

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 31, 2022

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-54030

**NATURALSHRIMP INCORPORATED**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other Jurisdiction of Incorporation or  
Organization)

**5501 LBJ Freeway, Suite 450**  
**Dallas, Texas**  
(Address of Principal Executive Offices)

**74-3262176**  
(I.R.S. Employer  
Identification No.)

**75240**  
(Zip Code)

**(888) 791-9474**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading symbol(s)</u> | <u>Name of exchange on which registered</u> |
|----------------------------|--------------------------|---|
| None                       | N/A                      | N/A   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                                     |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/>            |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 15, 2023, there were 783,161,589 shares of the registrant's common stock outstanding.

NATURALSHRIMP INCORPORATED  
FORM 10-Q  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2022

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | <u>December 31, 2022</u><br>(unaudited) | <u>March 31, 2022</u> |
|---|---|-----------------------|
| <b>ASSETS</b>   |   |                       |
| Current assets  |   |                       |
| Cash  | \$ 141,864                              | \$ 1,734,040          |
| Accounts receivable   | 7,502                                   | 14,385                |
| Escrow account  | -                                       | 1,500,000             |
| Inventory   | 101,929                                 | 69,170                |
| Prepaid expenses  | 490,140                                 | 1,511,546             |
| Deferred offering costs   | 126,963                                 | -                     |
|   | <u>868,398</u>                          | <u>4,829,141</u>      |
| Total current assets  |   |                       |
| Fixed assets, net   | 15,350,443                              | 14,798,103            |
| Other assets  |   |                       |
| Construction-in-process   | 45,730                                  | 1,087,101             |
| Patents, net  | 6,366,000                               | 6,658,500             |
| License Agreement, net  | 9,412,376                               | 10,222,376            |
| Right of Use asset  | 224,266                                 | 282,753               |
| Deposits  | 20,633                                  | 20,633                |
|   | <u>16,069,005</u>                       | <u>18,271,363</u>     |
| Total other assets  |   |                       |
| Total assets  | <u>\$ 32,287,846</u>                    | <u>\$ 37,898,607</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |   |                       |
| Current liabilities   |   |                       |
| Accounts payable  | \$ 3,523,210                            | \$ 2,802,787          |
| Accrued interest  | 336,102                                 | 500,450               |
| Accrued interest - related parties  | 213,292                                 | 203,520               |
| Other accrued expenses  | 299,978                                 | 207,418               |
| Accrued expenses - related parties  | 200,000                                 | 200,000               |
| Short-term Promissory Note and Lines of credit  | 19,817                                  | 20,044                |
| Note payable  | 96,000                                  | 96,000                |
| Restructured August note payable  | 2,219,347                               | -                     |
| Notes payable - related parties   | 745,412                                 | 495,412               |
| Dividends payable   | 514,391                                 | 296,630               |
| Derivative liability  | -                                       | 13,101,000            |
| Warrant liability   | 892,000                                 | 3,923,000             |
|   | <u>9,059,549</u>                        | <u>21,846,261</u>     |
| Total current liabilities   |   |                       |
| Convertible debenture, less unamortized debt discount of \$9,680,000  | -                                       | 2,629,079             |
| Restructured Senior note payable  | 20,223,035                              | -                     |
| Note payable, less current maturities   | 47,604                                  | 119,604               |
| Lease Liability   | 231,704                                 | 286,253               |
|   | <u>29,561,892</u>                       | <u>24,881,197</u>     |
| Total liabilities   |   |                       |
| Commitments and contingencies (Note 10)   |   |                       |
| Series E Redeemable Convertible Preferred stock, \$0.0001 par value, 20,000 shares authorized, 1,670 and 2,840 shares issued and outstanding at December 31, 2022 and March 31, 2021, respectively  | 2,003,557                               | 2,539,176             |
| Series F Redeemable Convertible Preferred stock, \$0.0001 par value, 750,000 shares authorized, 750,000 and 0 shares issued and outstanding at December 31, 2022 and March 31, 2021, respectively   | 43,612,000                              | 43,612,000            |
| Stockholders' deficit   |   |                       |
| Series A Convertible Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, 5,000,000 shares issued and outstanding at December 31, 2022 and March 31, 2021  | 500                                     | 500                   |
| Common stock, \$0.0001 par value, 900,000,000 shares authorized, 768,561,129 shares issued and 751,322,954 shares outstanding at December 31, 2022 and 674,831,624 shares issued and 674,644,124 shares outstanding at March 31, 2022, respectively | 76,894                                  | 67,500                |
| Additional paid in capital  | 119,464,471                             | 96,701,607            |
| Stock payable   | 662,767                                 | 20,132,650            |

|  |                      |                      |
|--|----------------------|----------------------|
| Subscription receivable                                | (56,250)             | -                    |
| Accumulated deficit                                    | (163,037,985)        | (150,036,023)        |
| Total stockholders' deficit                            | <u>(42,889,603)</u>  | <u>(33,133,766)</u>  |
| Total liabilities, mezzanine and stockholders' deficit | <u>\$ 32,287,846</u> | <u>\$ 37,898,607</u> |

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

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|   | For the Three Months Ended |                        | For the Nine Months Ended |                        |
|---|----------------------------|------------------------|---------------------------|------------------------|
|   | December 31, 2022          | December 31, 2021      | December 31, 2022         | December 31, 2021      |
| Sales   | \$ 97,943                  | \$ 16,640              | \$ 186,004                | \$ 16,640              |
| Operating expenses:   |                            |                        |                           |                        |
| General and administrative  | 1,481,195                  | 1,527,699              | 4,256,819                 | 5,182,358              |
| Research and development  | 14,212                     | 20,357                 | 190,855                   | 217,229                |
| Facility operations   | 875,194                    | 398,504                | 1,895,357                 | 810,260                |
| Depreciation  | 416,377                    | 218,134                | 1,349,838                 | 830,409                |
| Amortization  | 367,500                    | 367,500                | 1,102,500                 | 514,000                |
| Total operating expenses  | <u>3,154,478</u>           | <u>2,532,194</u>       | <u>8,795,369</u>          | <u>7,554,256</u>       |
| Net loss from operations  | <u>(3,056,535)</u>         | <u>(2,515,554)</u>     | <u>(8,609,365)</u>        | <u>(7,537,616)</u>     |
|   |                            |                        |                           | 14.2%                  |
| Other income (expense):   |                            |                        |                           |                        |
| Interest expense  | (593,331)                  | (80,991)               | (1,674,994)               | (228,190)              |
| Interest expense - related parties                                | (6,250)                    | -                      | (9,772)                   | -                      |
| Amortization of debt discount                                     | (843,494)                  | (340,000)              | (5,019,883)               | (576,364)              |
| Financing costs   | -                          | (1,393,000)            | -                         | (1,502,953)            |
| Change in fair value of derivative liability                      | 17,738,000                 | -                      | 811,000                   | -                      |
| Change in fair value of warrant liability                         | 1,155,000                  | (137,000)              | 3,031,000                 | (137,000)              |
| Change in fair value of restructured notes                        | (1,594,515)                | -                      | (1,594,515)               | -                      |
| Forgiveness of PPP loan   | -                          | -                      | -                         | 103,200                |
| Gain on Vero Blue note settlement                                 | -                          | 500,000                | -                         | 500,000                |
| Gain on extinguishment of debt                                    | 2,383,088                  | -                      | 2,383,088                 | -                      |
| Legal Settlement  | -                          | (29,400,000)           | -                         | (29,400,000)           |
| Loss due to fire  | (6,262)                    | -                      | (869,379)                 | -                      |
| Total other income (expense)                                      | <u>18,232,236</u>          | <u>(30,850,991)</u>    | <u>(2,943,455)</u>        | <u>(31,241,307)</u>    |
| Income (loss) before income taxes                                 | 15,175,701                 | (33,366,545)           | (11,552,820)              | (38,778,923)           |
| Provision for income taxes  | -                          | -                      | -                         | -                      |
| Net income (loss)   | <u>15,175,701</u>          | <u>(33,366,545)</u>    | <u>(11,552,820)</u>       | <u>(38,778,923)</u>    |
| Amortization of beneficial conversion feature on Preferred shares | (28,048)                   | -                      | (212,048)                 | (817,376)              |
| Accretion on Preferred shares                                     | (198,333)                  | -                      | (755,333)                 | -                      |
| Redemption and exchange of Series D Preferred shares              | -                          | -                      | -                         | (5,792,947)            |
| Dividends   | (60,107)                   | -                      | (481,761)                 | -                      |
| Net income (loss) available for common stockholders               | <u>\$ 14,889,213</u>       | <u>\$ (33,366,545)</u> | <u>\$ (13,001,961)</u>    | <u>\$ (45,389,246)</u> |
| EARNINGS PER SHARE (Basic)  | <u>\$ 0.02</u>             | <u>\$ (0.05)</u>       | <u>\$ (0.02)</u>          | <u>\$ (0.07)</u>       |
| EARNINGS PER SHARE (Diluted)                                      | <u>\$ 0.01</u>             | <u>\$ (0.05)</u>       | <u>\$ (0.02)</u>          | <u>\$ (0.07)</u>       |
| WEIGHTED AVERAGE SHARES OUTSTANDING (Basic)                       | <u>697,586,776</u>         | <u>635,536,459</u>     | <u>682,750,957</u>        | <u>608,191,555</u>     |
| WEIGHTED AVERAGE SHARES OUTSTANDING (Diluted)                     | <u>1,629,304,739</u>       | <u>635,536,459</u>     | <u>682,750,957</u>        | <u>608,191,555</u>     |

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

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**  
**(Unaudited)**

|  | Series A Preferred stock |               | Series B Preferred stock |             | Common stock       |                  | Additional paid in Capital | Stock Payable        | Subscription receivable | Accumulated deficit     | Non-controlling interest | Total stockholders' deficit |
|--|--------------------------|---------------|--------------------------|-------------|--------------------|------------------|----------------------------|----------------------|-------------------------|-------------------------|--------------------------|-----------------------------|
|  | Shares                   | Amount        | Shares                   | Amount      | Shares             | Amount           |                            |                      |                         |                         |                          |                             |
| Balance March 31, 2022   | <u>5,000,000</u>         | <u>\$ 500</u> | <u>-</u>                 | <u>\$ -</u> | <u>674,644,124</u> | <u>\$ 67,500</u> | <u>\$ 96,701,607</u>       | <u>\$ 20,132,650</u> | <u>\$ -</u>             | <u>\$ (150,036,023)</u> | <u>\$ -</u>              | <u>\$ (33,133,766)</u>      |
| Common stock issued for legal settlement to NSH shareholders   | -                        | -             | -                        | -           | 61,154,136         | 6,112            | 19,311,486                 | (19,317,598)         | -                       | -                       | -                        | -                           |
| Conversion of Series E Preferred Shares to common stock  | -                        | -             | -                        | -           | 4,537,240          | 454              | 839,546                    | -                    | -                       | -                       | -                        | 840,000                     |
| Contingent beneficial conversion feature related to the Series E Preferred Shares, fully amortized           | -                        | -             | -                        | -           | -                  | -                | 99,000                     | -                    | -                       | (99,000)                | -                        | -                           |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (42,500)                | -                        | (42,500)                    |
| Accretion of Series E Preferred Shares   | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (278,500)               | -                        | (278,500)                   |
| Dividends payable on Preferred Shares  | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (102,227)               | -                        | (102,227)                   |
| Common stock issued in business agreement, to be paid from revenue earned                                    | -                        | -             | -                        | -           | 250,000            | 25               | 56,225                     | -                    | (56,250)                | -                       | -                        | -                           |
| Common stock vested to consultants   | -                        | -             | -                        | -           | -                  | 6                | 24,369                     | -                    | -                       | -                       | -                        | 24,375                      |
| Net loss   |                          |               |                          |             |                    |                  |                            |                      |                         | (2,200,176)             |                          | (2,200,176)                 |
| Balance June 30, 2022  | <u>5,000,000</u>         | <u>\$ 500</u> | <u>-</u>                 | <u>\$ -</u> | <u>740,585,500</u> | <u>\$ 74,097</u> | <u>\$ 117,032,233</u>      | <u>\$ 815,052</u>    | <u>\$ (56,250)</u>      | <u>\$ (152,758,426)</u> |                          | <u>\$ (34,892,794)</u>      |
| Common stock issued for legal settlement to NSH shareholders   | -                        | -             | -                        | -           | 404,067            | 40               | 127,646                    | (127,686)            | -                       | -                       | -                        | -                           |
| Conversion of Series E Preferred Shares to common stock  | -                        | -             | -                        | -           | 9,920,887          | 992              | 827,008                    | -                    | -                       | (108,000)               | -                        | 720,000                     |
| Increase of 10% in Series E Preferred Shares to one holder based on certain rights                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (156,000)               | -                        | (156,000)                   |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (42,500)                | -                        | (42,500)                    |
| Accretion of Series E Preferred Shares   | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (278,500)               | -                        | (278,500)                   |
| Dividends payable on Preferred Shares  | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (55,427)                | -                        | (55,427)                    |
| Common stock issued in business agreement  | -                        | -             | -                        | -           | 250,000            | 25               | 25,975                     | -                    | -                       | -                       | -                        | 26,000                      |
| Common stock issued from shares payable  | -                        | -             | -                        | -           | 100,000            | 10               | 24,590                     | (24,600)             | -                       | -                       | -                        | -                           |
| Common stock vested to consultants   | -                        | -             | -                        | -           | 62,500             | 6                | 24,369                     | -                    | -                       | -                       | -                        | 24,375                      |
| Net loss   |                          |               |                          |             |                    |                  |                            |                      |                         | (24,528,345)            |                          | (24,528,345)                |
| Balance September 30, 2022   | <u>5,000,000</u>         | <u>\$ 500</u> | <u>-</u>                 | <u>\$ -</u> | <u>751,322,954</u> | <u>\$ 75,170</u> | <u>\$ 118,061,820</u>      | <u>\$ 662,767</u>    | <u>\$ (56,250)</u>      | <u>\$ (177,927,198)</u> |                          | <u>\$ (59,183,191)</u>      |
| Issuance of common shares under financing agreement  | -                        | -             | -                        | -           | 17,175,675         | 1,718            | 1,378,282                  | -                    | -                       | -                       | -                        | 1,380,000                   |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (28,048)                | -                        | (28,048)                    |
| Accretion of Series E Preferred Shares   | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (198,333)               | -                        | (198,333)                   |
| Dividends payable on Preferred Shares  | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (60,107)                | -                        | (60,107)                    |
| Common stock vested to consultants   | -                        | -             | -                        | -           | 62,500             | 6                | 24,369                     | -                    | -                       | -                       | -                        | 24,375                      |
| Net income   |                          |               |                          |             |                    |                  |                            |                      |                         | 15,175,701              |                          | 15,175,701                  |
| Balance December 31, 2022  | <u>5,000,000</u>         | <u>\$ 500</u> | <u>-</u>                 | <u>\$ -</u> | <u>768,561,129</u> | <u>\$ 76,894</u> | <u>\$ 119,464,471</u>      | <u>\$ 662,767</u>    | <u>\$ (56,250)</u>      | <u>\$ (163,037,985)</u> |                          | <u>\$ (42,889,603)</u>      |
| Balance March 31, 2021   | <u>5,000,000</u>         | <u>\$ 500</u> | <u>607</u>               | <u>\$ -</u> | <u>560,745,180</u> | <u>\$ 56,075</u> | <u>\$ 56,649,491</u>       | <u>\$ 136,000</u>    | <u>\$ -</u>             | <u>\$ (53,683,268)</u>  | <u>\$ (87,830)</u>       | <u>\$ 3,070,969</u>         |
| Issuance of common stock upon conversion   | -                        | -             | -                        | -           | 1,329,246          | 133              | 421,353                    | -                    | -                       | -                       | -                        | 421,486                     |
| Conversion of Series B PS to common stock  | -                        | -             | (262)                    | -           | 3,144,000          | 314              | (314)                      | -                    | -                       | -                       | -                        | -                           |
| Conversion of Series D PS to common stock  | -                        | -             | -                        | -           | 428,572            | 43               | (43)                       | -                    | -                       | -                       | -                        | -                           |
| Exchange of Series D Preferred Shares to Series E Preferred Shares   | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (3,258,189)             | -                        | (3,258,189)                 |
| Sale of common shares and warrants for cash, less offering costs and commitment shares                       | -                        | -             | -                        | -           | 35,772,729         | 3,577            | 17,273,546                 | -                    | -                       | -                       | -                        | 17,277,123                  |
| Exercise of warrants related to the sale of common shares  | -                        | -             | -                        | -           | 1,100,000          | 110              | 10,890                     | -                    | -                       | -                       | -                        | 11,000                      |
| Beneficial conversion feature related to the Series E Preferred Shares                                       | -                        | -             | -                        | -           | -                  | -                | 3,269,505                  | -                    | -                       | -                       | -                        | 3,269,505                   |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (817,376)               | -                        | (817,376)                   |
| Redemption of Series D Preferred shares  | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (2,534,758)             | -                        | (2,534,758)                 |
| Common shares to be issued for the acquisition of the non-controlling interest subsidiary's remaining equity | -                        | -             | -                        | -           | -                  | -                | (3,087,830)                | 2,000,000            | -                       | -                       | 87,830                   | (1,000,000)                 |
| Common shares to be issued for Patent acquisition  | -                        | -             | -                        | -           | -                  | -                | -                          | 5,000,000            | -                       | -                       | -                        | 5,000,000                   |
| Common stock vested to consultants   | -                        | -             | -                        | -           | 125,000            | 13               | 48,738                     | 24,900               | -                       | -                       | -                        | 73,651                      |
| Net loss   |                          |               |                          |             |                    |                  |                            |                      |                         | (2,562,743)             |                          | (2,562,743)                 |
| Balance June 30, 2021  | <u>5,000,000</u>         | <u>\$ 500</u> | <u>345</u>               | <u>\$ -</u> | <u>602,644,727</u> | <u>\$ 60,265</u> | <u>\$ 74,585,336</u>       | <u>\$ 7,160,900</u>  | <u>\$ -</u>             | <u>\$ (62,856,334)</u>  | <u>\$ -</u>              | <u>\$ 18,950,668</u>        |
| Conversion of Series E PS to common stock  | -                        | -             | -                        | -           | 4,114,286          | 411              | (411)                      | -                    | -                       | -                       | -                        | -                           |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (1,341,948)             | -                        | (1,341,948)                 |
| Revision of dividends payable on Series B Preferred Shares (See Note 2)                                      | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (182,639)               | -                        | (182,639)                   |
| Dividends payable on Preferred Shares  | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (177,586)               | -                        | (177,586)                   |
| Common shares to be issued for Technical and Equipment Rights Agreement                                      | -                        | -             | -                        | -           | -                  | -                | -                          | 4,762,376            | -                       | -                       | -                        | 4,762,376                   |
| Common stock vested to consultants   | -                        | -             | -                        | -           | 62,500             | 6                | 24,369                     | 24,900               | -                       | -                       | -                        | 49,275                      |
| Net loss   |                          |               |                          |             |                    |                  |                            |                      |                         | (2,849,635)             |                          | (2,849,635)                 |
| Balance September 30, 2021   | <u>5,000,000</u>         | <u>\$ 500</u> | <u>345</u>               | <u>\$ -</u> | <u>606,821,513</u> | <u>\$ 60,683</u> | <u>\$ 74,609,294</u>       | <u>\$ 11,948,176</u> | <u>\$ -</u>             | <u>\$ (67,408,142)</u>  | <u>\$ -</u>              | <u>\$ 19,210,511</u>        |
| Conversion of Series B Preferred Shares to common stock  | -                        | -             | (278)                    | -           | 3,336,000          | 334              | (334)                      | -                    | -                       | -                       | -                        | (334)                       |
| Conversion of Series E Preferred Shares to common stock  | -                        | -             | -                        | -           | 4,114,286          | 411              | 2,879,589                  | -                    | -                       | -                       | -                        | 2,880,000                   |
| Amortization of beneficial conversion feature related to Series E Preferred Shares                           | -                        | -             | -                        | -           | -                  | -                | -                          | -                    | -                       | (831,543)               | -                        | (831,543)                   |

