

**IPSIDY INC AND SUBSIDIARIES**  
**Reconciliation of Net Loss to Adjusted EBITDA**  
(Unaudited)

	<b>For the Year Ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Net loss	\$ (10,500,358)	\$ (10,027,613)
Add Back:		
Interest Expense	375,598	757,801
Other income	(23,920)	(83,649)
Depreciation and amortization	790,367	493,697
Taxes	62,931	30,242
Impairment loss	1,671,804	148,627
Stock compensation	1,246,019	2,675,852
Adjusted EBITDA (Non-GAAP)	\$ (6,377,559)	\$ (6,005,043)

**IPSIDY INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenues:		
Products and services	\$ 2,488,624	\$ 3,759,635
Lease income	63,421	69,358
Total revenues, net	2,552,045	3,828,993
Operating Expenses:		
Cost of Sales	669,523	1,256,853
General and administrative	7,892,046	10,358,186
Research and development	1,614,054	894,849
Impairment loss	1,671,804	148,627
Depreciation and amortization	790,367	493,697
Total operating expenses	12,637,794	13,152,212
Loss from operations	(10,085,749)	(9,323,219)
Other Income (Expense):		
Interest expense, net	(375,598)	(757,801)
Other income, net	23,920	83,649
Other expense, net	(351,678)	(674,152)
Loss before income taxes	(10,437,427)	(9,997,371)
Income Taxes	(62,931)	(30,242)
Net loss	\$ (10,500,358)	\$ (10,027,613)

Net loss per share - Basic	\$ (0.02)	\$ (0.02)
Net loss per share - Diluted	\$ (0.02)	\$ (0.02)
Weighted Average Shares Outstanding - Basic	498,747,396	429,852,594
Weighted Average Shares Outstanding - Diluted	498,747,396	429,852,594

**IPSIDY INC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 567,081	\$ 4,972,331
Accounts receivable, net	125,859	130,875
Current portion of net investment in direct financing lease	65,333	58,727
Inventory, net	173,575	133,541
Other current assets	753,505	471,834
Total current assets	<u>1,685,353</u>	<u>5,767,308</u>
Property and equipment, net	161,820	204,000
Other Assets	383,066	1,566,177
Intangible Assets, net	5,593,612	3,310,184
Goodwill	5,218,861	6,736,043
Net investment in direct financing lease, net of current portion	494,703	560,036
Total assets	<u>\$ 13,537,415</u>	<u>\$ 18,143,748</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,215,912	\$ 1,347,225
Notes payable, current portion	5,341	-
Capital lease obligation, current portion	34,816	30,898
Deferred revenue	425,276	236,270
Total current liabilities	<u>2,681,345</u>	<u>1,614,393</u>
Long-term liabilities:		
Notes payable, net	1,970,937	1,853,649
Convertible debt	428,000	-
Capital lease obligation, net of current portion	49,794	84,610
Other liabilities	131,568	-
Total liabilities	<u>5,261,644</u>	<u>3,552,652</u>
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized; 518,125,454 and 478,950,996 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	51,812	47,895
Additional paid in capital	94,982,167	90,770,682
Accumulated deficit	(86,935,593)	(76,435,235)
Accumulated comprehensive income	177,385	207,754
Total stockholders' equity	<u>8,275,771</u>	<u>14,591,096</u>
Total liabilities and stockholders' equity	<u>\$ 13,537,415</u>	<u>\$ 18,143,748</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (10,500,358)	\$ (10,027,613)
Adjustments to reconcile net loss with cash used in operations:		
Depreciation and amortization expense	790,367	493,697
Stock-based compensation	1,246,019	2,675,852
Stock issued for services	41,071	97,126
Inventory reserve	-	348,302
Amortization of debt discount and debt issuance costs, net	109,764	477,928
Impairment loss	1,671,804	148,627
Changes in operating assets and liabilities:		
Accounts receivable	(5,770)	20,762
Net investment in direct financing lease	58,727	52,790
Other current assets	(18,834)	(265,624)
Inventory	(50,647)	(1,519)
Accounts payable and accrued expenses	413,773	(84,512)
Deferred revenue	189,006	113,759
Net cash flows from operating activities	(6,055,078)	(5,950,425)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(27,364)	(59,091)
Investment in other assets including work in process	(1,604,152)	(1,319,932)
Net cash flows from investing activities	(1,631,516)	(1,379,023)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of convertible note payable	408,000	-
Proceeds from the sale of common stock, net	2,928,312	9,610,793
Payment of debt and equity issuance costs	-	(658,864)
Principal payments on capital lease obligations	(31,188)	(27,421)
Principal payments on notes payable	-	(1,000,000)
Net cash flows from financing activities	3,305,124	7,924,508
Effect of foreign currencies exchange on cash	(23,780)	(36,551)
Net change in Cash	(4,405,250)	558,509
Cash, Beginning of Period	4,972,331	4,413,822
Cash, End of Period	\$ 567,081	\$ 4,972,331
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 10,771	\$ 173,426
Cash paid for income taxes	\$ 62,931	\$ 17,304
<b>Non-cash Investing and Financing Activities:</b>		
Purchase of vehicle with note payable	\$ 16,510	\$ -
Recognition of right to use asset and obligation	\$ 514,473	\$ -
Reclassification of software development costs to intangible assets	\$ 3,111,668	\$ 679,882