PotNetwork Holding Inc.

Unaudited Consolidated Financial Statements

As on

December 31, 2017

POTN
Balance Sheet

		Dec 31, 2017		Previous Dec 31. 2016
Assets				
Current Assets				
Bank Balances		258,448.46		147640.97
Accounts Receivable		330,223.63		49,217.87
Total Current assets	$	588,672.09	$	196,858.84
Other Assets				
Rent Deposit [POTN]		33,673.00		33,673.00
Advance for the production slots with vendors		640,366.71		
Prepaid for marketing arrangments with merchants		608,888.84		
Others		30,000.00		30,000.00
Total other assets	$	1,312,928.55	$	63,673.00
TOTAL ASSETS	$	1,901,600.64	$	260,531.84
Liabilities				
Current Liabilities				
Payables		292,486.91		232,100.21
Total Current Liabilities	$	292,486.91	$	232,100.21
Other Liabilities				
Note Payable [CBD]		222,733.09		72,733.09
Loan from 3rd Party with interest [Notes on accounts 11]		1,900,998.00		2,247,118.00
Note Payable [Notes on accounts 12]		1,200,000.00		-
Total other liabilities	$	3,323,731.09	$	2,319,851.09
Total Liabilities	$	3,616,218.00	$	2,551,951.30
Stockholders' Equity				
Common: Authorized 1,000,000,000 shares, $ .00001 par value; and 569,920,485 Issued and outstanding at December 31, 2017 and 89,571,121 Issued and outstanding at December 31, 2016 respectively.		450,573.00		87,573.00
Preferred Stock Class A Authorized - 50,000 shares, $ .00001 Par value; and 32,682 Issued and outstanding at December 31,, 2017 and None Issued and outstanding at December 31, 2016 respectively.		200.00		200.00
Preferred Stock Class D Authorized - 6,000 shares, $ .00001 par value; and 460 Issued and outstanding at December 31,, 2017 and 460 Issued and outstanding at December 31, 2016 respectively.		200.00		200.00
Additional paid in capital		263,131.00		263,131.00
Retained Earnings		(2,428,721.36)		(2,642,523.46)
Total Stockholders' Equity		(1,714,617.36)		(2,291,419.46)
Total Liabilities & Equity	$	1,901,600.64	$	260,531.84

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

POTN
Income Statement

		Year Ended Dec 31, 2017		Previous Year Ended Dec 31, 2016
Sales		14,499,136.53		1,029,450.00
Cost of Goods Sold		9,318,271.23		581,300.00
Gross Profit (Loss)	$	5,180,865.30	$	448,150.00
Expenses:				
Advertisement		536,189.23		34,470.00
Shipping Supplies		83,849.63		
Shipping - FedEx		142,233.94		
Shipping - UPS		38,327.83		
Shipping - USPS		228,549.25		
Shipping - Other Carriers		25,127.83		
email Marketing		4,120.00		
Marketing - Payments made to Vendors		1,982,127.50		
Marketing - Product Development & Testing		747,453.13		
Marketing - Website Expenses		65,139.11		
Marketing - Travel: Air Ticket, etc.		73,386.41		
Marketing - Travel: Boarding & Lodge		337,577.28		
Marketing - Travel: Rent-a-car, Toll, Uber, etc.		25,716.67		
Insurance		38,914.11		17,102.00
Legal & Professional		183,625.35		21,590.00
Licenses & Taxes		38,791.52		
Rent		25,271.12		52,061.00
Salary, payroll and benefits		87,676.15		40,138.00
Admin - Auto Expenses		37,971.66		
Admin - Bank Charges		19,047.45		
Admin - Computers		32,124.09		
Admin - Dues & Subscriptions		25,719.88		
Admin - Misc.		9,241.67		15,876.00
Admin - Office Supplies		14,550.99		9,898.00
Admin - Repairs & Maintenance		98,945.56		
Admin - Telephone		32,895.85		
Admin - Utilities		15,609.99		
Interest		16,880.00		156,516.00
Depreciation				1,646.00
Total Expenses	$	4,967,063.20	$	349,297.00
Bad Debt Expense due to changes in accounting procedures for the receivables				618,875.00
Profit (Loss) before Income Tax		$213,802.10		($520,022.00)
Provision for Income Tax	$	-	$	-
Net Profit (Loss)		$213,802.10		($520,022.00)