|  |                  |               |           |             |                    |                  |                      |                      |             |                         |             |                      |
|--|------------------|---------------|-----------|-------------|--------------------|------------------|----------------------|----------------------|-------------|-------------------------|-------------|----------------------|
| Beneficial conversion feature related to the Series E Preferred Shares | -                | -             | -         | -           | -                  | -                | 169,714              | -                    | -           | -                       | -           | 169,714              |
| Accretion of Series E Preferred Shares                                 | -                | -             | -         | -           | -                  | -                | -                    | -                    | -           | (80,167)                | -           | (80,167)             |
| Dividends payable on Preferred Shares                                  | -                | -             | -         | -           | -                  | -                | -                    | -                    | -           | (112,577)               | -           | (112,577)            |
| Common shares issued for Technical and Equipment Rights Agreement      | -                | -             | -         | -           | 26,732,673         | 2,673            | 11,759,706           | (11,762,376)         | -           | -                       | -           | -                    |
| Common stock vested to consultants                                     | -                | -             | -         | -           | 112,500            | 21               | 99,054               | (49,800)             | -           | -                       | -           | 49,275               |
| Common stock issued to consultants                                     | -                | -             | -         | -           | 430,071            | 43               | 158,285              | -                    | -           | -                       | -           | 158,328              |
| Common stock vested to employees                                       | -                | -             | -         | -           | 175,000            | 18               | 68,286               | -                    | -           | -                       | -           | 68,304               |
| Reclassification of warrants to liability                              | -                | -             | -         | -           | -                  | -                | (2,935,000)          | -                    | -           | -                       | -           | (2,935,000)          |
| Common stock to be issued for legal settlement to NSH shareholders     | -                | -             | -         | -           | -                  | -                | -                    | 29,388,000           | -           | -                       | -           | 29,388,000           |
| Net loss   |                  |               |           |             |                    |                  |                      |                      |             | (33,366,545)            |             | (33,366,545)         |
| Balance December 31, 2021  | <u>5,000,000</u> | <u>\$ 500</u> | <u>67</u> | <u>\$ -</u> | <u>641,722,043</u> | <u>\$ 64,183</u> | <u>\$ 86,808,594</u> | <u>\$ 29,524,000</u> | <u>\$ -</u> | <u>\$ (101,798,974)</u> | <u>\$ -</u> | <u>\$ 14,597,966</u> |

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

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|  | <b>For the Nine Months Ended</b> |                          |
|--|----------------------------------|--------------------------|
|  | <b>December 31, 2022</b>         | <b>December 31, 2021</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |                                  |                          |
| Net loss   | \$ (11,552,820)                  | \$ (38,778,923)          |
| Adjustments to reconcile net loss to net cash used in operating activities |                                  |                          |
| Depreciation expense   | 1,349,838                        | 586,409                  |
| Amortization expense   | 1,102,500                        | 514,000                  |
| Amortization of debt discount  | 5,019,883                        | 576,364                  |
| Change in fair value of derivative liability                               | (811,000)                        | -                        |
| Change in fair value of warrant liability                                  | (3,031,000)                      | 137,000                  |
| Change in fair value of promissory notes                                   | 1,594,515                        | -                        |
| Financing costs  | -                                | 1,502,953                |
| Gain on extinguishment of debt   | (1,883,089)                      | -                        |
| Loss due to fire   | 869,379                          | -                        |
| Forgiveness of PPP loan  | -                                | (103,200)                |
| Gain on Vero Blue note settlement  | -                                | (500,000)                |
| Legal settlement   | -                                | 29,388,000               |
| Shares issued for services   | 99,124                           | 398,831                  |
| <b>Changes in operating assets and liabilities:</b>                        |                                  |                          |
| Accounts receivable  | 6,883                            | -                        |
| Inventory  | (32,759)                         | (28,128)                 |
| Prepaid expenses and other current assets                                  | 1,021,406                        | (321,162)                |
| Deferred offering costs  | (126,963)                        | -                        |
| Accounts payable   | 724,360                          | (5,637,796)              |
| Other accrued expenses   | 92,560                           | (101,896)                |
| Accrued expenses - related parties   | -                                | 200,000                  |
| Accrued interest   | 1,662,647                        | (49,482)                 |
| Accrued interest - related parties   | 9,772                            | 16,000                   |
| <b>Cash used in operating activities</b>                                   | <b>(3,884,764)</b>               | <b>(12,201,031)</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |                                  |                          |
| Cash paid for fixed assets   | (2,430,186)                      | (2,116,124)              |
| Cash received for fire damage to fixed assets                              | 700,000                          | -                        |
| Cash paid for patent acquisition with F & T                                | -                                | (2,000,000)              |
| Cash paid for acquisition of shares of NCI                                 | -                                | (1,000,000)              |
| Cash paid for License Agreement  | -                                | (2,350,000)              |
| Cash paid for construction in process                                      | -                                | (433,389)                |
| <b>Cash used in investing activities</b>                                   | <b>(1,730,186)</b>               | <b>(7,899,513)</b>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |                                  |                          |
| Payments on bank loan  | -                                | (214,852)                |
| Payments of notes payable  | (72,000)                         | (72,000)                 |
| Payments on notes payable, related party                                   | -                                | (655,750)                |
| Repayment of short-term promissory note and lines of credit                | (227)                            | (553,577)                |
| Proceeds from issuance of common shares under equity agreement             | -                                | 17,277,123               |
| Proceeds from sale of stock  | 1,380,000                        | -                        |
| Proceeds from promissory note  | 1,465,000                        | -                        |
| Proceeds from promissory note, related parties                             | 250,000                          | -                        |
| Proceeds from convertible debentures                                       | -                                | 8,905,000                |
| Proceeds from convertible debentures, receipt from escrow                  | 1,500,000                        | -                        |
| Escrow account in relation to the proceeds from promissory notes           | (500,000)                        | 5,000,000                |
| Payments on convertible debentures   | -                                | (421,486)                |
| Payments on notes payable  | -                                | (4,500,000)              |
| Proceeds from sale of Series E Preferred Shares                            | -                                | 1,348,000                |
| Redemption of Series D Preferred Shares                                    | -                                | (3,513,504)              |
| Shares issued upon exercise of warrants                                    | -                                | 11,000                   |
| <b>Cash provided by financing activities</b>                               | <b>4,022,773</b>                 | <b>22,609,954</b>        |
| <b>NET CHANGE IN CASH</b>  | <b>(1,592,176)</b>               | <b>2,509,411</b>         |
| <b>CASH AT BEGINNING OF YEAR</b>   | <b>1,734,040</b>                 | <b>155,795</b>           |
| <b>CASH AT END OF YEAR</b>   | <b>\$ 141,864</b>                | <b>\$ 2,665,206</b>      |



|  |              |              |
|--|--------------|--------------|
| <b>INTEREST PAID</b>   | \$ 1,829,570 | \$ 212,190   |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b> |              |              |
| Construction in process transferred to fixed assets                            | \$ 1,041,371 | \$ -         |
| Shares issued upon conversion of convertible debentures                        | \$ -         | \$ 421,486   |
| Shares issued upon conversion of Preferred stock                               | \$ 1,560,000 | -            |
| Cancellation of Right of Use asset and Lease liability                         | \$ -         | \$ 275,400   |
| Shares issued as consideration for Rights Agreement                            | \$ -         | \$ 4,762,376 |
| Shares issued as consideration for Patent acquisition                          | \$ -         | \$ 5,000,000 |
| Shares issued as consideration for acquisition of remaining NCI                | \$ -         | \$ 2,000,000 |

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

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2022**  
**(Unaudited)**

**NOTE 1 – NATURE OF THE ORGANIZATION AND BUSINESS**

*Nature of the Business*

NaturalShrimp Incorporated (“NaturalShrimp” or the “Company”), a Nevada corporation, is a biotechnology company and has developed a proprietary technology that allows it to grow Pacific White shrimp (Lit Penaeus, formerly Penaeus vannamei) in an ecologically controlled, high-density, low-cost environment, and in fully contained and independent production facilities. The Company’s system uses technology which allows it to produce a naturally grown shrimp “crop” weekly and accomplishes this without the use of antibiotics or toxic chemicals. The Company has developed several proprietary technology assets, including a knowledge base that allows it to produce commercial quantities of shrimp in a closed system with a computer monitoring system that automates, monitors and maintains proper levels of oxygen, salinity and temperature for optimal shrimp production. The Company’s production facilities are located in La Coste, Texas and Webster City, Iowa.

On December 17, 2020, the Company closed on an Asset Purchase Agreement (“APA”) between VeroBlue Farms USA, Inc., a Nevada corporation (“VBF”), VBF Transport, Inc., a Delaware corporation (“Transport”), and Iowa’s First, Inc., an Iowa corporation (“Iowa’s First”) (each a “Seller” and collectively, “Sellers”). Transport and Iowa’s First were wholly-owned subsidiaries of VBF. The agreement called for the Company to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa’s First. The facility was originally designed as an aquaculture facility, with the company having production issues. The Company began a modification process to convert the plant to produce shrimp, which will allow them to scale faster without having to build new facilities. The three Iowa facilities contain the tanks and infrastructure that will be used to support the production of shrimp with the incorporation of the Company’s patented EC platform technology.

On May 19, 2021, the Company entered into a Securities Purchase Agreement (the “SPA”) with F&T Water Solutions, LLC (“F&T”), for F&T’s owned shares of Natural Aquatic Systems, Inc. (“NAS”). Prior to entering into the SPA, the Company owned fifty-one percent (51%) and F&T owned forty-nine percent (49%) of the issued and outstanding shares of common stock of NAS. After the SPA, NAS is a 100% owned subsidiary of the Company.

The Company has three wholly-owned subsidiaries including NaturalShrimp USA Corporation, NaturalShrimp Global, Inc. and NAS.

*Going Concern*

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the nine months ended December 31, 2022, the Company had a net loss from operations of approximately \$8,609,000. At December 31, 2022, the Company had an accumulated deficit of approximately \$163,038,000 and a working capital deficit of approximately \$8,191,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern, within one year from the issuance date of this filing. The Company’s ability to continue as a going concern is dependent on its ability to raise the required additional capital or debt financing to meet short and long-term operating requirements. During the nine months ended December 31, 2022, the Company received the \$1,500,000 remaining escrow amount related to the proceeds from the issuance of a convertible debenture in December 2021, as well as \$1,465,000 from the issuance of a convertible debenture in August 2022, per the restructuring agreement and \$250,000 in a loan agreement with related parties. Additionally, the Company entered into a Purchase Agreement with GHS Investments LLC (“GHS”) under which the Company may require GHS to purchase a maximum of up to 64,000,000 shares of the Company’s common stock (“GHS Purchase Shares”) based on a total aggregate purchase price of up to \$5,000,000 over a one-year term that ends on November 4, 2023 (see Note 11). During the three months ended December 31, 2022, the Company received a net amount of approximately \$1,380,000, for the sale of 17,175,675 shares of common stock. Subsequent to the period end, the Company has received another \$878,365 from GHS for the sale of 14,880,460 shares of common stock. Management believes that private placements of equity capital will be needed to fund the Company’s long-term operating requirements. The Company may also encounter business endeavors that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash. If the Company raises additional funds through the issuance of equity, the percentage ownership of its current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict our operations. The Company continues to pursue external financing alternatives to improve its working capital position. If the Company is unable to obtain the necessary capital, the Company may be unable to develop its facilities and enter in production.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation*

The accompanying unaudited financial information as of and for the three and nine months ended December 31, 2022 and 2021 has been prepared in accordance with GAAP for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position at such date and the operating results and cash flows for such periods. Operating results for the nine months ended December 31, 2022 are not necessarily indicative of the results that may be expected for the entire year or for any other subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to the rules of the U.S. Securities and Exchange Commission, or the SEC. These unaudited financial statements and related notes should be read in conjunction with our audited financial statements for the year ended March 31, 2022 included in the Company's Annual Report on Form 10-K filed with the SEC on June 29, 2022.

The condensed consolidated balance sheet at March 31, 2022 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

### *Consolidation*

The unaudited condensed consolidated financial statements include the accounts of NaturalShrimp Incorporated and its wholly-owned subsidiaries, NaturalShrimp USA Corporation, NaturalShrimp Global, Inc. and Natural Aquatic Systems, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

### *Use of Estimates*

Preparing financial statements in conformity with GAAP 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.

### *Basic and Diluted Earnings/Loss per Common Share*

Basic and diluted earnings or loss per share (“EPS”) amounts in the unaudited condensed consolidated financial statements are computed in accordance with ASC 260 – 10 “*Earnings per Share*”, which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of shares of common stock outstanding. Diluted EPS is based on the weighted average number of shares of common stock outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of shares of common stock outstanding (denominator) during the period. For the three months ended December 31, 2022, the Company had 5,000,000 shares of Series A Convertible Preferred Stock which would be converted at the holder’s option into approximately 751,385,000 underlying common shares, 170 shares of Series E Redeemable Convertible Preferred shares whose approximately 2,775,000 underlying shares are convertible at the investors’ option at conversion price of 90% of the average of the two lowest market prices over the last 10 days, 750,000 shares of Series F Preferred Stock which would be converted at the holders’ option into approximately 180,333,000 underlying common shares, whose shares were included in the calculation of diluted EPS. For the three months ended December 31, 2022, the Company had 1,500 shares of Series E Redeemable Convertible Preferred shares whose approximately 5,143,000 underlying shares are convertible at the investors’ option at a fixed conversion price of \$0.35, and 18,573,116 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive as their conversion and exercise prices were greater than the market price of the Company’s common shares. For the nine months ended December 31, 2022, the Company had 5,000,000 shares of Series A Convertible Preferred Stock which would be converted at the holder’s option into approximately 768,561,000 underlying common shares, 1,500 shares of Series E Redeemable Convertible Preferred shares whose approximately 5,143,000 underlying shares are convertible at the investors’ option at a fixed conversion price of \$0.35, and 170 shares of Series E Redeemable Convertible Preferred shares whose approximately 2,775,000 underlying shares are convertible at the investors’ option at conversion price of 90% of the average of the two lowest market prices over the last 10 days, 750,000 shares of Series F Preferred Stock which would be converted at the holders’ option into approximately 184,387,000 underlying common shares, and 18,573,116 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive. For the three and nine months ended December 31, 2021, the Company had Redeemable Convertible Preferred stock with approximately 9,842,000 underlying common shares, \$18,768,000 in a convertible debenture whose approximately 67,816,000 underlying shares are convertible at the holders’ option at conversion price of 90% of the average of the two lowest market prices over the last 10 days and 18,506,429 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive.

### *Fair Value Measurements*

ASC Topic 820, “*Fair Value Measurement*”, requires that certain financial instruments be recognized at their fair values at our balance sheet dates. However, other financial instruments, such as debt obligations, are not required to be recognized at their fair values, but GAAP provides an option to elect fair value accounting for these instruments. GAAP requires the disclosure of the fair values of all financial instruments, regardless of whether they are recognized at their fair values or carrying amounts in our balance sheets. For financial instruments recognized at fair value, GAAP requires the disclosure of their fair values by type of instrument, along with other information, including changes in the fair values of certain financial instruments recognized in income or other comprehensive income. For financial instruments not recognized at fair value, the disclosure of their fair values is provided below under “*Financial Instruments*.”

Nonfinancial assets, such as property, plant and equipment, and nonfinancial liabilities are recognized at their carrying amounts in the Company’s balance sheets. GAAP does not permit nonfinancial assets and liabilities to be remeasured at their fair values. However, GAAP requires the remeasurement of such assets and liabilities to their fair values upon the occurrence of certain events, such as the impairment of property, plant and equipment. In addition, if such an event occurs, GAAP requires the disclosure of the fair value of the asset or liability along with other information, including the gain or loss recognized in income in the period the remeasurement occurred.

The Company did not have any Level 1 or Level 2 assets and liabilities at December 31, 2022 and March 31, 2022.

The derivative and warrant liabilities are Level 3 fair value measurements.

The following is a summary of activity of Level 3 derivatives during the nine months ended December 31, 2022 and the year ended March 31, 2022:

#### Derivatives

|   | December 31, 2022<br>(unaudited) | March 31, 2022       |
|---|----------------------------------|----------------------|
| Derivative liability balance at beginning of period | \$ 13,101,000                    | \$ -                 |
| Included in gain on extinguishment of note          | (12,290,000)                     | -                    |
| Additions to derivatives                            | -                                | 12,985,000           |
| Change in fair value                                | (811,000)                        | 116,000              |
| Balance at end of period                            | <u>\$ -</u>                      | <u>\$ 13,101,000</u> |

The derivative liability does not exist as of December 31, 2022, as the convertible note removed the conversion feature upon its restructuring and there is no longer an embedded derivative to be bifurcated (Note 6).

At March 31, 2022, the fair value of the derivative liabilities of convertible notes was estimated using the following inputs: the price of the Company's common stock of \$0.225; the conversion price of \$0.19; a risk-free interest rate of 2.28% and expected volatility of the Company's common stock of 109.47%.

#### Warrant liability

|  | December 31, 2022<br>(unaudited) | March 31, 2022      |
|--|----------------------------------|---------------------|
| Warrant liability balance at beginning of period | \$ 3,923,000                     | \$ -                |
| Additions to warrant liability                   | -                                | 5,910,000           |
| Reclass to equity upon cancellation or exercise  | -                                | -                   |
| Change in fair value                             | (3,031,000)                      | (1,987,000)         |
| Balance at end of period                         | <u>\$ 892,000</u>                | <u>\$ 3,923,000</u> |

At December 31, 2022, the fair value of the warrant liability was estimated using the following inputs: the price of the Company's common stock of \$0.079; a risk-free interest rate ranging from 4.11% to 4.22% and expected volatility of the Company's common stock ranging from 125.3% to 145.6% and the remaining terms of each warrant issuance.

At March 31, 2022, the fair value of the warrant liability was estimated using a Black Sholes model with the following weighted-average inputs: the price of the Company's common stock of \$0.225; a risk-free interest rate of 2.42% and expected volatility of the Company's common stock ranging from 185.9% to 205.9% and the remaining terms of each warrant issuance.

#### Promissory Note

|  | December 31, 2022<br>(unaudited) | March 31, 2022 |
|--|----------------------------------|----------------|
| Promissory Notes fair value at beginning of period         | \$ -                             | \$ -           |
| Fair value of Promissory Note upon Restructuring Agreement | 20,847,867                       | -              |
| Change in fair value                                       | (1,594,515)                      | -              |
| Promissory Note fair value at end of period                | <u>\$ 22,442,382</u>             | <u>\$ -</u>    |

On November 4, 2022, when the Company entered into a Restructuring Agreement for an Amended and Restated Secured Promissory Note for two of their outstanding debentures (Note 6 and Note 7), which were accounted for as debt extinguishment, the Company elected to recognize the new debt under ASC 825 fair value option.

#### Financial Instruments

The Company's financial instruments include cash and cash equivalents, receivables, payables, and debt and are accounted for under the provisions of ASC Topic 825, "Financial Instruments". The carrying amount of these financial instruments, with the exception of discounted debt, as reflected in the unaudited condensed consolidated balance sheets approximates fair value.

### *Cash and Cash Equivalents*

For the purpose of the unaudited condensed consolidated statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2022 and March 31, 2022.

### *Concentration of Credit Risk*

The Company maintains cash balances at two financial institutions. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2022, the Company's cash balance did not exceed FDIC coverage. As of March 31, 2022, the Company's cash balance exceeded FDIC coverage. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible.

### *Fixed Assets*

Equipment is carried at historical value or cost and is depreciated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

|                         |              |
|-------------------------|--------------|
| Buildings               | 39 years     |
| Machinery and Equipment | 7 – 10 years |
| Vehicles                | 10 years     |
| Furniture and Fixtures  | 3 – 10 years |

Maintenance and repairs are charged to expense as incurred. At the time of retirement or other disposition of equipment, the cost and accumulated depreciation will be removed from the accounts and the resulting gain or loss, if any, will be reflected in operations.

### *Stock-Based Compensation*

The Company accounts for stock-based compensation to employees and non-employees in accordance with ASC 718. "Stock-based Compensation to Employees" is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common share issuances. Once the stock is issued the appropriate expense account is charged.

### *Intangible Assets*

The Company has intangible assets, which were acquired in a patent acquisition, and license rights agreements. The Company's patents represent definite lived intangible assets and will be amortized over the twenty-year duration of the patent, unless at some point the useful life is determined to be less than the protected life of the patent. The Company's license rights will be amortized on a straight-line basis over the expected term of the agreements of ten years. For the three and nine months ended December 31, 2022, the amortization of the patents was \$97,500 and \$292,500 and the license rights was \$270,000 and \$810,000. Amortization expense for the patents was \$97,500 and \$244,000 for the three and nine months ended December 31, 2021. The accumulated amortization of the patents was \$633,500,000 and \$341,500 as of December 31, 2022 and March 31, 2022, respectively. The accumulated amortization of the license rights was \$1,350,000 and \$540,000 as of December 31, 2022 and March 31, 2022, respectively.

The Company periodically evaluates the remaining useful lives of its finite-lived intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. As of December 31, 2022, the Company believes the carrying value of the intangible assets are still recoverable, and there is no impairment to be recognized.

### *Impairment of Long-lived Assets*

The Company will periodically evaluate the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review and at least annually. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

### *Commitments and Contingencies*

Certain conditions may exist as of the date the unaudited condensed consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's unaudited condensed consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

### *Revenue Recognition*

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, and as such, the Company records revenue when its customers obtain control of the promised goods or services in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company will sell primarily to food service distributors, as well as to wholesalers, retail establishments and seafood distributors.

To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer by receipt of purchase orders and confirmations sent by the Company, which includes a required line of credit approval process, (2) identify the performance obligations in the contract, which includes shipment of goods to the customer FOB shipping point or destination, (3) determine the transaction price, which initiates with the purchase order received from the customer and confirmation sent by the Company and will include discounts and allowances by customer if any, (4) allocate the transaction price to the performance obligations in the contract which is the shipment of the goods to the customer and transaction price determined in step 3 above and (5) recognize revenue when (or as) the Company satisfies a performance obligation which is when the Company transfers control of the goods to the customers by shipment or delivery of the products.

## Recently Issued Accounting Standards

In August 2020, the Financial Accounting Standards Board issued ASU 2020-06, “Debt - Debt with Conversion and Other Options (Subtopic 470- 20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer’s own stock and classified in stockholders’ equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, “Earnings Per Share”, to require entities to calculate diluted EPS for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. The Company is currently evaluating the impact that ASU 2020-06 may have on its consolidated financial statements and related disclosures.

As of December 31, 2022, there were several new accounting pronouncements issued by the Financial Accounting Standards Board. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company’s consolidated financial statements.

## Management’s Evaluation of Subsequent Events

The Company evaluates events that have occurred after the balance sheet date of December 31, 2022, through the date which the unaudited condensed consolidated financial statements were issued. Based upon the review, other than described in Note 11 – Subsequent Events, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the unaudited condensed consolidated financial statements.

## NOTE 3 – FIXED ASSETS

A summary of the fixed assets as of December 31, 2022 and March 31, 2022 is as follows:

|                          | <b>December 31,<br/>2022</b> | <b>March 31,<br/>2022</b> |
|--------------------------|------------------------------|---------------------------|
|                          | <b>(unaudited)</b>           |                           |
| Land                     | \$ 324,293                   | \$ 324,293                |
| Buildings                | 5,439,365                    | 5,611,723                 |
| Machinery and equipment  | 12,210,036                   | 10,524,343                |
| Autos and trucks         | 307,227                      | 247,356                   |
|                          | <u>18,280,921</u>            | <u>16,707,715</u>         |
| Accumulated depreciation | (2,930,478)                  | (1,909,612)               |
| Fixed assets, net        | <u>\$ 15,350,443</u>         | <u>\$ 14,798,103</u>      |

The unaudited condensed consolidated statements of operations reflect depreciation expense of approximately \$416,000 and \$218,000, and \$1,350,000 and \$830,000 for the three and nine months ended December 31, 2022 and 2021, respectively.

On July 3, 2022, the Company’s building containing its water treatment and purification system in La Coste, Texas (the “Water Treatment Plant”) was completely destroyed in a fire. The Water Treatment Plant is a separate building consisting of approximately 8,000 square feet located apart from the production building which was not damaged. The Company received \$700,000 from the insurance company for the claim filed for the fire damage. Due to the damage caused by the fire, the Company has written off approximately \$1,764,000 of the fixed assets, and \$325,000 of the accumulated depreciation, which, less the \$700,000 insurance settlement, has resulted in the recognition of a Loss due to fire in the condensed consolidated statement of operations.



#### NOTE 4 – SHORT-TERM NOTE AND LINES OF CREDIT

The Company has a working capital line of credit with Capital One Bank for \$50,000. The line of credit bears an interest rate of prime plus 25.9 basis points, which totaled 33.17% as of December 31, 2022. The line of credit is unsecured. The balance of the line of credit was \$9,580 at both December 31, 2022 and March 31, 2022.

The Company also has a working capital line of credit with Chase Bank for \$25,000. The line of credit bears an interest rate of prime plus 10 basis points, which totaled 17.27% as of December 31, 2022. The line of credit is secured by assets of the Company's subsidiaries. The balance of the line of credit is \$10,237 at December 31, 2022 and March 31, 2022.

#### NOTE 5 – PROMISSORY NOTE

The Company entered into a securities purchase agreement (the "SPA") with an investor (the "Investor") on August 17, 2022. Pursuant to the SPA, the Investor purchased a secured promissory note (the "Note") in the aggregate principal amount totaling approximately \$5,433,333. The Note has an interest rate of 12% per annum, with a maturity date nine months from the issuance date of the Note. The Note carried an original issue discount totaling \$433,333 and a transaction expense amount of \$10,000, both of which are included in the principal balance of the Note. On the Closing Date the Company received \$1,100,000, with \$3,900,000 put into escrow to be held until certain terms are met, which includes \$3,400,000 upon the completion of a successful uplist to NYSE or NASDAQ. The SPA includes a Security Agreement, whereby the note is secured by the collateral set forth in the agreement, covering all of the assets of the Company. All payments made by the Company under the terms in the note, including upon repayment of this Note at maturity, shall be subject to an exit fee of 15% of the portion of the Outstanding Balance being paid (the "Exit Fee"). As the Exit Fee is to be included in every settlement of the Note, an additional 15% of the principal balance, which totals \$816,500, was recognized along with the principal balance, and offset by a contra account in a manner similar to a debt discount.

As soon as reasonably possible, the Company will cause the Common Stock to be listed for trading on either of (a) NYSE, or (b) NASDAQ (in either event, an "Uplist"). In the event the Company has not effectuated the Uplist by November 15, 2022, the then-current outstanding balance will be increased by 10%. Following the Uplist, while the Note is still outstanding, ten days after the Company may have a sale of any of its shares of common stock or preferred stock, there shall be a Mandatory Prepayment equal to the greater of \$3,000,000 or thirty-three percent of the gross proceeds of the equity sale.

In conjunction with the Merger Agreement, entered into on October 24, 2022, with Yotta Acquisition Corporation (Note 10), on November 4, 2022, the Company entered into a Restructuring Agreement for an Amended and Restated Secured Promissory Note (the "August Note"), through which the August Note was amended and restated in its entirety. The Restructuring Agreement included key modifications, in which i) the Uplist terms were removed, ii) in the event that the Closing of the Merger does not occur on or before December 31, 2022, the then-current Outstanding Balance will be increased by 2% and shall increase by 2% every 30 days thereafter until the Closing or termination of the Merger Agreement, and iii) the outstanding balance of the Convertible Note may be increased by 5% to 15% upon the occurrence of an event of default or failure to obtain the Lender's consent or notify the Lender for certain major equity related transactions ("Trigger Events"). The Merger has not yet closed, and therefore the 2% of the outstanding balance was increased as of December 31, 2022, in the amount of approximately \$35,000.

The Restructured August Note was analyzed under ASC 470-50 as to if the change in terms qualified as a modification or an extinguishment of the note. The changes in terms were considered an extinguishment as the present value of the cash flows under the terms of the new debt instrument was evaluated to be a substantial change, as over 10% difference from the present value of the remaining cash flows under the terms of the original instrument. As such, with the removal of the original note and its debt discount and accrued interest as compared to the restructured note with a fair value of approximately \$1,933,000, there was a loss in extinguishment of approximately \$157,000. As a result of the extinguishment and at the Company's election of the fair value option under ASC 825, the August Note will be accounted for at fair value until they are settled. In accordance with ASC 815-15-25-1(b) a hybrid instrument that is measured at fair value under ASC 825 fair value option each period with changes in fair value reported in earnings as they occur should not be evaluated for embedded derivatives. Therefore, the provisions in the August Note were not evaluated as to if they fell under the guidance of embedded derivatives and were required to be bifurcated. The August Note was revalued as of December 31, 2022 at approximately \$2,219,000, with a change in fair value of approximately \$286,000 recognized in the Statement of Operations.

## NOTE 6 – CONVERTIBLE DEBENTURES

### *December 15, 2021 Debenture*

The Company entered into a securities purchase agreement (the “December 2021 SPA”) with an investor (the “December 2021 Investor”) on December 15, 2021. Pursuant to the December 2021 SPA, the December 2021 Investor purchased a secured promissory note (the “December 2021 Note”) in the aggregate principal amount totaling approximately \$16,320,000. The December 2021 Note has an interest rate of 12% per annum, with a maturity date 24 months from the issuance date of the December 2021 Note (the “Maturity Date”). The December 2021 Note carried an original issue discount totaling \$1,300,000 and a transaction expense amount of \$20,000, both of which are included in the principal balance of the December 2021 Note. The December 2021 Note had \$2,035,000 in debt issuance costs, including fees paid in cash of \$1,095,000 and 3,000,000 warrants issued to placement agents with a fair value of \$940,000. The warrant fair value was estimated using the Black Scholes Model, with the following inputs: the price of the Company’s common stock of \$0.32; a risk-free interest rate of 1.19%, the expected volatility of the Company’s common stock of 209.9%; the estimated remaining term, a dividend rate of 0%. The warrants were classified as a liability, as it is not known if there will be sufficient authorized shares to be issued upon settlement, based on the conversion terms of the convertible debt.

Beginning on the date that is 6 months from the issuance date of the December 2021 Note, the December 2021 Investor has the right to redeem up to \$1,000,000 of the outstanding balance per month. Payments may be made by the Company, at the Company’s option, (a) in cash, or (b) by paying the redemption amount in the form of shares of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”), per the following formula: the number of redemption shares equals the portion of the applicable redemption amount divided by the Redemption Repayment Price. The “Redemption Repayment Price” equals 90% multiplied by the average of the two lowest volume weighted average price per share of the Common Stock during the ten (10) trading days immediately preceding the date that the December 2021 Investor delivers notice electing to redeem a portion of the December 2021 Note. The redemption amount shall include a premium of 15% of the portion of the outstanding balance being paid (the “Exit Fee”). As the Exit Fee is to be included in every settlement of the December 2021 Note, an additional 15% of the principal balance, which totals \$2,448,000, was recognized along with the principal balance, and offset by a contra account in a manner similar to a debt discount. In addition to the December 2021 Investor’s right of redemption, the Company has the option to prepay the December 2021 Notes at any time prior to the Maturity Date by paying a premium of 15% plus the principal, interest, and fees owed as of the prepayment date.

Within 180 days of the issuance date of the December 2021 Note, the Company will obtain an effective registration statement or a supplement to any existing registration statement or prospectus with the SEC registering at least \$15,000,000 in shares of Common Stock for the December 2021 Investor’s benefit such that any redemption using shares of Common Stock could be done using registered Common Stock. Additionally, as soon as reasonably possible following the issuance of the December 2021 Note, the Company will cause the Common Stock to be listed for trading on either of (a) NYSE, or (b) NASDAQ (in either event, an “Uplist”). In the event the Company has not effectuated the Uplist by March 1, 2022, the then-current outstanding balance will be increased by 10%. On February 7, 2022, the Company and the December 2021 Investor entered into an amendment to the December 2021 SPA, which extended the date by which the Uplist must be completed to April 15, 2022. In consideration of the grant of the extension there was an extension fee of \$249,079 added to the principal balance, which has been recognized as a financing cost in the accompanying unaudited condensed consolidated financial statement. Subsequently, the date by which the Uplist had to be completed was further extended to June 15, 2022, and again to November 15, 2022, with no additional fee included. The Company will make a one-time payment to the December 2021 Investor equal to 15% of the gross proceeds the Company receives from the offering expected to be effected in connection with the Uplist (whether from the sale of shares of its Common Stock and / or preferred stock) within ten (10) days of receiving such amount. In the event the Company does not make this payment, the then-current outstanding balance will be increased by 10%. In addition, the Company has 30 days in which to secure the December 2021 Note and grant the December 2021 Investor a first position security interest in the real property in Texas and Iowa, and if it is not effectuated within the 30 days the outstanding balance will be increased by 15%. The Company is required to reserve 65,000,000 shares of common stock from its authorized and unissued common stock and to add 100,000,000 shares of common stock to the Share Reserve on or before March 10, 2022.

The December 2021 Note also contains certain negative covenants and Events of Default, which in addition to common events of default, include a failure to deliver conversion shares, the Company fails to maintain the share reserve, the occurrence of a Fundamental Transaction without the December 2021 Investor's written consent, the Company effectuates a reverse split of its common stock without 20 trading days written notice to the December 2021 Investor, fails to observe or perform or breaches any covenant, and, the Company or any of its subsidiaries, breaches any covenant or other term or condition contained in any Other Agreements in any material. Upon an Event of a Default, at its option and sole discretion, the December 2021 Investor may consider the December 2021 Note immediately due and payable. Upon such an Event of Default, the interest rate increases to 18% per annum and the outstanding balance of the December 2021 Note increases from 5% to 15%, depending upon the specific Event of Default. As of December 31, 2022, the Company is in full compliance with the covenants and Events of Default.

The conversion feature meets the definition of a derivative and therefore requires bifurcation and was accounted for as a derivative liability. As of December 31, 2022 the fair value of the derivative is \$30,028,000, with a change in fair value of \$16,927,000 recognized in the nine months ended December 31, 2022.

On November 4, 2022, the Company entered into a Restructuring Agreement for an Amended and Restated Secured Promissory Note (the "Senior Note") with the December 2021 Investor through which the December 2021 Note was amended and restated in its entirety. These amendments were made in conjunction with the Merger Agreement, entered into on October 24, 2022, with Yotta Acquisition Corporation (Note 10). The main modification of the terms of the Senior Note was that the conversion feature was eliminated. Second, a Mandatory Payment was added whereby within 3 trading days of the closing upon the Merger an amount equal to the lesser of (A) one-third of the amount retained in the Trust Account at the Effective Time or (B) \$10,000,000, in order to repay a portion of the outstanding balance of the Convertible Note; after which the remaining balance of the Convertible Note is to be repaid in equal monthly installments over a 12-month period beginning on a date after the Closing Date or the termination of such agreement. Additionally, if the Closing Date is after December 31, 2022, the outstanding balance of all indebtedness owed by the Company to December 2021 Investor will be increased automatically by 2% and will automatically increase by 2% every 30 days thereafter until the Closing, or substantially similar terms as approved by the Board of Directors of the Company. Additional key modifications include i) the Uplist terms were removed, ii) Maturity date was modified from December 15, 2023 to December 4, 2023, and iii) the outstanding balance of the Convertible Note may be increased by 5% to 15% upon the occurrence of an event of default or failure to obtain the Lender's consent or notify the Lender for certain major equity related transactions ("Trigger Events"). As of December 31, 2022, the Merger has not yet closed, and therefore the 2% of the outstanding balance was increased as of December 31, 2022, in the amount of approximately \$1,309,000.

The Restructured Senior Note was analyzed under ASC 470-50 as to if the change in terms qualified as a modification or an extinguishment of the note. The changes in terms were considered an extinguishment as the conversion feature has been eliminated and therefore the modified August Note is determined to be fundamentally different from the original convertible note. As such, with the removal of the original note and its debt discount and accrued interest as compared to the restructured note with a fair value of approximately \$18,914,000, there was a gain in extinguishment of approximately \$2,540,000. As a result of the extinguishment and at the Company's election of the fair value option under ASC 825, the Senior Note will be accounted for at fair value until it is settled. In accordance with ASC 815-15-25-1(b) a hybrid instrument that is measured at fair value under ASC 825 fair value option each period with changes in fair value reported in earnings as they occur should not be evaluated for embedded derivatives. Therefore, the provisions in the Senior Note were not evaluated as to if they fell under the guidance of embedded derivatives and were required to be bifurcated. The Senior Note was revalued as of December 31, 2022 at approximately \$20,223,000, with a change in fair value of approximately \$1,309,000 recognized in the Statement of Operations.

## NOTE 7 – STOCKHOLDERS' EQUITY

### *Preferred Stock*

As of December 31, 2022 and March 31, 2022, the Company had 200,000,000 shares of preferred stock authorized with a par value of \$0.0001. Of this amount, 5,000,000 shares of Series A preferred stock are authorized and outstanding, 5,000 shares Series B preferred stock are authorized and no shares outstanding, 5,000 shares Series D preferred stock are authorized with no shares outstanding, 10,000 shares Series E preferred stock are authorized and 1,670 and 2,840 outstanding, respectively, and 750,000 shares of Series F preferred stock are authorized with 750,000 outstanding, respectively.

### *Series E Preferred Stock*

On June 16, 2022, one of the holders of our Series E Convertible Preferred Stock chose to exercise their right, pursuant to the Certificate of Designation relating to the Series E Convertible Preferred Stock, to receive the rights extended to the convertible noteholder, of 90% multiplied by the average of the two lowest volume weighted average price per share of the Common Stock during the ten (10) trading days immediately preceding the date of conversion. As the exercise of the conversion price adjustment was similar to a down round, and the Company has not yet adopted ASU 2020-06, the accounting treatment of ASU 2017-11 was applied, whereby the adjustment was treated as a contingent beneficial conversion feature recognized as of the triggering date. As of June 16, 2022, this holder held 940 shares of the Series E preferred stock. The Company analyzed the conversion feature under ASC 470-20, "Debt with conversion and other options", and based on the market price of the common stock of the Company as compared to the conversion price, determined there was a \$99,000 beneficial conversion feature to recognize, which was fully amortized as there is no remaining redemption date to their Series E Preferred Stock. The additional rights of the convertible note which were applied include the 10% increase in the outstanding balance if an uplist to a national exchange was not consummated by the Company by March 1, 2022, for an increase of 130 Series E Preferred shares with a stated value of \$156,000, as well as an exit fee of 15% to be recognized upon conversions of the Series E Preferred shares into shares of common stock.

During the nine months ended December 31, 2022, 1,300 shares of Series E Preferred Stock were converted into 14,458,127 shares of common stock.

During the three and nine months ended December 31, 2022, the amortization of the beneficial conversion feature of the Series E preferred stock was approximately \$28,000 and \$113,000, and the Series E beneficial conversion feature was fully amortized. The Company is accreting the carrying value, of the Series E Preferred Stock in temporary equity up to the redemption value over the period until its redemption. For the three and nine months ended December 31, 2022, approximately \$198,000 and \$755,000 was accreted, and \$1,114,000 was fully amortized to date as of December 31, 2022.

On November 5, 2022, the Company entered a restructuring agreement with GHS, whereby the Series E Preferred Stock and the warrants outstanding (13,739,000 warrants of the warrants discussed below) as of the Closing date shall have their terms adjusted. The outstanding warrants shall be a) cancelled in exchange for a cash payment equal to the fair value of the warrants based on the Black Scholes model, with the exercise price to be adjusted to equal 80% of the average volume weighted average price of the Company common stock during the five trading day period immediately prior to the Closing Date (the "Adjusted Exercise Price"); or (b) as of the Effective Time, canceled and treated as if exercised for that number of shares of the Company's common stock calculated using the Black Scholes model fair value, the number of Warrant Shares on the Closing Date and the Adjusted Exercise Price, with the shares of the Company's common stock that would have been due to Holder as a result of such exercise of the Warrant treated as if issued to Holder and then converted into the right to receive (i) the Closing Per Share Merger Consideration (as defined in the Merger Agreement) plus (ii) the Additional Per Share Merger Consideration (as defined in the Merger Agreement), if any, at the time and subject to the contingencies set forth in the Merger Agreement. For the Series E Preferred Stock that shall be outstanding immediately prior to the Effective Time, they shall be canceled and treated as if converted into that number of shares of the Company's common stock equal to (i) the stated value of \$1,200 per share plus any unpaid dividends, multiplied by 1.25, divided by (ii) 80% of the average volume weighted average price of the Company's common stock during the five trading day period immediately prior to the Closing Date. The shares of the Company's common stock that would have been due to the holder as a result of the conversion of such shares of Series E Convertible Preferred Stock shall be treated as issued to holder and converted, as of the Effective Time, into the right to receive (y) the Closing Per Share Merger Consideration plus (z) the Additional Per Share Merger Consideration, if any, at the time and subject to the contingencies set forth in the Merger Agreement.

### *GHS Purchase Agreement*

On November 4, 2022, the Company entered into a purchase agreement (the “GHS Purchase Agreement”) with GHS Investments LLC (“GHS”), an accredited investor, pursuant to which, the Company may require GHS to purchase a maximum of up to 64,000,000 shares of the Company’s common stock (“GHS Purchase Shares”) based on a total aggregate purchase price of up to \$5,000,000 over a one-year term that ends on November 4, 2023. Notwithstanding the foregoing dollar limitations, the Company and GHS may, from time to time, mutually agree in writing to waive the aforementioned limitations for a relevant Purchase Notice, which waiver, shall not exceed the 4.99% beneficial ownership limitation contained in the GHS Purchase Agreement. The Company is to control the timing and amount of any sales of GHS Purchase Shares to GHS. The Company intends to use the net proceeds from this offering for working capital and general corporate purposes.

The “Purchase Price” means, with respect to a purchase made pursuant to the GHS Purchase Agreement, 90% of the lowest VWAP during the 10 consecutive business days immediately preceding, but not including, the applicable purchase date. The Company shall deliver a number of GHS Purchase Shares equal to 112.5% of the aggregate purchase amount for such GHS Purchase divided by the Purchase Price per share for such GHS Purchase.

If there are any default events, as set forth in the GHS Purchase Agreement, has occurred and is continuing, the Company shall not deliver to GHS any Purchase Notice.

Further, pursuant to the terms of the GHS Purchase Agreement, from November 4, 2022 until the date that is the later of (i) the closing of the transactions whereby Yotta Merger Sub, Inc. will merge with and into the Company, with the Company as the surviving company (the “Merger”); and (ii) the 12 month anniversary of the first delivery of GHS Purchase Shares, upon any issuance by the Company or any of its subsidiaries of Common Stock or Common Stock equivalents for cash consideration, indebtedness or a combination of units thereof (a “Subsequent Financing”), GHS shall have the right to participate in any financing, up to an amount of the Subsequent Financing equal to 100% of the Subsequent Financing (the “Participation Maximum”) on the same terms, conditions and price provided for in the Subsequent Financing. Following the Merger, the Participation Maximum shall be 50% of the Subsequent Financing.

In the three months ended December 31, 2022, the Company sold 17,175,675 shares of common stock at a net amount of approximately \$1,378,000, at share prices ranging from \$0.08 to \$0.10. There were 11,306,351 additional shares of common stock sold after the period end (see Note 11).

### *Common Shares Issued to Consultant*

On August 1, 2022, the Company issued 250,000 shares of common stock to a consultant per the terms of an agreement from June 2021, to be issued upon the approval of a patent.

On April 14, 2021, 500,000 shares of common stock were issued to a consultant per an agreement entered into on January 20, 2021 for advisory services for a two-year period. The shares had a fair value of \$195,000, based on the market price of \$0.39 on the grant date. A total of 62,500 common shares shall vest each quarter through October 1, 2022, at \$24,275, with the it fully vested through December 31, 2022.

### *Common Stock Issued in Relation to Business Agreement*

As of June 22, 2022, 250,000 common shares were issued in relation to a trial distribution agreement entered into with a consultant who was to introduce the Company to customers. Additionally, the consultant was also to assist the Company in the set-up of ancillary materials used or useful in the delivery of live shrimp, including installation of necessary equipment and facilities, logistical support, training of staff and packaging necessary for shipment of live shrimp. After the result of the trial period, the parties could have, but decided not to, negotiate and execute a long-term distribution agreement. The shares will be paid for by the Company withholding sufficient profits from the sale of the live shrimp to the customers introduced by the consultant.

### *Options and Warrants*

The Company has not granted any options since inception.

All of the warrants issued have been recognized as a liability, as of the issuance of the convertible debenture on December 15, 2021, based on the fact it as it is not known if there will be sufficient authorized shares to be issued upon settlement, based on the conversion terms of the existing convertible debt.

The 18,573,116 warrants outstanding as of December 31, 2022, were revalued as of period end for a fair value of \$892,000, with a decrease in the fair value of \$3,031,000 recognized on the unaudited condensed consolidated statement of operations. The fair value was estimated using Black Scholes Model, with the following inputs: the price of the Company's common stock of \$0.079; a risk-free interest rate of 4.11% to 4.22%, the expected volatility of the Company's common stock ranging from 125.3% to 145.6%; the estimated remaining term, a dividend rate of 0%,

### **NOTE 8 – RELATED PARTY TRANSACTIONS**

#### *Accrued Payroll – Related Parties*

Included in other accrued expenses on the accompanying unaudited condensed consolidated balance sheets approximately \$119,000, owing to a key employee (which includes \$50,000 in both fiscal years, from consulting services prior to his employment) as of both December 31, 2022 and March 31, 2022. These amounts include both accrued payroll and accrued allowances and expenses.

#### *Bonus Compensation – Related Party*

On May 11, 2021, the Company paid the Chief Financial Officer a bonus of \$300,000. On August 10, 2021, the Board of Directors ratified the bonus payment to the CFO and awarded the President and the Chief Technology Officer compensation bonuses of \$300,000 each. The bonuses to the President and CTO are to be distributed within the next twelve months from the award date, and are included in accrued expenses, related parties as of December 31, 2022. As of December 31, 2022, \$200,000 has been paid each to the President and Chief Technology Officer, with a total of \$200,000 remaining in accrued expenses, related parties.

#### *NaturalShrimp Holdings, Inc.*

On January 1, 2016 the Company entered into a notes payable agreement with NaturalShrimp Holdings, Inc. ("NSH"), a shareholder. The note payable has no set monthly payment or maturity date with a stated interest rate of 2%. During the year ended March 31, 2022, the Company paid off \$655,750 of the note payable. The outstanding balance is approximately \$77,000 as of both December 31, 2022 and March 31, 2022. As of December 31, 2022 and March 31, 2022, accrued interest payable was approximately \$74,000 and \$74,000, respectively.

#### *Promissory Note*

On August 10, 2022, the Company issued a loan agreement for \$300,000, with related parties, which is to be considered priority debt of the Company. As of this filing, five of the related parties have entered into promissory notes under the loan agreement for \$50,000 each, for a total of cash received of \$250,000. The notes bear interest at a 10% per annum and are due in one year from the date of the note.

#### *Shareholder Notes*

The Company has entered into several working capital notes payable to multiple shareholders of NSH and Bill Williams, a former officer and director, and a shareholder of the Company, for a total of \$486,500. The notes are unsecured and bear interest at 8%. These notes had stock issued in lieu of interest and have no set monthly payment or maturity date. The balance of these notes was \$356,404 as of both December 31, 2022 and March 31, 2022 and is classified as a current liability on the unaudited condensed consolidated balance sheets. As of December 31, 2022 and March 31, 2022, accrued interest payable was approximately \$161,000 and \$146,000, respectively.

## Shareholders

Beginning in 2010, the Company started entering into several working capital notes payable with various shareholders of NSH for a total of \$290,000 and bearing interest at 8%. The balance of these notes at December 31, 2022 and March 31, 2022 was \$54,647 and is classified as a current liability on the unaudited condensed consolidated balance sheets.

### NOTE 9 – LEASES

On May 26, 2021, the Company entered into a sublease for a new office space in Texas, on two floors. The lease commenced on August 1, 2021 for a monthly rent of \$7,000, and will terminate on October 31, 2025, for one of the spaces, and commence in the second half of 2022 for monthly rent of \$1,727, and terminate on October 31, 2025, for the second space. On June 2, 2021, the Company paid a deposit of \$52,362 which shall be applied to the last nine months of the sublease term, and \$17,454 security deposit, which is included in Prepaid expenses on the accompanying unaudited condensed consolidated balance sheets. The Company assessed its new office lease as an operating lease.

At inception, on August 1, 2021, the ROU and lease liability was calculated as approximately \$316,000, based on the net present value of the future lease payments over the term of the lease. When available, the Company uses the rate implicit in the lease discount payments as the incremental borrowing rate to calculate the net present value; however, the rate implicit in the lease is not readily determinable for their corporate office lease. In this case, the Company estimated its incremental borrowing rate of 5.75% as the interest rate it could have incurred to borrow an amount equal to the lease payments in a similar economic environment on a collateralized basis over a term similar to the lease term. The Company estimated its rate based on observable risk-free interest rate and credit spreads for commercial debt of a similar duration as to what rate would have been effective for the Company.

On September 8, 2021, the Company entered into an equipment lease agreement for VOIP phone equipment. The lease term is for sixty months, with a monthly lease payment of approximately \$300. The Company assessed the equipment lease as an operating lease. The Company determined the Right of Use asset and Lease liability values at inception as approximately \$17,000 calculated at the present value of all future lease payments for the lease term, using an incremental borrowing rate of 5.75%.

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

#### *Executive Employment Agreements –Gerald Easterling*

On April 1, 2015, the Company entered into an employment agreement with Gerald Easterling at the time as the Company's President, effective as of April 1, 2015 (the "Employment Agreement").

The Employment Agreement is terminable at will and each provide for a base annual salary of \$96,000. On May 4, 2021, the Company's Board of Directors approved a salary for Mr. Easterling of \$180,000 per annum. In addition, the Employment Agreement provides that the employee is entitled, at the sole and absolute discretion of the Company's Board of Directors, to receive performance bonuses. Mr. Easterling will also be entitled to certain benefits including health insurance and monthly allowances for cell phone and automobile expenses.

The Employment Agreement provides that in the event the employee is terminated without cause or resigns for good reason (as defined in their Employment Agreement), the employee will receive, as severance the employee's base salary for a period of 60 months following the date of termination. In the event of a change of control of the Company, the employee may elect to terminate the Employment Agreement within 30 days thereafter and upon such termination would receive a lump sum payment equal to 500% of the employee's base salary.

The Employment Agreement contains certain restrictive covenants relating to non-competition, non-solicitation of customers and non-solicitation of employees for a period of one year following termination of the employee's Employment Agreement.

## *Merger Agreement*

On October 24, 2022, the Company entered into a Merger Agreement (as it may be amended, supplemented, or otherwise modified from time to time, the “Merger Agreement”), by and among the Company, Yotta Acquisition Corporation, a Delaware corporation (“Yotta”), and Yotta Merger Sub, Inc., a Nevada corporation and a wholly owned subsidiary of Yotta (“Merger Sub”). The Merger Agreement and the transactions contemplated thereby (the “Transactions”) were approved by the board of directors of each of the Company, Yotta, and Merger Sub.

The Merger Agreement provides, among other things, that Merger Sub will merge with and into the Company, with the Company as the surviving company (the “Surviving Company”) in the merger and, after giving effect to such merger, the Company shall be a wholly-owned subsidiary of Yotta (the “Merger”). In addition, Yotta will be renamed “NaturalShrimp, Incorporated” or such other name as shall be designated by the Company. Other capitalized terms used, but not defined, herein have the respective meanings given to such terms in the Merger Agreement.

The Merger Agreement provides for aggregate consideration to be issued to securityholders of the Company of 17,500,000 shares (the “Closing Merger Consideration Shares”) of Yotta’s common stock, par value \$0.0001 per share (“Yotta Shares”), to be issued at the effective time of the Merger (the “Effective Time”), plus an additional (i) 5,000,000 Yotta Shares if the Surviving Corporation has at least \$15,000,000 in revenue during the fiscal year ended March 31, 2024 and (ii) 5,000,000 Yotta Shares if the Surviving Corporation has at least \$30,000,000 in revenue during the fiscal year ended March 31, 2025 (collectively, the “Contingent Merger Consideration Shares”).

In accordance with the terms and subject to the conditions of the Merger Agreement, at the Effective Time each share of Common Stock outstanding or deemed outstanding pursuant to the provisions discussed immediately below as of immediately prior to the Effective Time will be converted into the right to receive its allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares (to the extent the required revenue thresholds are met).

Pursuant to the terms of the Merger Agreement and agreements that, pursuant to the Merger Agreement, the Company will enter into with holders of such convertible securities, such convertible securities will be canceled prior to the closing of the Merger in exchange (except for the Series A Convertible Preferred Stock of the Company, par value \$0.0001 per share (the “Series A Preferred”) for a cash payment or Yotta Shares as follows: (i) at the option of the holder thereof, each outstanding warrant to purchase shares of Common Stock will be canceled in exchange for a cash payment based on the value thereof or treated as exercised for shares of Common Stock, in each case based on an adjusted exercise price and as otherwise set forth in the Merger Agreement and/or the individual agreements, and if treated as exercised, converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares; (ii) each outstanding share of Series F Convertible Preferred Stock of the Company, par value \$0.0001 per share, will be canceled and treated as if converted into shares of Common Stock at an adjusted conversion rate as set forth in the Merger Agreement and/or such individual agreements, and converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares; and (iii) each outstanding share of Series E Convertible Preferred Stock of the Company, par value \$0.0001 per share (the “Series E Preferred”), will be canceled and treated as if converted into shares of Common Stock at an adjusted conversion rate as set forth in the Merger Agreement and/or such individual agreements, and converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares. In addition, each holder of Series E Preferred will be entitled to receive at the Effective Time an additional number of Closing Merger Consideration Shares as are necessary to ensure that the per-share value of the Yotta Shares that such stockholder is entitled to receive is not less than the per-share value (based on the effective purchase price) of the aggregate Yotta Shares then held by any Yotta stockholder after taking into account any newly-issued Yotta Shares that such Yotta stockholder acquires directly from Yotta prior to the closing of the Merger (the “Closing”) (which will reduce the number of Closing Merger Consideration Shares that will be issued to the Company’s other securities holders). The Series A Preferred will be cancelled and retired without any conversion thereof and for no consideration.

As noted in Notes 5 and 6, the Company entered into Restructuring Agreements with the December 2021 Investor as required in the Merger Agreement.



The Business Combination is expected to be accounted for as a reverse merger and recapitalization of NaturalShrimp into Yotta in accordance with GAAP because NaturalShrimp has been determined to be the accounting acquirer under ASC 805 under the no-redemption and full redemption scenarios. Under this method of accounting, Yotta will be treated as the “acquired” company for financial reporting purposes. Accordingly, the combined assets, liabilities and results of operations of NaturalShrimp will become the historical financial statements of NaturalShrimp Incorporated, and Yotta’s assets, liabilities and results of operations will be consolidated with NaturalShrimp beginning on the acquisition date. For accounting purposes, the financial statements of NaturalShrimp Incorporated will represent a continuation of the financial statements of NaturalShrimp with the transaction being treated as the equivalent of NaturalShrimp issuing stock for the net assets of Yotta, accompanied by a recapitalization. The net assets of Yotta will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of NaturalShrimp in future reports of NaturalShrimp Incorporated.

#### **NOTE 11 – SUBSEQUENT EVENTS**

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statement was issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statement.

After the period end, there were three purchases of a total of 14,880,460 shares of common stock for a net amount of \$878,365, with share price ranging from \$0.060 to \$0.065.

On January 20, 2023, the Company entered into a secured promissory note (“January 2023 Note”) with an investor (the “Investor”). The January 2023 Note is in the aggregate principal amount of \$631,968. The January 23 Note has an interest rate of 10% per annum, with a maturity date nine months from the issuance date of the January 23 Note. The January 23 Note carried an original issue discount totaling \$56,868, whereby the purchase price is \$575,100. All payments made by the Company under the terms in the January 23 Note, including upon repayment of the January 23 Note at maturity, shall be subject to an exit fee of 15% of the portion of the Outstanding Balance being paid (the “Exit Fee”).

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Note Regarding Forward-Looking Statements*

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that reflect management's current views with respect to future events and financial performance. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements include statements regarding the intent, belief or current expectations of us and members of our management team, as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, as filed with the U.S. Securities and Exchange Commission (the "SEC") on June 29, 2022, any of which may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in our forward-looking statements. These risks and factors include, by way of example and without limitation:

- our ability on a timely basis to successfully rebuild our water treatment plant and replace our filtration equipment that was destroyed by fire on July 3, 2022 at our La Coste, Texas facility;
- our ability to continue developing and expanding our research and development plant in La Coste, Texas and our production facility in Webster City, Iowa;
- our ability to successfully commercialize our equipment and shrimp farming operations to produce a market-ready product in a timely manner and in enough quantity;
- absence of contracts with customers or suppliers;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to successfully integrate acquired businesses or new brands;
- the impact of competitive products and pricing;
- supply constraints or difficulties;
- the retention and availability of key personnel;
- general economic and business conditions;
- substantial doubt about our ability to continue as a going concern;
- our continued ability to raise funding at the pace and quantities required to scale our plant needs to commercialize our products;
- our ability to successfully recruit and retain qualified personnel in order to continue our operations;
- our ability to successfully implement our business plan;
- our ability to successfully acquire, develop or commercialize new products and equipment;
- the commercial success of our products;
- business interruptions resulting from geo-political actions, including war, and terrorism or disease outbreaks (such as the outbreak of COVID-19);
- intellectual property claims brought by third parties; and
- the impact of any industry regulation.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Quarterly Report on Form 10-Q and unless otherwise indicated, the terms “Company,” “we,” “us,” and “our” refer to NaturalShrimp Incorporated and its wholly-owned subsidiaries: NaturalShrimp USA Corporation (“NSC”) and NaturalShrimp Global, Inc. (“NS Global”) and Natural Aquatic Systems, Inc. (“NAS”). Unless otherwise specified, all dollar amounts are expressed in United States Dollars.

### *Corporate History*

The Company was incorporated in the State of Nevada on July 3, 2008 under the name “Multiplayer Online Dragon, Inc.” On January 30, 2015, we acquired substantially all of the assets of NaturalShrimp Holdings, Inc. a Delaware corporation (“NSH”), that had developed the proprietary technology to grow and sell shrimp potentially anywhere in the world that is now the basis of our business. Such assets consisted primarily of all of the issued and outstanding shares of capital stock of its subsidiaries NaturalShrimp USA Corporation (“NSC”) and NaturalShrimp Global (“NS Global”), and certain real property located outside of San Antonio, Texas, in exchange for our issuance of 75,520,240 shares of our common stock to NSC. As a result of the transaction, NSH acquired 88.62% of our issued and outstanding shares of common stock, NSC and NS Global became our wholly-owned subsidiaries, and we changed our principal business to a global shrimp farming company. We changed our name to “NaturalShrimp Incorporated” in 2015.

### *Business Overview*

We are a biotechnology company and have developed proprietary platform technologies that allow us to grow Pacific White shrimp (*Litopenaeus vannamei*, formerly *Penaeus vannamei*) in an ecologically controlled, high-density, low-cost environment, and in fully contained and independent production facilities. Our system uses technology that allows us to produce a naturally grown shrimp “crop” weekly without the use of antibiotics or toxic chemicals. We have developed several proprietary technology assets, including a knowledge base that allows us to produce commercial quantities of shrimp in a closed system with a computer monitoring system that automates, monitors, and maintains proper levels of oxygen, salinity, and temperature for optimal shrimp production. The Company’s production facilities are located in La Coste, Texas and Webster City, Iowa.

On December 17, 2020, we acquired certain assets from VeroBlue Farms USA, Inc. and its subsidiaries VBF Transport, Inc. and Iowa’s First, Inc., including a facility that was designed for the growth of barramundi fish that we are in the process of converting so that it can produce shrimp using the Company’s propriety technology. The consideration for the purchase of these assets was (i) \$10,000,000, consisting of (i) \$5,000,000 in cash paid at closing, (ii) \$3,000,000 payable in 36 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid as a balloon payment on the maturity date, and (iii) \$2,000,000 payable in 48 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid as a balloon payment on the maturity date. The Company also issued 500,000 shares of common stock as a finder’s fee in connection with the transaction.

The facility was originally designed as an aquaculture facility. The Company has begun a modification process to convert the plant to produce shrimp, which will allow us to scale faster without having to build new facilities. The Iowa facility contains the tanks and infrastructure that the Company will use to support the production of shrimp with the incorporation of the Company’s electrocoagulation platform technology. The Company also plans to convert additional square footage currently used as storage to its planned shrimp processing plant. The development of the facility is 40% completed with full development of the facility expected by December 31, 2022.

On May 25, 2021, the Company purchased from F&T Water Solutions LLC (“F&T”) its 50% ownership interest in a water treatment technology used or useful in growing aquatic species in re-circulating and enclosed environments that the Company and F&T had previously jointly developed and patented (the “Patent”), as well as F&T’s 100% interest in a second patent associated with the Patent issued to F&T in March 2018 and all other intellectual property rights owned by F&T for a purchase price of \$2,000,000 in cash and 9,900,990 shares of the Company’s common stock.

The Company has three wholly-owned subsidiaries: NSC, NS Global, and NAS.

#### *Evolution of Technology*

In 2001, we began research and development of a high density, natural aquaculture system that is not dependent on ocean water to provide quality, fresh shrimp every week, 52 weeks a year. Our initial system was successful, but we determined that it would not be economically feasible due to high operating costs. Over the next several years, using the knowledge we gained from developing the first system, we developed a shrimp production system that eliminated the high costs associated with the previous system. We have produced thousands of pounds of shrimp over the last few years in order to develop a design that will consistently produce quality shrimp that grow to a large size at a specific rate of growth. This included experimenting with various types of natural live and synthesized feed supplies before selecting the most appropriate nutritious and reliable combination. It also included utilizing monitoring and control automation equipment to minimize labor costs and to provide the necessary oversight for proper regulation of the shrimp environment.

#### *Production and Sales*

On July 3, 2022, the La Coste, Texas shrimp production facility experienced a fire that damaged the Water Treatment Plant (WTP) including the filtration equipment within the building. The initial investigation indicated that the fire started at an external source near the WTP building. No one was hurt and this did not cause any damage to the main production building containing the shrimp. The Company immediately engaged its Emergency Response Team comprised of management, engineering, production, and sales personnel organized to quickly respond and deal with potential situations such as this. Fortunately, the Company has the necessary backup equipment to replace the damaged equipment which will allow continued production and sales in Texas. The Company received \$700,000 from the insurance company for the claim filed for the fire damage. Due to the damage caused by the fire, the Company has written off approximately \$1,764,000 of the fixed assets, and \$325,000 of the accumulated depreciation, which, less the \$700,000 insurance settlement, has resulted in the recognition of a loss due to fire in the unaudited condensed consolidated statement of operations.

Texas began selling live shrimp in late June, and Iowa has been selling since November of 2021. The initial live shrimp sales were limited in size to establish and train customers in shipping and handling procedures. These sales are targeted presently in the Chicago and San Antonio areas. As previously announced, the Company has established a partnership with US Foods, a leading foodservice distributor, to deliver the Company's fresh never frozen shrimp to US Foods in the South Texas area. The Company expects sales to begin in November 2022 with sales of approximately 1,000 pounds per month with expected expansion of sales to 4,000 pounds per month in the first calendar quarter of 2023. Total sales have also recently included the selling of shrimp at the downtown Webster City, Iowa market for the local Chamber of Commerce.

We expect the combined output from the La Coste, Texas, and Webster City, Iowa facilities should result in a total of 20,000 pounds of shrimp production for the calendar quarter that will end on December 31, 2022 and 40,000 pounds of shrimp production for the first calendar quarter of 2023. We believe that the combined output from our La Coste, Texas and Iowa facilities will be approximately 24,000 pounds of shrimp production per week by the fourth calendar quarter of 2023. Also, the Company is expecting to break ground on an 80,000 square foot expansion in La Coste prior to December 31, 2022.

#### *The Merger Agreement and the Merger*

On October 24, 2022, the Company entered into a Merger Agreement (as it may be amended, supplemented, or otherwise modified from time to time, the "Merger Agreement"), by and among the Company, Yotta Acquisition Corporation, a Delaware corporation ("Yotta"), and Yotta Merger Sub, Inc., a Nevada corporation and a wholly owned subsidiary of Yotta ("Merger Sub").

The Merger Agreement and the transactions contemplated thereby (the "Transactions") were approved by the board of directors of each of the Company, Yotta, and Merger Sub.

The Merger Agreement provides, among other things, that Merger Sub will merge with and into the Company, with the Company as the surviving company (the “Surviving Company”) in the merger and, after giving effect to such merger, the Company shall be a wholly-owned subsidiary of Yotta (the “Merger”). In addition, Yotta will be renamed “NaturalShrimp, Incorporated” or such other name as shall be designated by the Company. Other capitalized terms used, but not defined, herein have the respective meanings given to such terms in the Merger Agreement.

The Merger Agreement provides for aggregate consideration to be issued to securityholders of the Company of 17,500,000 shares (the “Closing Merger Consideration Shares”) of Yotta’s common stock, par value \$0.0001 per share (“Yotta Shares”), to be issued at the effective time of the Merger (the “Effective Time”), plus an additional (i) 5,000,000 Yotta Shares if the Surviving Corporation has at least \$15,000,000 in revenue during the fiscal year ended March 31, 2024 and (ii) 5,000,000 Yotta Shares if the Surviving Corporation has at least \$30,000,000 in revenue during the fiscal year ended March 31, 2025 (collectively, the “Contingent Merger Consideration Shares”).

In accordance with the terms and subject to the conditions of the Merger Agreement, at the Effective Time each share of Common Stock outstanding or deemed outstanding pursuant to the provisions discussed immediately below as of immediately prior to the Effective Time will be converted into the right to receive its allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares (to the extent the required revenue thresholds are met).

Pursuant to the terms of the Merger Agreement and agreements that, pursuant to the Merger Agreement, the Company will enter into with holders of such convertible securities, such convertible securities will be canceled in exchange (except for the Series A Convertible Preferred Stock of the Company, par value \$0.0001 per share (the “Series A Preferred”) for a cash payment or Yotta Shares as follows: (i) at the option of the holder thereof, each outstanding warrant to purchase shares of Common Stock will be canceled in exchange for a cash payment based on the value thereof or treated as exercised for shares of Common Stock, in each case based on an adjusted exercise price and as otherwise set forth in the Merger Agreement and/or the individual agreements, and if treated as exercised, converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares; (ii) each outstanding share of Series F Convertible Preferred Stock of the Company, par value \$0.0001 per share, will be canceled and treated as if converted into shares of Common Stock at an adjusted conversion rate as set forth in the Merger Agreement and/or such individual agreements, and converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares; and (iii) each outstanding share of Series E Convertible Preferred Stock of the Company, par value \$0.0001 per share (the “Series E Preferred”), will be canceled and treated as if converted into shares of Common Stock at an adjusted conversion rate as set forth in the Merger Agreement and/or such individual agreements, and converted into the right to receive such deemed shares of Common Stock’s allocable portion of the Closing Merger Consideration Shares and the Contingent Merger Consideration Shares. In addition, each holder of Series E Preferred will be entitled to receive at the Effective Time an additional number of Closing Merger Consideration Shares as are necessary to ensure that the per-share value of the Yotta Shares that such stockholder is entitled to receive is not less than the per-share value (based on the effective purchase price) of the aggregate Yotta Shares then held by any Yotta stockholder after taking into account any newly-issued Yotta Shares that such Yotta stockholder acquires directly from Yotta prior to the closing of the Merger (the “Closing”) (which will reduce the number of Closing Merger Consideration Shares that will be issued to the Company’s other securities holders). The Series A Preferred will be cancelled and retired without any conversion thereof and for no consideration.

In addition, the Merger Agreement provides that, pursuant to an agreement to be entered into between the Company and Streeterville Capital, LLC (“Streeterville”) as the holder of the Secured Convertible Promissory Note in the initial amount of \$16,320,000.00 issued by the Company to Streeterville with an effective date of December 15, 2021 (the “Convertible Note”), contingent on and effective as of the Effective Time, the Convertible Note will be amended to eliminate the conversion feature thereof. Also, such agreement will provide for: (i) for the payment to Streeterville of an amount equal to the lesser of (A) one-third of the amount retained in the Trust Account at the Effective Time or (B) \$10,000,000, in order to repay a portion of the outstanding balance of the Convertible Note; (ii) that the remaining balance of the Convertible Note be repaid in equal monthly installments over a 12-month period beginning on a date after the Closing Date or the termination of such agreement; and (iii) that if the Closing Date is after December 31, 2022, the outstanding balance of all indebtedness owed by the Company to Streeterville will be increased automatically by 2% and will automatically increase by 2% every 30 days thereafter until the Closing, or substantially similar terms as approved by the Board of Directors of the Company.

The Company is required to enter into all of the above-described agreements with the holders of the warrants, preferred stockholders, and Streeterville within 14 days of the date of the Merger Agreement, or November 7, 2022 (the “Convertible Instrument Agreements”).

The Merger is expected to close in the first calendar quarter of 2023, following the receipt of the required approvals by the stockholders of the Company and Yotta, conditional approval by the Nasdaq Stock Market of Yotta’s initial listing application filed in connection with the Merger, and the fulfillment of other customary closing conditions.

#### **Termination**

The Merger Agreement may be terminated under certain customary and limited circumstances at any time prior to the Closing, including, without limitation: (i) by the mutual written consent of the parties; (ii) by either Yotta or the Company if the Closing does not occur on or prior to July 22, 2023 or, if an Additional Extension Period has been approved, at the expiration of such period (the “Outside Termination Date”), unless the breach of any covenants or obligations under the Merger Agreement by the party seeking to terminate (or, in the case of Yotta, by Merger Sub) proximately caused the failure to consummate the Transactions by the applicable date; (iii) by either Yotta or the Company if any governmental authority shall have issued an order, enacted a law, or taken any other action that has the effect of making the Transactions illegal or permanently restraining, enjoining, or otherwise prohibiting the consummation of the Transactions and such law or order or other action shall have become final and nonpeelable, unless the failure by such party or its affiliates to comply with any provision of the Merger Agreement was a substantial cause of, or substantially resulted in, such action by such governmental authority; (iv) by Yotta, subject to certain exceptions, if the Company has breached any of its representations, warranties, covenants, or agreements in the Merger Agreement and such breach cannot be cured at all or within the earlier of (A) 30 days after written notice thereof and (B) the Outside Termination Date; (v) by Yotta, subject to certain exceptions, if the Company does not receive the required stockholder approval of the Merger Agreement within five business days after the effective date of the Form S-4; (vi) by Yotta, subject to certain exceptions, if the Company fails to enter into the Convertible Instrument Agreements by November 7, 2022; and (vii) by the Company, subject to certain exceptions, if Yotta or Merger Sub has breached any of its representations, warranties, covenants, or agreements in the Merger Agreement and such breach cannot be cured at all or within the earlier of (A) 30 days after written notice thereof and (B) the Outside Termination Date.

If the Merger Agreement is validly terminated, none of the parties to the Merger Agreement will have any liability or any further obligation under the Merger Agreement other than customary confidentiality obligations, except in the case of a willful breach of any covenant or agreement under the Merger Agreement or fraud, provided, that (A) if Yotta terminates the Merger Agreement pursuant to clauses (iv), (v), or (vi) of the preceding paragraph, the Company must pay to Yotta, within two business days of such termination, a termination fee in the amount of \$3,000,000, and (B) if the Company terminates the Merger Agreement pursuant to clause (vii) of the preceding paragraph, Yotta shall pay to the Company, within two business days of such termination, a termination fee in the amount of \$3,000,000.

#### *Results of Operations*

#### **Comparison of the Three Months Ended December 31, 2022 to the Three Months Ended December 31, 2021**

##### Revenue

We had revenue of \$97,943 in the three months ended December 31, 2022, compared to \$16,640 of revenue during the quarter ended December 31, 2021. Revenues during the 2022 period were the result of our sale of shrimp to customers. At the beginning of fiscal 2023 these sales were made to two customers of a consultant to the Company under the terms of a trial distribution agreement between the consultant and the Company pursuant to which the consultant was to introduce the Company to customers and assist it in the set-up of ancillary materials used or useful in the delivery of live shrimp, including installation of necessary equipment and facilities, logistical support, training of staff and packaging necessary for shipment of live shrimp. After the trial period, the parties could have, but decided not to, negotiate and execute a long-term distribution agreement. We began receiving orders and billing one of these customers directly in June 2022 and the other in September 2022.

## Operating Expenses

The following table summarizes the various components of our operating expenses for each of the three months ended December 31, 2022 and December 31, 2021:

|   | <b>Three Months Ended December 31,</b> |                     |
|---|--|---------------------|
|   | <b>2022</b>                            | <b>2021</b>         |
| Salaries and related expenses             | \$ 530,167                             | \$ 332,393          |
| Professional fees                         | 351,053                                | 544,684             |
| Other general and administrative expenses | 546,302                                | 621,809             |
| Rent                                      | 53,673                                 | 28,813              |
| Facility operations                       | 875,194                                | 398,504             |
| Research and development                  | 14,212                                 | 20,357              |
| Depreciation                              | 416,377                                | 218,134             |
| Amortization                              | 367,500                                | 367,500             |
| Total                                     | <u>\$ 3,154,478</u>                    | <u>\$ 2,532,194</u> |

Operating expenses for the three months ended December 31, 2022, increased approximately \$622,000, or 24.6%, compared to the same period in 2021, primarily due to increases in facility operations expense, depreciation, and salaries and related expenses partially offset by decreases in professional fees and other general and administrative expenses. Facility operations expenses increased \$476,690, or 119.6%, during the three months ended December 31, 2022 compared to the same period in 2021, as a result of the progress of the planning of the commercial operations in our Iowa and Texas facilities. Depreciation increased \$198,243, or 90.9%, quarter over quarter due to the progressed fixed assets as well as the movement of construction in process to fixed assets in the two plants. Salaries and related expenses increased by \$197,774, or 86.3%, during the quarter ended December 31, 2022 compared to the same period of 2021, primarily due to the Company's increase in the number of employees and normal salary increases. Finally, professional fees during the quarter ended December 31, 2022, decreased by \$193,631 compared to the same period of 2021, due to greater than normal levels of attorneys' work with the Company on acquisitions and equity offerings and SEC filings, as well as consultant and accounting fees, in the 2021 period.

## Other income (expense)

The following table summarizes the various components of our Other income(expenses) for each of the three months ended December 31, 2022 and December 31, 2021:

|  | <b>Three Months Ended December 31,</b> |                        |
|--|--|------------------------|
|  | <b>2022</b>                            | <b>2021</b>            |
| Interest expense                             | \$ (593,331)                           | \$ (80,991)            |
| Interest expense - related parties           | (6,250)                                | -                      |
| Amortization of debt discount                | (843,494)                              | (340,000)              |
| Financing costs                              | -                                      | (1,393,000)            |
| Change in fair value of derivative liability | 17,738,000                             | -                      |
| Change in fair value of warrant liability    | 1,155,000                              | (137,000)              |
| Change in fair value of restructured notes   | (1,594,515)                            | -                      |
| Gain on Vero Blue note settlement            | -                                      | 500,000                |
| Gain on extinguishment of debt               | 2,383,088                              | -                      |
| Legal settlement                             | -                                      | (29,400,000)           |
| Loss due to fire                             | (6,262)                                | -                      |
| Total  | <u>\$ 18,232,236</u>                   | <u>\$ (30,850,991)</u> |

Other (income) expense for the three months ended December 31, 2022 changed significantly from the three months ended December 31, 2021, the majority of which is a result of the restructuring of the December 2021 note, with the removal of the conversion feature resulting in a “decrease” in the fair value of the derivative liability, as well as a legal settlement expense in December of 2021. As part of the restructuring on November 4, 2021, the conversion feature was removed, and therefore the bifurcated derivative was valued as of the restructuring date at \$12,290,000, with a decrease in fair value of \$17,738,000, resulting in the change in fair value being income. There was no derivative liability in the prior period. Therefore, the change in fair value is a new recognition in the current period. The interest expense increases in the current period, based on the two new notes issued in December of 2021 and August of 2022. The interest rate on both notes is 12%, so the interest expense on it is approximately \$592,000 for the three months ended December 31, 2022, which is the cause of the increase in interest expense for the current period as compared to the prior period. Additionally, prior to the restructuring and accounting treatment as an extinguishment, so a removal of the original debt discounts for the two notes, there was amortization of the recognized debt discounts on the original issuance of the notes through November 4, 2022. The amortization of the debt discount during the three months ended December 31, 2021 was only for approximately 15 days, upon issuance of the December 2021 note.

On December 6, 2021 a final order was signed and a case was closed for a suit filed against the Company on August 11, 2020, alleging breach of contract for the Company’s failure to exchange common shares of the Company to shareholders of NaturalShrimp Holdings, Inc. The Company was to issue approximately 93 million shares in settlement, which had a fair value of \$29,400,000, based on the market value of the Company’s common shares of \$0.316 on the date the case was closed, has been recognized in the Company’s statement of operations as legal settlement. The fair value of the shares was recognized as an expense in the three months ended December 31, 2021.

As a result of the restructuring of the December 2021 and August Note, which was determined to be accounted for as an extinguishment of debt, there was a gain on the extinguishment of debt for \$2,383,088, between the two notes, as other income in the three months ended December 31, 2021. Additionally, as the Company elected the fair value option under ASC 825 for the restructured notes to be accounted for at fair value until settled, the fair value was revalued as of the period end, with a decrease in fair value of the two notes of \$1,594,515, recognized as an expense in the three months ended December 31, 2022.

### Comparison of the Nine Months Ended December 31, 2022 to the Nine Months Ended December 31, 2021

#### Revenue

Revenues were \$186,004 during the nine months ended December 31, 2022, compared to \$16,640 of revenue during the nine months ended December 31, 2021. Revenues during the 2022 period were the result of our sale of shrimp to customers, as discussed under “— Comparison of the Three Months Ended December 31, 2022 to the Three Months Ended December 31, 2021 — Revenues.”

#### Operating Expenses

The following table summarizes the various components of our operating expenses for each of the nine months ended December 31, 2022 and December 31, 2021:

|   | <b>Nine Months Ended December 31,</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2022</b>                           | <b>2021</b>         |
| Salaries and related expenses             | \$ 1,514,243                          | \$ 1,987,920        |
| Professional fees                         | 1,097,493                             | 1,520,783           |
| Other general and administrative expenses | 1,509,155                             | 1,623,887           |
| Rent                                      | 135,928                               | 49,768              |
| Facility operations                       | 1,895,357                             | 810,260             |
| Research and development                  | 190,855                               | 217,229             |
| Depreciation                              | 1,349,838                             | 830,260             |
| Amortization                              | 1,102,500                             | 514,000             |
| <b>Total</b>                              | <b>\$ 8,795,369</b>                   | <b>\$ 7,554,256</b> |



Operating expenses for the nine months ended December 31, 2022 increased \$1,241,113, or 16.4%, compared to the same period in 2021, primarily due to increases in facility operations expense, depreciation, and amortization partially offset by decreases in salaries and related expenses and professional fees. Facility operations expenses increased \$1,085,097, or 133.9%, during the nine months ended December 31, 2022 compared to the same period in 2021, primarily as a result of the progress of the planning of the commercial operations in our Iowa and Texas facilities. Depreciation increased \$519,429, or 62.6%, during the nine months ended December 31, 2022, compared to the same period in 2021, as a result of the fixed assets from the new plant and the construction in process moved to fixed assets. Amortization increased \$588,500, or 114.5%, during the nine months ended December 31, 2022, compared to the same period of 2021, as a result of the quarterly amortization for the new patent and license rights as discussed above with respect to the results for the quarter ended December 31, 2022, which we began to recognize in August 2021. While there were additional employees and normal salary increases, salaries and related expenses decreased \$473,677, or 23.8%, during the nine months ended December 31, 2022 compared to the same period of 2021, primarily due to the Company's payment of \$700,000 in bonuses to its executive officers during the 2021 period. Professional fees decreased during the 2022 period due to greater than normal levels of legal work, as well as consultant and accounting fees, during the nine months ended December 31, 2021.

Other income (expense)

The following table summarizes the various components of our Other income(expenses) for each of the nine months ended December 31, 2022 and December 31, 2021:

|  | <b>Nine Months Ended December 31,</b> |                        |
|--|---------------------------------------|------------------------|
|  | <b>2022</b>                           | <b>2021</b>            |
| Interest expense                             | \$ (1,674,994)                        | \$ (228,190)           |
| Interest expense - related parties           | (9,772)                               | -                      |
| Amortization of debt discount                | (5,019,883)                           | (576,364)              |
| Financing costs                              | -                                     | (1,502,953)            |
| Change in fair value of derivative liability | 811,000                               | -                      |
| Change in fair value of warrant liability    | 3,031,000                             | (137,000)              |
| Change in fair value of restructured notes   | (1,594,515)                           | -                      |
| Forgiveness of PPP loan                      | -                                     | 103,200                |
| Gain on Vero Blue note settlement            | -                                     | 500,000                |
| Gain on extinguishment of debt               | 2,383,088                             | -                      |
| Legal settlement                             | -                                     | (29,400,000)           |
| Loss due to fire                             | (869,379)                             | -                      |
| <b>Total</b>                                 | <b>\$ (2,953,455)</b>                 | <b>\$ (31,241,307)</b> |

Other expense for the nine months ended December 31, 2022, decreased significantly from the same period in 2021, the majority of which is a result of the legal settlement expense of \$29,400,000 in December of 2021, as noted in the three month change above. Additionally, as noted in the three-month activity above, the restructuring of the December 2021 and August notes, resulted in recognition in income for the nine months ended December 31, 2022.

As part of the restructuring on November 4, 2021, the conversion feature was removed, and therefore the bifurcated derivative was valued as of the restructuring date at \$12,290,000, with a decrease in fair value of \$17,738,000, resulting in the change in fair value of \$811,000 for the nine months ending December 31, 2022 being income. There was no derivative liability in the prior period. Therefore, the change in fair value is a new recognition in the current period. The interest expense increases in the current period, based on the two new notes issued in December of 2021 and August of 2022. The interest rate on both notes is 12%, so the interest expense on it is approximately \$1,666,000 for the nine months ended December 31, 2022, which is the cause of the increase in interest expense for the current period as compared to the prior period. Additionally, prior to the restructuring and accounting treatment as an extinguishment, so a removal of the original debt discounts for the two notes, there was amortization of the recognized debt discounts on the original issuance of the notes through November 4, 2022. As a result, the amortization of the debt discount is approximately \$5,020,000 in the nine months ended December 31, 2022, compared to approximately \$576,000 of amortization of the debt discount during the nine months ended December 31, 2021 based on only for approximately 15 days upon issuance of the December 2021 note.

The warrant liability was originally recognized in December 2021, and is revalued each period end, with a decrease in the fair value as of December 31, 2022, resulting in a \$3,031,000 recognition as income, compared to an increase in fair value as of December 31, 2021, which resulted in a \$137,000 expense.

On July 3, 2022, the Company's building containing its water treatment and purification system in La Coste, Texas was completely destroyed in a fire. This resulted in the \$869,379 loss due to fire recognized in the nine months ended December 31, 2022.

On November 22, 2021, the Company entered into a waiver with a shareholder who had the rights to participate in a subsequent filing, in which warrants to purchase 3,739,000 shares of common stock warrants were issued with a fair value of \$1,373,000 recognized as financing costs. Additionally, in April of 2021, the Company settled a convertible note, with a redemption fee of \$109,953, recognized as financing costs. This resulted in the recognition of a financing cost expense of approximately \$1,483,000.

The Company's Paycheck Protection Program ("PPP") loan was approved for forgiveness on April 26, 2021 and, therefore, was recognized in the nine months ended December 31, 2021.

#### *Liquidity, Financial Condition and Capital Resources*

As of December 31, 2022, we had cash on hand of approximately \$142,000 and working capital deficit of approximately \$8,191,000, as compared to cash on hand of approximately \$1,734,000 and a working capital deficiency of approximately \$17,017,000 as of March 31, 2022. The increase in working capital for the nine months ended December 31, 2022, is mainly due to the decrease in cash on-hand, as well as the decrease in the fair value of the derivative liability due to the removal of the conversion feature in the restructured December 2021 Note, and a decrease in fair value of the warrant liability. This is offset by the new promissory notes and related party notes, and an increase in accounts payable.

#### **Working Capital/(Deficit)**

Our working capital as of December 31, 2022, in comparison to our working capital deficiency as of March 31, 2021, can be summarized as follows:

|                            | <b>December 31,<br/>2022</b> | <b>March 31,<br/>2022</b> |
|----------------------------|------------------------------|---------------------------|
| Current assets             | \$ 868,398                   | \$ 4,829,141              |
| Current liabilities        | 9,059,549                    | 21,846,261                |
| Working capital deficiency | <u>\$ (8,191,151)</u>        | <u>\$ (17,017,120)</u>    |

Current assets decreased mainly because of the release of the \$1,500,000 escrow account as of March 31, 2022 related to the proceeds from the issuance of a convertible debenture in December 2021, which was transferred to the Company's cash. Then there was a decrease in cash based on the use of the cash on hand, and a decrease of approximately \$1,020,000 in prepaid expenses. The decrease in current liabilities is primarily due to the \$13,101,000, decrease in the fair value of the derivative liability, related to the removal of the conversion feature in the restructuring of the December 2021 Note, as well as the by the decrease in the fair value of the warrant liability. This is offset by the new promissory note, which upon its restructuring was treated as an extinguishment and then recognized at its fair value under ASC 825, at approximately \$2,219,000 and the \$250,000 notes payable-related party.

#### **Cash Flows**

Our cash flows for the nine months ended December 31, 2022, in comparison to our cash flows for the nine months ended December 31, 2021, can be summarized as follows:

|   | <b>Nine months Ended December 31,</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2022</b>                           | <b>2021</b>         |
| Net cash used in operating activities     | \$ (3,884,764)                        | \$ (12,201,031)     |
| Net cash used in investing activities     | (1,730,186)                           | (7,899,513)         |
| Net cash provided by financing activities | 4,022,773                             | 22,609,954          |
| Net change in cash                        | <u>\$ (1,592,176)</u>                 | <u>\$ 2,509,411</u> |

The net cash used in operating activities in the nine months ended December 31, 2022 is approximately \$8,316,000 less as compared to the same period in 2021. The decrease in cash used is based mainly on the increase in accounts payable in the current period compared to the decrease in accounts payable in the prior period. Additionally, there is a decrease in prepaid expenses and an increase accrued interest related to the August note as well as the addition for the current period's nine months on the December 2021 note.

The net cash used in investing activities in the nine months ended December 31, 2022 decreased by approximately \$6,169,000 compared to the same period in the prior nine-month period. During the current period cash used consists of the purchase of approximately \$2,430,000 for machinery and equipment, offset by the \$700,000 received from the insurance company for the fixed assets destroyed by the July 3, 2022 fire. The prior year's cash spent on investing activities consisted of the \$2,000,000 of cash in the patent acquisition, \$2,350,000 for the License Agreement and \$1,000,000 in the acquisition of shares of the non-controlling interest, as well as approximately \$2,116,000 for machinery and equipment and \$433,000 for construction in process.

The net cash provided by financing activities decreased by approximately \$18,587,000 between periods. For the current period, the Company received \$1,380,000 from the financing agreement for the sale of shares of common stock, as well as \$1,465,000 net proceeds on a new promissory note, and \$250,000 from a promissory note with related parties. Additionally, the \$1,500,000 that had been held in escrow from the convertible note the Company entered into in December of 2021 has been transferred into its cash on hand. In the same period in the prior year, the Company received approximately \$17,277,000 from the sale of common stock and warrants, and \$8,905,000 of net proceeds from entering into the December 2021 note, offset by amounts paying off the previous convertible note, notes payable with related parties and bank loans, and the amount paid on the redemption of Series D Preferred Shares.

Our cash position was approximately \$142,000 as of December 31, 2022. Management believes that our cash on hand and working capital deficit are not sufficient to meet our current anticipated cash requirements for additional anticipated capital expenditures, operating expenses and scale-up of operations for the next twelve months .

#### *Recent Financing Arrangements and Developments During the Period*

##### **Short-Term Debt and Lines of Credit**

The Company also has a working capital line of credit with Capital One Bank for \$50,000. The line of credit bears an interest rate of prime plus 25.9 basis points, which totaled 33.17% as of December 31, 2022. The line of credit is unsecured. The balance of the line of credit was \$9,580 at both December 31, 2022 and March 31, 2021.

The Company also has a working capital line of credit with Chase Bank for \$25,000. The line of credit bears an interest rate of prime plus 10 basis points, which totaled 17.27% as of December 31, 2022. The line of credit is secured by assets of the Company's subsidiaries. The balance of the line of credit is \$10,237 at December 31, 2022 and March 31, 2022.

##### **Promissory Note**

The Company entered into a securities purchase agreement (the "SPA") with an investor (the "Investor") on August 17, 2022. Pursuant to the SPA, the Investor purchased a secured promissory note (the "Note") in the aggregate principal amount totaling approximately \$5,433,333 (the "Principal Amount"). The Note has an interest rate of 12% per annum, with a maturity date nine months from the issuance date of the Note (the "Maturity Date"). The Note carried an original issue discount totaling \$433,333 and a transaction expense amount of \$10,000, both of which are included in the principal balance of the Note. On the Closing Date the Company received \$1,100,000, with \$3,900,000 put into escrow to be held until certain terms are met, which includes \$3,400,000 upon the completion of a successful uplist to NYSE or NASDAQ. The SPA includes a Security Agreement, whereby the note is secured by the collateral set forth in the agreement, covering all of the assets of the Company. All payments made by the Company under the terms in the note, including upon repayment of this Note at maturity, shall be subject to an exit fee of 15% of the portion of the Outstanding Balance being paid (the "Exit Fee").

As soon as reasonably possible, the Company will cause the Common Stock to be listed for trading on either of (a) NYSE, or (b) NASDAQ (in either event, an “Uplist”). In the event the Company has not effectuated the Uplist by November 15, 2022, the then-current outstanding balance will be increased by 10%. Following the Uplist, while the Note is still outstanding, ten days after the Company may have a sale of any of its shares of common stock or preferred stock, there shall be a Mandatory Prepayment equal to the greater of \$3,000,000 or thirty-three percent of the gross proceeds of the equity sale.

In conjunction with the Merger Agreement, entered into on October 24, 2022, with Yotta Acquisition Corporation (Note 10), on November 4, 2022, the Company entered into a Restructuring Agreement for an Amended and Restated Secured Promissory Note (the “August Note”), through which the August Note was amended and restated in its entirety. The Restructuring Agreement included key modifications, in which i) the Uplist terms were removed, ii) in the event that the Closing of the Merger does not occur on or before December 31, 2022, the then-current Outstanding Balance will be increased by 2% and shall increase by 2% every 30 days thereafter until the Closing or termination of the Merger Agreement, and iii) the outstanding balance of the Convertible Note may be increased by 5% to 15% upon the occurrence of an event of default or failure to obtain the Lender’s consent or notify the Lender for certain major equity related transactions (“Trigger Events”). The Merger has not yet closed, and therefore the 2% of the outstanding balance was increased as of December 31, 2022, in the amount of approximately \$35,000.

The Restructured August Note was analyzed under ASC 470-50 as to if the change in terms qualified as a modification or an extinguishment of the note. The changes in terms were considered an extinguishment as the present value of the cash flows under the terms of the new debt instrument was evaluated to be a substantial change, as over 10% difference from the present value of the remaining cash flows under the terms of the original instrument. As such, with the removal of the original note and its debt discount and accrued interest as compared to the restructured note with a fair value of approximately \$1,933,000, there was a loss in extinguishment of approximately \$157,000. As a result of the extinguishment and at the Company’s election of the fair value option under ASC 825, the August Note will be accounted for at fair value until they are settled. In accordance with ASC 815-15-25-1(b) a hybrid instrument that is measured at fair value under ASC 825 fair value option each period with changes in fair value reported in earnings as they occur should not be evaluated for embedded derivatives. Therefore, the provisions in the August Note were not evaluated as to if they fell under the guidance of embedded derivatives and were required to be bifurcated. The August Note was revalued as of December 31, 2022 at approximately \$2,219,000, with a change in fair value of approximately \$286,000 recognized in the Statement of Operations.

#### **Promissory Note – related parties**

On August 10, 2022, the Company issued a loan agreement for \$300,000, with related parties, which is to be considered priority debt of the Company. As of this filing, five of the related parties have entered into promissory notes under the loan agreement for \$50,000 each, for a total of cash received of \$250,000. The notes bear interest at a 10% per annum and are due in one year from the date of the note.

#### **Convertible Debentures**

The Company entered into a securities purchase agreement (the “December 2021 SPA”) with an investor (the “December 2021 Investor”) on December 15, 2021. Pursuant to the December 2021 SPA, the December 2021 Investor purchased a secured promissory note (the “December 2021 Note”) in the aggregate principal amount totaling approximately \$16,320,000. The December 2021 Note has an interest rate of 12% per annum, with a maturity date 24 months from the issuance date of the December 2021 Note (the “Maturity Date”). The December 2021 Note carried an original issue discount totaling \$1,300,000 and a transaction expense amount of \$20,000, both of which are included in the principal balance of the December 2021 Note. The December 2021 Note had \$2,035,000 in debt issuance costs, including fees paid in cash of \$1,095,000 and 3,000,000 warrants issued to placement agents with a fair value of \$940,000. The warrant fair value was estimated using the Black Scholes Model, with the following inputs: the price of the Company’s common stock of \$0.32; a risk-free interest rate of 1.19%, the expected volatility of the Company’s common stock of 209.9%; the estimated remaining term, a dividend rate of 0%. The warrants were classified as a liability, as it is not known if there will be sufficient authorized shares to be issued upon settlement, based on the conversion terms of the convertible debt.

Beginning on the date that is 6 months from the issuance date of the December 2021 Note, the December 2021 Investor has the right to redeem up to \$1,000,000 of the outstanding balance per month. Payments may be made by the Company, at the Company's option, (a) in cash, or (b) by paying the redemption amount in the form of shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), per the following formula: the number of redemption shares equals the portion of the applicable redemption amount divided by the Redemption Repayment Price. The "Redemption Repayment Price" equals 90% multiplied by the average of the two lowest volume weighted average price per share of the Common Stock during the ten (10) trading days immediately preceding the date that the December 2021 Investor delivers notice electing to redeem a portion of the December 2021 Note. The redemption amount shall include a premium of 15% of the portion of the outstanding balance being paid (the "Exit Fee"). In addition to the December 2021 Investor's right of redemption, the Company has the option to prepay the December 2021 Notes at any time prior to the Maturity Date by paying a premium of 15% plus the principal, interest, and fees owed as of the prepayment date.

Within 180 days of the issuance date of the December 2021 Note, the Company will obtain an effective registration statement or a supplement to any existing registration statement or prospectus with the SEC registering at least \$15,000,000 in shares of Common Stock for the December 2021 Investor's benefit such that any redemption using shares of Common Stock could be done using registered Common Stock. Additionally, as soon as reasonably possible following the issuance of the December 2021 Note, the Company will cause the Common Stock to be listed for trading on either of (a) NYSE, or (b) NASDAQ (in either event, an "Uplist"). In the event the Company has not effectuated the Uplist by March 1, 2022, the then-current outstanding balance will be increased by 10%. On February 7, 2022, the Company and the December 2021 Investor entered into an amendment to the SPA, which extended the date by which the Uplist must be completed to April 15, 2022. In consideration of the grant of the extension there was an extension fee of \$249,079 added to the principal balance, which has been recognized as a financing cost in the accompanying unaudited condensed consolidated financial statement. Subsequently, the date by which the Uplist had to be completed was further extended to June 15, 2022, and again to November 15, 2022, with no additional fee included. The Company will make a one-time payment to the December 2021 Investor equal to 15% of the gross proceeds the Company receives from the offering expected to be effected in connection with the Uplist (whether from the sale of shares of its Common Stock and / or preferred stock) within ten (10) days of receiving such amount. In the event Borrower does not make this payment, the then-current outstanding balance will be increased by 10%. The December 2021 Note also contains certain negative covenants and Events of Default. Upon an Event of a Default, at its option and sole discretion, the December 2021 Investor may consider the December 2021 Note immediately due and payable. Upon such an Event of Default, the interest rate increases to 18% per annum and the outstanding balance of the December 2021 Note increases from 5% to 15%, depending upon the specific Event of Default.

On November 4, 2022, the Company entered into a Restructuring Agreement for an Amended and Restated Secured Promissory Note (the "Senior Note") with the December 2021 Investor through which the December 2021 Note was amended and restated in its entirety. These amendments were made in conjunction with the Merger Agreement, entered into on October 24, 2022, with Yotta Acquisition Corporation (Note 10). The main modification of the terms of the Senior Note was that the conversion feature was eliminated. Second, a Mandatory Payment was added whereby within 3 trading days of the closing upon the Merger an amount equal to the lesser of (A) one-third of the amount retained in the Trust Account at the Effective Time or (B) \$10,000,000, in order to repay a portion of the outstanding balance of the Convertible Note; after which the remaining balance of the Convertible Note is to be repaid in equal monthly installments over a 12-month period beginning on a date after the Closing Date or the termination of such agreement. Additionally, if the Closing Date is after December 31, 2022, the outstanding balance of all indebtedness owed by the Company to December 2021 Investor will be increased automatically by 2% and will automatically increase by 2% every 30 days thereafter until the Closing, or substantially similar terms as approved by the Board of Directors of the Company. Additional key modifications include i) the Uplist terms were removed, ii) Maturity date was modified from December 15, 2023 to December 4, 2023, and iii) the outstanding balance of the Convertible Note may be increased by 5% to 15% upon the occurrence of an event of default or failure to obtain the Lender's consent or notify the Lender for certain major equity related transactions ("Trigger Events"). As of December 31, 2022, the Merger has not yet closed, and therefore the 2% of the outstanding balance was increased as of December 31, 2022, in the amount of approximately \$1,309,000.

The Restructured Senior Note was analyzed under ASC 470-50 as to if the change in terms qualified as a modification or an extinguishment of the note. The changes in terms were considered an extinguishment as the conversion feature has been eliminated and therefore the modified August Note is determined to be fundamentally different from the original convertible note. As such, with the removal of the original note and its debt discount and accrued interest as compared to the restructured note with a fair value of approximately \$18,914,000, there was a gain in extinguishment of approximately \$2,540,000. As a result of the extinguishment and at the Company's election of the fair value option under ASC 825, the Senior Note will be accounted for at fair value until it is settled. In accordance with ASC 815-15-25-1(b) a hybrid instrument that is measured at fair value under ASC 825 fair value option each period with changes in fair value reported in earnings as they occur should not be evaluated for embedded derivatives. Therefore, the provisions in the Senior Note were not evaluated as to if they fell under the guidance of embedded derivatives and were required to be bifurcated. The Senior Note was revalued as of December 31, 2022 at approximately \$20,223,000, with a change in fair value of approximately \$1,309,000 recognized in the Statement of Operations.

#### *GHS Purchase Agreement*

On November 4, 2022, the Company entered into a purchase agreement (the "GHS Purchase Agreement") with GHS Investments LLC ("GHS"), an accredited investor, pursuant to which, the Company may require GHS to purchase a maximum of up to 64,000,000 shares of the Company's common stock ("GHS Purchase Shares") based on a total aggregate purchase price of up to \$5,000,000 over a one-year term that ends on November 4, 2023. Notwithstanding the foregoing dollar limitations, the Company and GHS may, from time to time, mutually agree in writing to waive the aforementioned limitations for a relevant Purchase Notice, which waiver, shall not exceed the 4.99% beneficial ownership limitation contained in the GHS Purchase Agreement. The Company is to control the timing and amount of any sales of GHS Purchase Shares to GHS. The Company intends to use the net proceeds from this offering for working capital and general corporate purposes.

The "Purchase Price" means, with respect to a purchase made pursuant to the GHS Purchase Agreement, 90% of the lowest VWAP during the 10 consecutive business days immediately preceding, but not including, the applicable purchase date. The Company shall deliver a number of GHS Purchase Shares equal to 112.5% of the aggregate purchase amount for such GHS Purchase divided by the Purchase Price per share for such GHS Purchase.

If there are any default events, as set forth in the GHS Purchase Agreement, has occurred and is continuing, the Company shall not deliver to GHS any Purchase Notice.

Further, pursuant to the terms of the GHS Purchase Agreement, from November 4, 2022 until the date that is the later of (i) the closing of the transactions whereby Yotta Merger Sub, Inc. will merge with and into the Company, with the Company as the surviving company (the "Merger"); and (ii) the 12 month anniversary of the first delivery of GHS Purchase Shares, upon any issuance by the Company or any of its subsidiaries of Common Stock or Common Stock equivalents for cash consideration, indebtedness or a combination of units thereof (a "Subsequent Financing"), GHS shall have the right to participate in any financing, up to an amount of the Subsequent Financing equal to 100% of the Subsequent Financing (the "Participation Maximum") on the same terms, conditions and price provided for in the Subsequent Financing. Following the Merger, the Participation Maximum shall be 50% of the Subsequent Financing.

In the three months ended December 31, 2022, the Company sold 17,175,675 shares of common stock at a net amount of approximately \$1,378,000, at share prices ranging from \$0.08 to \$0.10. There were 11,306,351 additional shares of common stock sold after the period end (see Note 11).

#### *Common Shares Issued to Consultant*

On April 14, 2021, 500,000 shares of common stock were issued to a consultant per an agreement entered into on January 20, 2021 for advisory services for a two-year period. The shares had a fair value of \$195,000, based on the market price of \$0.39 on the grant date. 62,500 shares of common stock shall vest each quarter through October 1, 2022, at \$24,275, with approximately \$171,000 vested through December 31, 2022.

#### *Common Stock Issued in Relation to Business Agreement*

On August 1, 2022, the Company issued 250,000 shares of common stock to a consultant per the terms of an agreement from June 2021, to be issued upon the approval of a patent.

As of June 22, 2022, 250,000 common shares were issued in relation to a trial distribution agreement, which after the result of the trial period, both parties may negotiate and execute a long-term distribution agreement. The shares will be paid by the Company withholding sufficient profits from the sale by the other party of the live shrimp

#### *Going Concern and Management Liquidity Plans*

The unaudited condensed consolidated financial statements contained in this quarterly report on Form 10-Q have been prepared, assuming that the Company will continue as a going concern. The Company has accumulated losses through the period to December 31, 2022 of approximately \$163,038,000 as well as negative cash flows from operating activities of approximately \$4,754,000. Presently, the Company does not have sufficient cash resources to meet its plans in the twelve months following the date of issuance of this filing. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives in order to finance the continued build-out of our equipment and for general and administrative expenses. These alternatives include raising funds through public or private equity markets and either through institutional or retail investors. Although there is no assurance that the Company will be successful with our fund-raising initiatives, management believes that the Company will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

The unaudited condensed consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability. If the Company raises additional funds through the issuance of equity, the percentage ownership of current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to the rights, preferences and privileges of the Company's common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict its future plans for developing its business and achieving commercial revenues. If the Company is unable to obtain the necessary capital, the Company may have to cease operations.

#### **Future Financing**

We will require additional funds to implement our growth strategy for our business. In addition, while we have received capital from various private placements that have enabled us to fund our operations, these funds have been largely used to develop our processes, although additional funds are needed for other corporate operational and working capital purposes. However, not including funds needed for capital expenditures or to pay down existing debt and trade payables, we anticipate that we will need to raise an additional \$2,500,000 to cover all of our capital and operational expenses over the next 12 months, not including any capital expenditures needed as part of any commercial scale-up of our equipment. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There can be no assurance that additional financing will be available to us when needed or, if available, that such financing can be obtained on commercially reasonable terms. If we are not able to obtain the additional necessary financing on a timely basis, or if we are unable to generate significant revenues from operations, we will not be able to meet our other obligations as they become due, and we will be forced to scale down or perhaps even cease our operations.

#### *Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

#### *Effects of Inflation*

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

Our significant accounting policies are more fully described in the notes to our financial statements included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

#### **Fair Value Measurement**

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in the valuation of an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Derivative and warrant liabilities are Level 3 fair value measurements.

#### **Basic and Diluted Earnings/Loss per Common Share**

Basic and diluted earnings or loss per share ("EPS") amounts in the unaudited condensed consolidated financial statements are computed in accordance with ASC 260 – 10 "Earnings per Share", which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of shares of common stock outstanding. Diluted EPS is based on the weighted average number of shares of common stock outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of shares of common stock outstanding (denominator) during the period. For the three months ended December 31, 2022, the Company had 5,000,000 shares of Series A Convertible Preferred Stock which would be converted at the holder's option into approximately 751,385,000 underlying common shares, 170 shares of Series E Redeemable Convertible Preferred shares whose approximately 2,775,000 underlying shares are convertible at the investors' option at conversion price of 90% of the average of the two lowest market prices over the last 10 days, 750,000 shares of Series F Preferred Stock which would be converted at the holders' option into approximately 180,333,000 underlying common shares, whose shares were included in the calculation of diluted EPS. For the three months ended December 31, 2022, the Company had 1,500 shares of Series E Redeemable Convertible Preferred shares whose approximately 5,143,000 underlying shares are convertible at the investors' option at a fixed conversion price of \$0.35, and 18,573,116 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive as their conversion and exercise prices were greater than the market price of the Company's common shares. For the nine months ended December 31, 2022, the Company had 5,000,000 shares of Series A Convertible Preferred Stock which would be converted at the holder's option into approximately 768,561,000 underlying common shares, 1,500 shares of Series E Redeemable Convertible Preferred shares whose approximately 5,143,000 underlying shares are convertible at the investors' option at a fixed conversion price of \$0.35, and 170 shares of Series E Redeemable Convertible Preferred shares whose approximately 2,775,000 underlying shares are convertible at the investors' option at conversion price of 90% of the average of the two lowest market prices over the last 10 days, 750,000 shares of Series F Preferred Stock which would be converted at the holders' option into approximately 184,387,000 underlying common shares, and 18,573,116 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive. For the three and nine months ended December 31, 2021, the Company had Redeemable Convertible Preferred stock with approximately 9,842,000 underlying common shares, \$18,768,000 in a convertible debenture whose approximately 67,816,000 underlying shares are convertible at the holders' option at conversion price of 90 % of the average of the two lowest market prices over the last 10 days and 18,506,429 warrants outstanding which were not included in the calculation of diluted EPS as their effect would be anti-dilutive.



## Impairment of Long-lived Assets and Long-lived Assets

The Company will periodically evaluate the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review and at least annually. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

## Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, as such, the Company records revenue when their customers obtain control of the promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company will sell primarily to food service distributors, as well as to wholesalers, retail establishments and seafood distributors.

To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer by receipt of purchase orders and confirmations sent by the Company which includes a required line of credit approval process, (2) identify the performance obligations in the contract which includes shipment of goods to the customer FOB shipping point or destination, (3) determine the transaction price which initiates with the purchase order received from the customer and confirmation sent by the Company and will include discounts and allowances by customer if any, (4) allocate the transaction price to the performance obligations in the contract which is the shipment of the goods to the customer and transaction price determined in step 3 above and (5) recognize revenue when (or as) the entity satisfies a performance obligation which is when the Company transfers control of the goods to the customers by shipment or delivery of the products.

### *Recently Adopted Accounting Pronouncements*

Our recently adopted accounting pronouncements are more fully described in Note 2 to our financial statements included herein for the quarter ended December 31, 2022.

### *Recently Issued Accounting Standards*

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, *Debt: Debt with Conversion and Other Options*, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer's own stock and classified in stockholders' equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, *Earnings Per Share*, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. The Company is currently evaluating the impact that ASU 2020-06 may have on its consolidated financial statements and related disclosures.

During the period ending December 31, 2022, there were several new accounting pronouncements issued by the Financial Accounting Standards Board. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable. As a smaller reporting company, we are not required to provide the information required by this Item.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

We maintain a system of disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

The Company's management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of the end of the period covered by this Report.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2022, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below. Thus, there remains a reasonable possibility that a material misstatement of the Company's interim financial statements will not be prevented or detected on a timely basis. This does not include an evaluation by the Company's registered public accounting firm regarding the Company's internal control over financial reporting. Accordingly, we cannot provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, to allow our principal financial and executive officers to make timely decisions regarding required disclosures as of December 31, 2022.

Management's evaluation was based on the following material weaknesses in our internal control over financial reporting which existed as of March 31, 2022, and which continue to exist, as discussed in the Company's Annual Report on Form 10-K:

- Inadequate segregation of duties consistent with control objectives;
- Lack of independent Board of Directors (as of the balance sheet date) and absence of Audit Committee to exercise oversight responsibility related to financial reporting and internal control;
- Lack of risk assessment procedures on internal controls to detect financial reporting risks in a timely manner; and
- Lack of documentation on policies and procedures that are critical to the accomplishment of financial reporting objectives.

Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

#### *Remediation Plan*

Management continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively.

The remediation actions planned include:

- Identify gaps in our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company;
- Establish an independent Board of Directors (which we expect to establish in our fourth fiscal quarter that will end on March 31, 2023) and an Audit Committee to provide oversight for remediation efforts and ongoing guidance regarding accounting, financial reporting, overall risks and the internal control environment;
- Retain additional accounting personnel with public company financial reporting, technical accounting, SEC compliance, and strategic financial advisory experience to achieve adequate segregation of duties; and
- Continue to develop formal policies and procedures on accounting and internal control over financial reporting and monitor the effectiveness of existing controls and procedures.

#### *Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2022 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect. The Company has resolved all outstanding litigation involving the Company and there are no suits or cases pending in which the Company is a party.

### **ITEM 1A. RISK FACTORS**

Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in Item 1 of our Annual Report on Form 10-K for the year ended March 31, 2022. The risks described in our Form 10-K and this Report are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2022, filed with SEC on June 29, 2022 other than the following:

In this document:

- “Business Combination” means the merger and the other transactions contemplated by the Merger Agreement.

- “Merger Agreement” means that certain Merger Agreement, dated as of October 24, 2022, by and among Yotta, Merger Sub and NaturalShrimp, as it may be amended or supplemented.
- “Merger Sub” means Yotta Merger Sub, Inc., a Nevada corporation and wholly-owned subsidiary of Yotta.
- “New NaturalShrimp” means the combined company after the Business Combination.
- “New NaturalShrimp Common Stock” means the common stock, par value \$0.0001 per share, of New NaturalShrimp.
- “Yotta” means Yotta Acquisition Corporation, a Delaware corporation.

***New NaturalShrimp will issue shares of New NaturalShrimp Common Stock as consideration in the Business Combination and may issue additional shares of New NaturalShrimp Common Stock or other equity or convertible debt securities without approval of the holders of New NaturalShrimp Common Stock, which would dilute then-existing ownership interests and may depress the market price of the New NaturalShrimp Common Stock.***

We anticipate that, following the Business Combination, (i) former NaturalShrimp securityholders will own approximately 51.6% of the outstanding shares of New NaturalShrimp Common Stock, (ii) former Yotta stockholders will own approximately 46.9% of the outstanding shares of New NaturalShrimp Common Stock, and (iii) the representative of the underwriters in Yotta’s initial public offering will own 1.5% of the outstanding shares of New NaturalShrimp Common Stock. These percentages are based on the pro forma ownership of New NaturalShrimp Common Stock as of September 30, 2022, and assume, among other things, that no shares of Yotta’s common stock are redeemed in connection with the Business Combination or any further extensions of the date by which Yotta must consummate an initial business combination. If the actual facts differ from these assumptions, these percentages will differ.

New NaturalShrimp may continue to require capital investment to support its business and may issue additional shares of New NaturalShrimp Common Stock or other equity or convertible debt securities of equal or senior rank in the future without approval of its stockholders in certain of circumstances.

New NaturalShrimp’s issuance of additional shares of New NaturalShrimp Common Stock or other equity or convertible debt securities would have the following effects: (i) New NaturalShrimp’s existing stockholders’ proportionate ownership interest in New NaturalShrimp would decrease; (ii) the amount of cash available per share, including for payment of dividends in the future, may decrease; (iii) the relative voting power of each previously outstanding shares of New NaturalShrimp Common Stock may be diminished; and (iv) the market price of New NaturalShrimp Common Stock may decline.

***Yotta may be subject to the Excise Tax included in the Inflation Reduction Act of 2022 in connection with redemptions of its Common Stock after December 31, 2022.***

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which, among other things, imposes a 1% excise tax on any publicly traded domestic corporation that repurchases its stock after December 31, 2022 (the “Excise Tax”). The Excise Tax is imposed on the fair market value of the repurchased stock, with certain exceptions. Because Yotta is a Delaware corporation and because its securities trade on Nasdaq, it is a “covered corporation” within the meaning of the Inflation Reduction Act. While not free from doubt, absent any further guidance from the U.S. Department of the Treasury (the “Treasury”), who has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the Excise Tax, the Excise Tax may apply to any redemptions of Yotta’s common stock after December 31, 2022, including redemptions in connection with the Business Combination, unless an exemption is available. Generally, issuances of securities in connection with an initial business combination transaction (including any PIPE transaction at the time of an initial business combination) are expected to reduce the amount of the Excise Tax in connection with redemptions occurring in the same calendar year. In addition, because the Excise Tax would be payable by Yotta and not by the redeeming holder, the mechanics of any required payment of the Excise Tax have not been determined.

***Future resales of shares of New NaturalShrimp Common Stock issued to NaturalShrimp stockholders and other significant stockholders may cause the market price of the New NaturalShrimp Common Stock to drop significantly, even if New NaturalShrimp's business is doing well.***

Pursuant to the Merger Agreement, immediately after the closing of the Business Combination NaturalShrimp's securityholders will hold approximately 51.6% of the outstanding shares of New NaturalShrimp Common Stock, approximately [●] % of which will be eligible for sale immediately after the consummation of the Business Combination. These percentages are based on the pro forma ownership of New NaturalShrimp Common Stock as of September 30, 2022, and assume among other things, and that no shares of Yotta's common stock are redeemed in connection with the Business Combination or any further extensions of the date by which Yotta must consummate an initial business combination. If the actual facts differ from these assumptions, these percentages will differ. Pursuant to Lock-Up Agreements entered into in connection with the execution of the Merger Agreement, certain New NaturalShrimp stockholders will be restricted, subject to certain exceptions, from selling any of the New NaturalShrimp Common Stock that they receive in or hold at the effective time of the Business Combination, which restrictions will expire, and therefore additional shares of New NaturalShrimp Common Stock will be eligible for resale six months after the effective time of the Business Combination.

Subject to the Lock-Up Agreements, the NaturalShrimp stockholders that are a party thereto (which are NaturalShrimp's three executive officers and directors) may sell New NaturalShrimp Common Stock pursuant to Rule 144 under the Securities Act ("Rule 144"), if available. In these cases, the resales must meet the criteria and conform to the requirements of that rule, including, because Yotta is currently a shell company, waiting until one year after New NaturalShrimp's filing with the SEC of Form 10-type information reflecting the Business Combination.

Upon expiration of the lock-up periods set forth in the Lock-Up Agreements, and upon effectiveness of the registration statement that New NaturalShrimp will be required to file pursuant to the Amended and Restated Registration Rights Agreement to be entered into prior to the closing of the Business Combination by Yotta, certain stockholders of Yotta and certain stockholders of NaturalShrimp who will be affiliates of New NaturalShrimp immediately after the closing, or upon satisfaction of the requirements of Rule 144, certain former Yotta stockholders and certain other significant stockholders of New NaturalShrimp may sell large amounts of New NaturalShrimp Common Stock in the open market or in privately-negotiated transactions, which could have the effect of increasing the volatility in New NaturalShrimp's share price or putting significant downward pressure on the price of the New NaturalShrimp Common Stock.

***New NaturalShrimp may be unable to maintain the listing of its securities in the future.***

If New NaturalShrimp fails to meet the continued listing requirements and Nasdaq delists its securities, it could face significant material adverse consequences, including:

- a limited availability of market quotations for its securities;
- a limited amount of news and analyst coverage for New NaturalShrimp; and
- a decreased ability to issue additional securities or obtain additional financing in the future

***We face risks related to the COVID-19 pandemic that could significantly disrupt our research and development, operations, sales, and financial results, and other epidemics or outbreaks of infectious diseases may have a similar impact.***

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The spread of the outbreak has caused significant disruptions in the global economy, and the impact may continue to be significant. While the threat level has declined to a significant extent in the United States and globally, and our operations have not been materially and negatively impacted by the pandemic to date, our business could be adversely impacted by the effects of the COVID-19 pandemic as well as government efforts to control or combat it, particularly if there is a resurgence in infections, including as a result of the emergence of new variants of the virus that causes COVID-19. In addition to global macroeconomic effects, the COVID-19 outbreak and any other related adverse public health developments could cause disruption to our operations and manufacturing activities. For example, if governments re-implement restrictions in an attempt to combat any resurgence of COVID-19, we may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products and services in a timely manner or meet required milestones. Further, our third-party equipment manufacturers, third-party raw material suppliers, and consultants have been and may continue to be disrupted by worker absenteeism, quarantines, and restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions, which could adversely affect our business and operations. Other epidemics or outbreaks of infectious diseases could have similar impacts on NaturalShrimp as well.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There were no unregistered sales of the Company's equity securities during the three months ended December 31, 2022 that were not previously reported in an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q, or a Current Report on Form 8-K except as follows:

During the three months ended December 31, 2022, the Company sold 17,175,675 shares of common stock at a net amount of approximately \$1,378,000, at share prices ranging from \$0.08 to \$0.10.

Unless otherwise specified, the above securities were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act. The issuance of the shares to the consultant qualified for exemption under Section 4(a)(2) since the issuance by us did not involve a public offering. The offering was not a "public offering" as defined in 4(a)(2) due to the insubstantial number of persons involved in the transactions, manner of the issuance and number of securities issued. We did not undertake an offering in which we sold a high number of securities to a high number of investors. In addition, the investor had the necessary investment intent as required by Section 4(a)(2) since they agreed to and received securities bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering". Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

## **ITEM 5. OTHER INFORMATION**

None.



## ITEM 6. EXHIBITS

## EXHIBIT INDEX

| Exhibit<br>Number | Exhibit Description   | Incorporated by Reference |         |                                   |
|-------------------|---|---------------------------|---------|-----------------------------------|
|                   |   | Form                      | Exhibit | Filing<br>Date/Period<br>End Date |
| 2.1#              | <a href="#">Merger Agreement by and among NaturalShrimp Incorporated, Yotta Acquisition Corporation, and Yotta Merger Sub, Inc., dated as of October 24, 2022</a> | 8-K/A                     | 2.1     | 10/27/2022                        |
| 10.1#             | <a href="#">Purchase Agreement, dated as of November 4, 2022, by and between the Company and GHS Investments LLC</a>  | 8-K                       | 10.1    | 11/08/2022                        |
| 31.1*             | <a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.</a>  |                           |         |                                   |
| 31.2*             | <a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.</a>  |                           |         |                                   |
| 32.1**            | <a href="#">Section 1350 Certification of Chief Executive Officer.</a>  |                           |         |                                   |
| 32.2**            | <a href="#">Section 1350 Certification of Chief Financial Officer.</a>  |                           |         |                                   |
| 101.INS*          | Inline XBRL Instance Document   |                           |         |                                   |
| 101.SCH*          | Inline XBRL Taxonomy Extension Schema Document  |                           |         |                                   |
| 101.CAL*          | Inline XBRL Taxonomy Extension Calculation Linkbase Document  |                           |         |                                   |
| 101.DEF*          | Inline XBRL Taxonomy Extension Definition Linkbase Document   |                           |         |                                   |
| 101.LAB*          | Inline XBRL Taxonomy Extension Label Linkbase Document  |                           |         |                                   |
| 101.PRE*          | Inline XBRL Taxonomy Extension Presentation Linkbase Document   |                           |         |                                   |
| 104               | Cover Page Interactive Data File (embedded within the Inline XBRL document)   |                           |         |                                   |

\* Filed herewith.

\*\* Furnished herewith.

# Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish supplementally copies of omitted schedules and exhibits to the Securities and Exchange Commission or its staff upon its request.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NATURALSHRIMP INCORPORATED**

By: /s/ Gerald Easterling

Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)  
Date: February 16, 2023

By: /s/ William Delgado

William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)  
Date: February 16, 2023



**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald