BioStem Technologies, Inc.
Notes to the Financial Statements
(Unaudited)

Note 1 Organization and Nature of Operations

BioStem Technologies, Inc. (hereinafter "the Company"), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. Aladdin & Company Trading later changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida on March 2, 2009. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. On August 28, 2014, the Company changed its name to BioStem Technologies, Inc.

BioStem Technologies is a leading manufacturer and distributor of superior perinatal tissue products for use in regenerative therapies. The Company's mission is to discover, develop and produce the most effective Regenerative Medicine products in the world.

The Company offers a comprehensive portfolio of high-quality brands that are trademarked and include RHEO™, AEON™, OROPRO™, VENDAJE™, VENDAJE™ AC and VENDAJE™ OPTIC. The Company is comprised of a diverse group of scientists, physicians, and entrepreneurs who collaborate to create innovative products. These technologies improve the quality of life for our patients and, as a result, drive shareholder value.

Currently, the Company operates its business through the following subsidiaries:

- Blue Tech Industries, Inc. dba BioStem Life Science, a Delaware corporation, ("Life Sciences") is focused on the development of high quality placental-based amniotic tissue products for the ophthalmology, orthopedic and wound care markets. An emphasis on advancing ethical, pharmaceutical grade regenerative medical treatments that benefit our society. The Company's mission is to create a new paradigm of healthcare, using breakthrough therapies that treat patients who otherwise are without effective treatment options. In 2018, the Company sold 10 percent ownership in this subsidiary. The Company owns 90.0% interest of the subsidiary as of September 30, 2020 and 2019.
- BioStem Wellness, Inc., a Florida corporation ("Wellness"), develops and markets nutraceutical products through its own brands, Dr. Dave's Best and Nesvik Organics as well as other non-proprietary products throughout the U.S. and internationally. The Company is currently selling Wellness products via two ecommerce platforms, Shopify and Amazon.
- Nesvik Pharmaceuticals, Inc., a Delaware corporation (Nesvik"), focused on the development of novel reformulated pharmaceutical products that address unmet needs in large, established and underserved markets. This subsidiary is considered inactive.
- Quality Pharma Ingredients Inc., a Delaware corporation("QPI") is engaged in repackaging and distribution of active pharmaceutical ingredients at the Company's facility in Oakland Park, Florida. The Company owned 70.0% interest of the subsidiary as of December 31,2018. The Company purchased the 30 percent ownership from the minority interest in 2019. QPI was sold on April 18, 2019.

The Company's fiscal year end is December 31.

Note 2 Summary of Significant Accounting Policies

Going Concern

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $1,805,690 and $5,877,005 for the Nine months ended September 30, 2020 and 2019, respectively; and a working capital deficit of $6,105,668 as of September 30, 2020. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company has been impacted by the COVID 19 virus ("Pandemic") and the closure of all municipalities throughout the United States and the world beginning in March 2020. The Company's customers are typically medical outlets providing non-essential medical treatments. From the beginning of March 2020 through June 2020, these treatments have been significantly restrained. The Company continued manufacturing its products during the period and maintained the staff associated with these operations. The ability of the Company to continue its operation is outside of the Company's control however management has developed a plan, which include securing the Payroll Protection Program ("PPP") loans from the Small Business Administration ("SBA"), reducing overhead expenses, implementing a plan of securing the necessary personal protective equipment ("PPE") for our manufacturing personnel. Beginning in May 2020, certain facilities began to open in certain localities, some including our customers. See note 9 for further disclosure regarding the company's response to the pandemic.

The ability of the Company to continue its operation is dependent on management's plans, which include the raising of capital through debt and/or equity markets, restructuring outstanding debt and with some additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company's currently available cash along with anticipated revenues may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of BioStem Technologies, Inc. and all wholly and majority-owned entities. All significant intercompany balances have been eliminated.

The Company consolidates entities that are wholly owned or entities that are owned less than 100% but where the Company has control. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting.

The accompanying interim unaudited condensed consolidated financial statements of the Company as of September 30, 2020, and for the six-month period then ended have been prepared under the rules and regulations of the OTC Market Group and interim financial information, which includes condensed consolidated financial statements of the Company and its wholly owned subsidiaries as of September 30, 2020. Accordingly, the unaudited condensed consolidated financial statements do not include all the information and notes necessary for a comprehensive presentation of financial position and results of operations and should be read in conjunction December 31, 2019 unaudited financial statements filed with the OTC Market Group on November 17, 2020. It is management's opinion that all material adjustments (consisting of with our normal recurring adjustments) have been made, which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives of property and equipment, the valuation of intangible assets, estimate of fair value of stock based payments, and valuation of deferred tax assets.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the Company's products; (ii) competition inherent in the markets where products are expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less. The company held no cash equivalents as of September 30, 2020 and December 31, 2019.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at the original invoice amount and recognizes an allowance for doubtful receivables in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an assessment of specific identifiable troubled customer accounts considered at risk or uncollectible, an analysis of historical bad debt experience, and expected future write-offs.

The Company typically gets paid upon shipment or in advance of order completion and has not recorded an allowance for doubtful accounts.

Inventory

Inventories consist primarily of proprietary perinatal-based tissue membrane and flowable allografts produced by BioStem Life Science. And bulk and repackaged active pharmaceutical ingredients.

The Company determines the cost of inventory using the standard-cost method, which approximates actual cost based on a first-in, first-out method or market value. Life Science costs includes consumables. All other costs, including labor and administrative expensed are expensed as incurred.

Inventory at September 30, 2020 and December 31, 2019 was $782,860 and $565,001, respectively. The Company reviews inventory levels periodically and historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand as determined by management. The Company tracks inventory as it is disposed or scrapped to determine whether additional items on hand should be reduced in value through an allowance method. The Company established a valuation allowance for the inventory of $29,737 at September 30, 2020 and December 31, 2019.

Valuation of Long-lived Assets and Identifiable Intangible Assets

The Company reviews for impairment of long-lived assets and Identifiable Intangible Assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined an impairment adjustment of $49,702 was necessary for the year ended December 31, 2019 related to the long-lived assets regarding equipment acquired from Nesvik Pharmaceuticals

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method based on the lesser of estimated useful lives of the related assets ranging from 3-39 years or lease terms. Lab equipment items have depreciable lives of five years, furniture items have depreciable lives of 5 to 7 years, and computer equipment items have depreciable lives of 3 years. Repairs and maintenance costs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the financial statements.

Intangible Assets (Other than Goodwill)

Intangible assets with finite useful lives are amortized over their estimated useful lives primarily on a straight-line basis. Intangible assets with finite useful lives are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable and accrued expenses, notes payable, convertible debt, and advance from related parties approximate their fair values because of the short maturity of these instruments.

Leases

In February 2016, the FASB issued an accounting standard update which modifies the accounting for leasing arrangements, particularly those arrangements classified as operating leases. This update will require entities to recognize the assets and liabilities arising from operating leases on the balance sheet.

Stock Based Compensation – Employees and Non-Employees

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for nonemployee share- based payment transactions by expanding the scope of the stock-based compensation guidance in ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. ASU No. 2018-07 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted, but entities may not adopt prior to adopting the new revenue recognition guidance in ASC 606. Effective January 1, 2019, the Company adopted ASU No. 2018-07 which did not have any material impact on the Company's consolidated financial statements.

The Company accounts for its stock-based compensation in which the Company obtains employee and non-employee services in share-based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the FASB Accounting Standards Codification. Pursuant to paragraph 718-10-30-6 of the FASB Accounting Standards Codification, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

If the Company is a newly formed corporation or shares of the Company are thinly traded, the use of share prices established in the Company's most recent private placement memorandum (based on sales to third parties), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

Revenue from Contracts with Customers

The Company derives revenues from various sources, including but not limited to, the sale of nutraceutical products to customers through online sales, the sales of branded and private label placental-based amniotic tissue membrane and flowable products through direct sales and distributors, contract manufacturing and sale of repackaged active pharmaceutical ingredients through direct sales.

The Company recognizes product revenue when the Company's performance obligations as per the terms in the customers contract have been fully satisfied, specifically, when the specified product and quantity ordered has been shipped pursuant to the customer's request, when the sales price as detailed in the purchase order or customer contract is fixed, when the product title and risk of loss for that order has passed to the customer, and collection of the invoice is reasonably assured.

Cost of Sales

Cost of sales represents costs directly related to the purchase and production of the Company's products.

Loss Per Share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The following common stock equivalents have been excluded from the computation of diluted loss per share for the periods ended at March 31, because their impact was antidilutive:

	September 30, 2020	December 31, 2019
Stock Warrants	383,456	383,456
Convertible Debt	112,500	75,000
Preferred Stock	300	300
Total	496,256	458,756

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using exacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

The Company's tax returns may be subject to examination by the federal and state authorities for the years ended 2019 to 2014.

Recently Issued and Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13 *"Financial Instruments – Credit Losses"* which replaces the incurred loss model with a current expected credit loss ("CECL") model. The CECL model applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet exposures. Under current U.S. GAAP, an entity reflects credit losses on financial assets measured on an amortized cost basis only when losses are probable and have been incurred, generally considering only past events and current conditions in making these determinations. ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets.

ASU 2016-13 also revises the approach to recognizing credit losses for available-for-sale securities by replacing the direct write-down approach with the allowance approach and limiting the allowance to the amount at which the security's fair value is less than the amortized cost. In addition, ASU 2016-13 provides that the initial allowance for credit losses on purchased credit impaired financial assets will be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense. ASU 2016-13 also expands disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for credit losses. The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted as of January 1, 2020, the Company has not yet adopted the guidance. The Company is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In January 2017, the FASB issued 2017-04, *Intangibles - Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted as of

January 1, 2020, the Company has not yet adopted the guidance. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted upon the issuance of the update, the Company has not yet adopted the guidance. We do not expect the adoption of this guidance to have a material impact on our consolidated Financial Statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

BioStem Technologies, Inc.
Notes to the Financial Statements
(Unaudited)
(Continued)

Note 3 Notes Payable

The notes payable for the Nine months ended September 30, 2020 and year ended December 31, 2019 are as follows:

		September 30, 2020		December 31, 2019
On July 27, 2018, GMA Bridge Fund, LLC issued a Bridge Loan Agreement and Promissory Note , with a rate of 50 basis points, per month for the first six months and 75 basis points a month through the Maturity Date of July 27, 2019. This agreement has not been repaid on the maturity date. **(1)**	$	1,000,000	$	1,000,000
On October 5, 2018, GMA Bridge Fund, LLC issued a Bridge Loan Agreement and Promissory Note , with a rate of 50 basis points, per month for the first six months and 75 basis points a month through the Maturity Date of October 5, 2019. This agreement has not been repaid on the maturity date.		2,000,000		2,000,000
On October 29, 2015, the Company financed the purchase of its headquarters for $500,000 with a 5 percent interest rate. The loan is payable monthly, interest only for the term of the loan. The loan matured on April 29, 2017. On February 2, 2018 the Company entered into a Promissory Note and Mortgage to refinance the original mortgage, with an annual interest rate of 12 percent and a maturity date of February 28, 2019. This loan was extended through February 28, 2020 for a fee of $10,000. The loan requires monthly payments of interest and real estate taxes beginning on April 1, 2018. On November 25, 2020 the lender extended the term through May 31, 2021. See Subsequent Events.		500,000		500,000
On December 27, 2018, the Company entered into an Amended and Restated Promissory Note, whereby the original $400,000 convertible debt agreement dated August 17, 2016 and the Company capitalized interest of $28,504 . Effective May 17, 2019 the Company entered an Amended and Restate Promissory note, whereby the original convertible debt agreement was considered void. Pursuant to the agreement, the Company capitalized interest of $17,984. The interest accrues at 12 percent effective January 1, 2019. Prior to that date, the interest rate was 3 percent. The loan matures on June 1, 2022. The Company was to make interest only payments through December 31, 2019, and principal and interest payments of $17,178 beginning on January 1, 2020. On April 8, 2020, the terms of the agreement were modified to capitalize accrued and unpaid interest and to require interest only payments through December 31, 2020.		446,488		446,488
On December 5, 2018, the Company entered into a $250,000 Promissory Note, which bears interest at a rate 18 percent per annum, with interest commencing on August 30, 2018, which was the date the purchase price was delivered to the Company. The loan matured on August 30, 2019. The Company is in the process of refinancing this promissory note.		111,630		135,631
On April 30, 2020, the Company entered into a $263,400 Paycheck Protection Program Term Note with the PNC Bank. Loan subject to forgiveness as long as certain criteria are met, if not, due in two years with 1% of interest.		263,400		-
On May 7, 2020, the Company entered into a $142,452 Paycheck Protection Program Term Note with the American National Bank. Loan subject to forgiveness as long as certain criteria are met, if not, due in two years with 1% of interest.		142,452		-
On May 18, 2020, the Company entered into a $159,900 Economic Injury Disaster Loan. Installment payments, including principle and interest, of $731 monthly, will begin 12 months from the promissory note May 18, 2021. Interest will accrue at the rate of 3.75%.		159,900		-
Total Notes Payable Outstanding	$	4,623,870		4,082,119
Less current portion	$	3,611,630	$	3,635,631
Notes payable - long-term	$	1,012,240	$	446,488

In August 2019, the Company received notice from GMA Bridge Fund, LLC that the Company is in default for the loan that matured on July 27, 2019, for non-payment and gave the Company notice that the note which matured on October 5, 2019 was also in default. The Company continues to accrue interest on these loans totaling $3.0 million and is in discussion with the lender to renegotiate the terms of these notes.

The convertible notes payable at December September 30, 2020 and December 31, 2019 are discussed below:

Convertible Notes	September 30, 2020	December 31, 2019
On August 17, 2016, the Company issued a 3% Convertible Promissory Note (the "Note") in the principal amount of $400,000. The Note began accruing interest at a rate of 3% , with the interest thereon becoming due and payable on the one year anniversary of said date. The principal and interest under the Note are convertible into shares of the Company's common stock at $10.00 per share. On December 27, 2018, the Company entered into a Amended and Restated Promissory Note, whereby the original $400,000 convertible debt agreement dated August 17, 2016 was extended and the interest was capitalized for the accrued and unpaid interest of $28,504. On May 17, 2019, Company entered into an Amended and Restated Promissory Note whereby, the original note was considered void.	$ -	$ 428,504
On December 23, 2019, the Company entered into a Convertible Promissory Note with an interest rate of 8 percent, with a maturity date of December 23, 2020. The Promissory Note is convertible at $2.00 at the Company's sole discretion.	150,000	
On January 7, 2020, the Company entered into a Convertible Promissory Note with an interest rate of 8 percent, with a maturity date of January 7, 2021. The Promissory Note is convertible at $2.00 at the Company's sole discretion.	75,000	
	$ 225,000	$ 428,504

The interest expense related to the notes payable for the Nine months ended September 30, 2020 and March 31, 2019 was $403,354 and $401.601, respectively. Amortized loan fees were $8,665 and $20,793 for the Nine months ended September 30, 2020 and year ended December 31, 2019, respectively.

Note 4 Related Party

Related Party Loans	September 30, 2020	December 31, 2020
On October 4, 2018, the Company entered into a Promissory, with a shareholder and father of the CEO, with a rate of 8 percent, with a maturity date of December 31, 2021. Interest only payments paid monthly.	250,000	250,000
On February 5, 2018, the Company entered into a Promissory, with a shareholder and father of CEO with a rate of 8 percent, with a maturity date of December 31, 2021 with monthly Interest only payments.	50,000	50,000
Between September 2017 and July 2018, the Company issued various Promissory Notes with Henry Van Vurst, the Company's former CEO, with a rate of 8 percent per annum all with maturity date of December 31, 2021	$ 151,000	$ 151,000
On July 12, 2018, the Company entered into a Promissory Note with its CEO for $20,030, accruing interest of 8 percent with maturity date of December 31, 2021.	16,861	16,861
Total Related Party Loans	$ 467,861	$ 467,861

Effective October 22, 2019, Henry Van Vurst stepped down as the company's Chief Executive Officer and as Chairman of the Board of Directors and the Board of Directors elected Jason Matuszewski, a co-founder, as the company's Chief Executive Officer and Chairman.

The Company has employment contracts with its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer whereby they are to receive a salary plus stock compensation and bonuses based on board approval. These executives have not received their full salaries and the unpaid portion is included in Salaries Payable on the consolidated balance sheets at September 30, 2020 and December 31, 2019 of $877,378 and $655,583, respectively. Included in Salaries Payable is $ 243,995 and $ 243,995 owed to Henry Van Vurst the Company's former CEO and Chairman of the Board of Directors as of September 30, 2020 and December 31, 2019, respectively. The Company plans to settle the liability with the former executive.

Note 5 Capital Lease Obligations

The Company leases certain specialized equipment under lease classified as capital lease. The equipment leases were entered into between September and December 2018, primarily for 60 months, maturing between September 2023 and December 23, 2023.

The capital lease annual principal payments due on September 30, 2020

2020	$	129,147
2021		104,517
2022		87,002
2023		62,230
2024		-
	$	382,896

Note 6 Stockholders' Equity

(A) Preferred Stock

Series A-1 Convertible Preferred Shares

The Company has designated 300 shares of preferred stock as "Series A-1 Convertible Preferred Shares".

The Series A-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion times 2,000,000 granting the holders of Series A Convertible Preferred Shares, as a group, effective control of the Company.

Series A-1 Convertible Preferred Shares are convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than $30 million, in whole but not in part, into 300 shares of common stock.

Holders of Series A-1 Convertible Preferred Shares are not be entitled to receive dividends, out of assets legally available thereof, prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation.

Series B-1 Convertible Preferred Shares

The Company has designated 500,000 shares of preferred stock as “Series B-1 Convertible Preferred Shares”.

The Series B-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion.

Each Series B-1 Convertible Preferred Share is convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than $30 million, in whole but no in part, into 6 shares of common stock.

The Series B-1 Preferred Shares shall be entitled to receive an annual dividend, payable in newly issued common stock, in an amount equal to ten percent of the number of then existing Series B- 1 Preferred Shares issued and outstanding prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation. This Dividend shall be cumulative.

(B) Common Stock

Common stock issued for services

Deferred compensation recognized for the Nine months ended September 30, 2020 and year ended September 30, 2019 was $602,100 and $3,341,475, respectively.

(C) Unvested Stock and Deferred Compensation

At September 30, 2020 and, the Company has unrecognized stock compensation expense of $ 706,968 related to stock issued for services that remain unvested.

	Non-Employees
Ending Balance at December 31,2019	$ 1,309,068
Expense recognized	(602,100)
Ending Balance at September 30, 2020	$ 706,968

(D) Warrants

The company has the following warrants outstanding issued for services:

The Company recognized warrant expense based on a Black-Scholes model with an interest free rate of 2.2%, volatility rate of 89% based on an average term of 60 months. Total expense related to common stock warrants issued to employees and consultants were $0 and $496,155 and $4,063 and $452,413 for the Nine months ended September 30, 2020 and December 31, 2019, respectively.

Note 7 Commitments and Contingencies Employment Agreements

On March 31, 2018, the Company decided to terminate the employment agreement with its Chief Technology Officer. According to the agreement between the Company and the officer, the Company will return the right to use the platform that was developed by the officer. In addition, the remaining 50,000 shares due to the officer as outlined in its employment agreement will be not be issued. The Company issued a total of 62,734, (44,734 upon settlement and 18,000 shares placed in escrow) shares of common stock valued at $493,141 for the year ended December 31, 2018 regarding the settlement with this officer. The Company repurchased 7,836 shares of common stock for a total $30,012, which is included in treasury stock at September 30, 2020 and December 31, 2019, respectively.

Consulting Agreements

On July 27, 2018 and October 5, 2018, the Company entered into consulting agreements with GMA Bridge Holdings, LLC. According to the consulting agreement, the consultant is focused on facilitating meetings with Stem cell medical practices, regenerative medicine companies and early stage with regenerative medicine companies for acquisition or strategic partnerships, The services performed by the consultant would be compensated with a grant of 250,000 and 450,000 restricted shares upon commencement of the these agreements which shall vest over twelve month period valued at $1,062,500 and $1,822,500 at July 27, 2018 and October 5, 2018, respectively, based on the most recent issuance of common shares, included in deferred compensation at December 31, 2018, fully amortized to consulting expense as of December 31, 2019.

On August 9, 2018, the Company entered into a consulting agreement with an outside consultant, Maxim Group as its non-exclusive financial advisor to provide a valuation analysis of the Company and/or targets, assist the company in strategic planning, business plans, organizational structure and potential strategic alliances and capital requirements, The services performed by the Consultant would be compensated with a grant of 4 percent of the Company's outstanding shares of common stock, or 317,359 or $1,387,328, based on the most recent issuance of common shares, included in deferred compensation at December 31, 2018, fully amortized to consulting expense as of December 31, 2019.

On October 23, 2018, the Company entered into a consulting agreement with an outside consultant, Advanced Alternative Consulting, Ltd., an Irish Limited Company, to provide the Company with the establishment of European site for business development, a business plan to increase the sales for the Company's products and services, a strategic plan to launch wound care products for the Veterans Administration markets. The services would be compensated with a grant of 200,000 restricted shares upon commencement of the agreement which vest ratably over a 48-month period, valued at $906,000, included in deferred compensation December 31, 2019, ased on the most recent issuance of common shares.

In March 2018 the Company entered into two consulting and advisory agreements with Akquimed Corporation, a Florida corporation, whereby each of the advisors would be compensated with a grant of 50,000 restricted shares, each upon commencement of the agreement which began vesting upon meeting the twelve month of service and vesting over a 4-year period, valued at $220,500 and $228,500. Prior to meeting the twelve months of service, the Company terminate the agreement with consultants. The Company received the shares of common stock from these consultants on October 11, 2020 and the amortization of the deferred compensation has been stopped. The balance related to these shares included in deferred compensation was $351,000 at December 31, 2019.

On August 15, 2018 the Company entered into a consulting agreement with Mark Jens, the advisor to serve on the Advisory Committee and to advise the Company for marketing and strategy whereby the Company issued 30,000 restricted shares of common stock valued at $131,400 for services over a twelve-month period. The balance related to these shares included in deferred compensation was $0 at December 31, 2019.

On March 30, 2020, the company entered into a consulting agreement with Dr. Michael Zahalsky who is the chairman of the medical advisory board and is engaged to identify and recruit clinical members for specific specialties to the medical advisory board. He is also engaged to manage and carry out patient case studies in urology. The contract shall grant the Dr. Zahalsky an option to acquire 20,000 restricted shares of common stock at an exercise price of $1 per share fully vested and exercisable on grant date and expiring on the fifth anniversary of the grant date

Note 8 Subsidiary Acquisition and Sales

On August 3, 2018, the Company completed an Asset Purchase Agreement pursuant to which Vera Bioscience, LLC ("Vera") sold or transferred to the Company its right, title and interest in certain tangible and other assets associated with its manufacturing operations, including, raw and finished goods inventory, a long-term lease for Vera's laboratory facility in Sunrise, Florida, furniture and equipment, and certain intellectual property rights. These assets are held in the BioStem Life Science entity. It was later discovered that the assets that were to be purchased changed after the purchase. Vera Bioscience, LLC settled the difference by forgiving $180,000 of the loan to account for the changes due to assets acquired.

The Company sold 10 percent of the above acquisition for $500,000 in August 2018. The Company recorded a gain of $393,000 for the year ended December 31, 2018. The Company owned 90.0% interest of the subsidiary as of March 31, 2020.

Purchase of Vera Bioscience

		Acquisition		Adjustment		December 31, 2018
Note Payable	$	500,000	$	(180,000)	$	320,000
Cash Proceeds		570,000		-		570,000
	$	1,070,000	$	(180,000)	$	890,000
Inventory	$	331,378	$		$	331,378
Property, Plant and Equipment		120,629				120,629
Prepaid Rent		9,665				9,665
Security Deposit		37,275				37,275
Assumed Payables/Deposits		(74,115)				(74,115)
Net Tangible Assets Acquired		424,832				424,832
Net Assets Acquired						
Goodwill	$	645,168	$	(180,000)	$	465,168
Intangibles and Goodwill		645,168		(180,000)		465,168
Total Acquired Assets	$	1,070,000	$	(180,000)	$	890,000

The leased office space related to the acquisition was sublease and a loss was recognized regarding the transaction.

Facility Lease

	Lease	Sublease	December 31, 2019
2020	$ 113,784	$ (54,000)	$ 59,784
2021	113,784	(60,000)	53,784
2022	56,892	(30,000)	26,892
	$ 284,460	$ (144,000)	$ 140,460

The Company lease the facility related to the acquisition noted above. Included in the sublease is $116,000 related to the prepaid inventory related to Wellness. The company recorded a loss attributed to this lease of $ 140,460

The Company owned 70.0% interest of QPI as of December 31, 2018. In 2019, prior to the sale, the Company acquired the 30% noncontrolling interest for $1. The Company recognized the loss on recognition of the non-controlling interest of $176,105. QPI was sold April 18, 2019 for $179,000. The gain associated upon the sale is reported in the second quarter of 2019 in the consolidated statements of operations.

Sale of Qualified Pharma Ingredients, Inc

Proceeds:	$ 179,000
Accounts Receivable	5,500
Inventory	68,941
Deposits	2,706
Property, Plant and Equipment	98,931
Liabilities Assumed	(1,648)
	174,430
Gain on Sale	$ 4,570

Note 9 Subsequent Events

The Company has evaluated subsequent events through December 21, 2020, which is the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. Since March 2020, several states have instituted orders to close non-essential surgeries, out-patient procedures, or other related business as well as guidance in response to the pandemic and the need to contain it. In June 2020, most states have opened for business as it relates to non-essential surgeries, out-patient procedures, and other related businesses.

Expected Impact of COVID-19 Pandemic
In response to the overarching implications of the COVID-19 pandemic and the threat that it poses, government and business entities alike have taken action to minimize and mitigate the potential spread of the novel virus, actions such as the restriction of movement and travel, quarantine procedures, and shelter-in-place measures. Many of the actions taken to combat the spread of COVID-19 were and, in some cases, continue to be prohibitive to the function of otherwise regular business practices and as of the first half of 2020, there remains uncertainty surrounding the timing, efficacy and availability of a vaccine. As development of the outbreak continues, there looms the potential for some similar or greater restrictions to be imposed for indefinite periods of time.

Sourcing and Manufacturing
We obtain donated perinatal tissue from Cesarean section births from a large and diverse network of qualified donor hospitals and medical facilities. Interruptions in the supply chain of these donated perinatal tissues were experienced in late Q1, particularly in the late portion of March 2020. Through additions to the supply chain in the form of additional donor hospitals, and more recently, qualified third-party providers of donated placental tissue, we were able to effectively mitigate disruption to our raw material supply while increasing collection efforts at hospitals that did not impose access limits.

Our product manufacturing process employs the use of aseptic technique in controlled environment areas. However, the manufacturing space also includes areas that do not require controlled environment and wherein an infected employee may spread the virus, despite the use of personal protective equipment. As a control measure to mitigate potential propagation or spread of the virus, we measure employees' temperatures prior to entry to the facilities. As of the filing of this financial statement no employees of BioStem Technologies have yet tested positive for COVID-19. As an additional precaution, all non-manufacturing employees of BioStem Technologies were required to work from home between the dates of March 24, 2020 and ending on May 4, 2020. Flexibility in employees work arrangements have been allowed beginning May 4, 2020 and ongoing as of the filing of this financial statement if the employees work does not require the presence of the employee directly on premise. We continue to monitor the guidance provided by federal, state and local health authorities, and effect policy based on current industry guidance and recommendation, especially those of the Centers for Disease Control and Prevention ("***CDC***").

Due to the significant mitigation measures employed by the Company, governmental and societal response to the Pandemic, we have seen minimal impact to the ability to source and manufacture our products.

Sales and Marketing
Due to the overarching effects of the pandemic, our ability to sell product was hampered during the first half of 2020. In addition, the CDC recommendations to avoid elective surgery, and the exclusion of our sales force from medical facilities and health care providers that typically would provide the majority of our sales efforts meant that an adverse impact was affected on revenues beginning late Q1 2020 and continuing into middle Q2 2020. This adverse impact lessened as the Company entered into June 2020, as restrictions to our sales force from entering hospitals and medical facilities loosened and patients began to return for elective procedures.

Selling and General Administrative Expenses
With regard to the challenges of the Pandemic, executive management-initiated efforts to curtail many discretionary expenses, most of which were eliminated or postponed. New hiring was paused in areas not critical to the operation of the business. Executive salaries were reduced effective September 30, 2020 by 50%, with cuts surviving to the filing of this financial statement. These efforts allowed the Company to reduce its expense base, and to maintain margins as sales efforts continue to increase.

BioStem Technologies, Inc.
Notes to the Financial Statements
(Unaudited)
(Continued)

Financial Reporting Systems and Internal Controls
Prior to the pandemic, steps were already taken to allow the office staff to work remotely. In lieu of this, no material adverse effect is expected on our internal financial reporting systems in total. We have experienced some delays with third party working entities whose procedures require them to review certain physical records. The Company secured personal protective equipment ("PPE") for its manufacturing operations. To further help mitigate risk, the Company has secured loans through the Paycheck Protection Program ("PPP") that originated from the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of $405,852 and the Company received $159,900 from the Small Business Association ("SBA") through the Economic Injury Disaster Loan Program ("EIDL"). The PPP program provides 100 percent federally guaranteed loans with the ability to have a portion of the balance forgiven if the loans are used directly for payroll, rent, and utilities, and is intended to provide American small businesses with cash-flow assistance. The Company believes if certain requirements are met the loan proceeds may be forgiven.

The Company extended the term of the $500,000 promissory note which matured on February 28, 2020 to May 28, 2020 and then in May 2020, extended the maturity date to November 30, 2020 and currently it has been extended to May 2021.

On April 8, 2020, the Company received a modification with its Amended Promissory Note, whereby the Company is required to pay interest only payments through December 31, 2020. In April 2020, the Company capitalized $26,863 to the loan balance of $473,351.

On December 8, 2020, the Company terminated its Lease Agreement with SunWest Commerce Center LLC.

On December 21, 2020, the Company terminated its Consulting Agreement with Imperial Creations Inc.