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

POTN
Statement of Cash Flows

	Year Ended Dec 31, 2017	Previous Year Ended Dec 31, 2016
Operating Activities		
Net Income (Loss)	$213,802.10	($520,022.00)
Add: Depreciation	$0.00	$1,646.00
Add: Interest accrued but not paid	$16,880.00	
Adjustments to reconcile net income (loss) to calculate the net cash provided by/used by the operations		
Accounts Receivable	($281,005.76)	$0.00
Inventory	-	($70,000.00)
Rent Deposit	-	$0.00
Advances	($1,249,255.55)	$0.00
Amex	60,386.70	$0.00
Payable	-	$0.00
Loan	-	$0.00
Notes payable	(213,000.00)	($45,854.00)
Convertible Notes	1,200,000.00	$0.00
Other payables	$0.00	$14,372.00
Preferred A Stock	-	
Preferred D Stock	-	$0.00
Additional Capital	-	$0.00
Notes converted as shares	363,000.00	
Total Adjustments to reconcile net income (loss) to calculate the net cash provided by/used by the operations	$110,807.49	($619,858.00)
Adjustment for the Bad Debt Expense, dud to accounting changes		$618,875.00
Net cash from the current year operations	$110,807.49	($983.00)
Investing Activities		
Loans Receivable	$0.00	$0.00
Net cash provided by investing activities	$0.00	$0.00
Financing Activities		
Net cash provided by financing activities	$0.00	$0.00
NET CASH INCREASE (DECREASE) For PERIOD	$110,807.49	($983.00)
Cash, Beginning	147,640.97	$1,083.00
Cash, Ending	$258,448.46	$100.00

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

POTN
Stockholders' Equity

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	($3,611,977)
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	($3,091,955)
Shares Issued	59,348,964			
Shares Issued - First Capital Venture [March 2017]	300,000,000			
Shares Issued - Q1-2017 Conversion "Sign"	39,000,000	$117,000		
Shares Issued - Q3-2017 Conversion "Sign"	82,000,000	$246,000		
Shares Cancelled				
Net Profit (Loss) - DiamondCBD				$663,234
Common Stock as on Dec. 31, 2017	569,920,485	$450,573	$263,131	($2,428,721)
Shares reserved [reserve name: JST]	475,000			
Shares available to issue	429,604,515			
Authorized shares	1,000,000,000			
Total number of holders	2,543			
Active	2,275			

Number of shares as of Dec. 31, 2017 is agreement with the statement received from the Share Transfer Agent

Report generated by the share registry on 1/12/2018

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

PotNetwork Holding Inc.
NOTES TO FINANCIAL STATEMENTS
For the year ended **December 31, 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 the current balance sheet date, the Company has a net operating loss carryforward of $2,411,481. 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.

This company has been successfully handling the shipping as expeditiously as possible, despite the order volume. This company is encouraged by the increasing sales volume as the benefit of the regular and marketing campaigns at weekly intervals. In effect, the marketing plan drawn by the company's expert team requires adequate arrangements, requiring advance bookings for the expositions, etc. including the travel arrangements. This eats up more and more working capital by way of prepayments for marketing arrangements with merchants.

In addition, this company signed up for advance production slots with vendors and has been making advance payments. Such an arrangement is an absolute necessity for order fulfillment, without holding inventory on hand.

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. 300,000,000 shares are in process of being retired.

- **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.

    a. The loan accrues interest @ the annual rate of eight percent (8%).
    b. Interest for 2016 is $8,000.
    c. Interest for 2017 is $8,000
    d. As of 31st December 2017, balance due (including the accrued interest) is $120,000

B. Southridge note is for $25,000

    a. The loan accrues interest @ the annual rate of eight percent (8%).
    b. Interest for 2016 is $1,000.
    c. Interest for 2017 is $2,000.

d. As of 31st December 2017, balance due (including the accrued interest) is $28,000

C. Mammoth note is for $7,000

a. The loan accrues interest @ the annual rate of eight percent (8%).
b. Interest for 2016 is $280.
c. Interest for 2017 is $560.
d. As of 31st December 2017, balance due (including the accrued interest) is $7,840

D. As explained in Note 1, the liability of the subsidiary $155,840 (including the accrued interest) as of 31st December 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 2017 is $3,360
d. As of 31st December 2017, balance due (including the accrued interest) is $47,600

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 2017 is $2,960
d. As of 31st December 2017, balance due (including the accrued interest) is $41,934

	Loan	Accrued Interest		Total
A	$100,000	$20,000	$120,000	
B	$25,000	$3,000	$28,000	
C	$7,000	$840	$7,840	$155,840
E	$42,000	$5,600	$47,600	
F	$37,000	$4,934	$41,934	$89,534
	$211,000	$34,374		$245,374

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 31st December 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.

D. In the fourth quarter of 2017, "Sign" wire-transferred $437,000 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
D	$437,000
	$2,855,624