.

On or about March 22, 2020, Silverstream exercised its rights under its secured financing and foreclosed on all UK assets. This left only the Dollop assets in the U.S. in the Company.

On or about March 30, 2020, the Company retained attorneys Horwood Marcus & Berk Chartered ("HMB") in Chicago to represent the Company and the above-mentioned officers of the Company in the Litigation. The Company has filed counterclaims against Brand and Weiss in the Litigation, as well as a series of motions seeking relief that includes, but is not limited to: (a) the dismissal of Brand's and Weiss's claims against the Company and its officers; and (b) court appointment of an independent receiver/manager for Dollop Coffee. The Company continues to explore legal action against Dollop Coffee's retained professionals. The Company estimates that these claims could be in excess of $90 million.

It was agreed with Silverstream Investments Limited in April 2020 that they would procure the financing of 50% of the litigation costs incurred by CHI. In exchange for providing 50% of these litigation costs, it has been agreed that Silverstream will be entitled to 50% of the net recovery from any settlements, with 50% of the net recovery going to CHI. These repayments are being made to Silverstream upon monthly receipts from Dollop Coffee.

The balance of the litigation costs not covered by Silverstream and incurred by CHI (approximately $400,000) are being repaid on a monthly basis to HMB Law under an agreement between the parties.

On June 16, 2020, in the Circuit Court of Cook County, Illinois, Law Division, a Complaint for Breach of Contract was filed in Caffe Streets, Inc. v. DHW Streets, LLC and Daniel Weiss, Case No. 2020L006458.

On June 17, 2020, in the Circuit Court of Cook County, County Department, Law Division, a Plaintiff's Complaint for Breach of Contract and Other Relief was filed in Affito Domus Vendita Holdings, LLC v. Dollop Larrabee, LLC, Dan Weiss, individually, and Dollop Coffee, LLC, Case No. 2020L006501.

On January 3, 2022, the lawsuit filed by Dollop Brand, LLC, et al (see Note 3) against DOCASA, Inc., et al, was dismissed with prejudice as the parties had reached a settlement. The terms of the settlement mean that the Company sold its 51% controlling interest in Dollop Coffee back to the original owner for $2,250,000. This sum is being repaid to the Company over a period which commenced on January 1, 2022 and runs until December 2026. Upon settlement of the litigation with Dollop Coffee, the Company was expecting to receive historical financial information from Dollop which had up to that point been denied it. Upon receipt of the supplied information in January 2022, it was determined by the Company and its accounting firm that the information was insufficient for the purposes of updating the accounts for 2020 and 2021, and best efforts were made to provide a set of accounts which would be meaningful for the Company going forward.

On January 15,2022, following extensive discussions, it was agreed to consolidate all of the Silverstream liabilities into a single position and new terms were agreed. The Silverstream liability at April 3, 2020, being $3,618,860 and used for ongoing working capital and acquisitions at the time, and the further Silverstream liability of $3,000,000 used for the acquisition of Dollop Coffee, were consolidated into a consolidated amount of $6,618,860. This liability is non-interest bearing and will be repayable either on demand from Silverstream or convertible at any time until January 1, 2032, at a conversion price of $0.02 per share at the discretion of and in a quantum determined by the lender.

The Company has appointed a specialist law firm in Illinois to represent it in an offensive professional malpractice lawsuit relating to the action taken by Dollop Coffee in March 2020. This claim has now been filed and the Company will continue to keep shareholders abreast of its progress.

NOTE 5 – CONCENTRATIONS

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist principally of temporary cash investments. The Company places its temporary cash investments with financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") for the United States and the Financial Services Compensation Scheme ("FSCS") for the United Kingdom. No amounts exceeded federally insured limits as of September 30, 2022. There have been no losses in these accounts through September 30, 2022.

NOTE 6 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. The Company has determined that there are no other such events that warrant disclosure or recognition in the financial statements, except as stated herein. The Company has been active and compliant with all OTC Pink Limited regulations without interruption since new OTC rules came into force at the end of September 2021. The Company's profile has been verified.

On October 12, 2022, the Company changed its name to Coffee Inc.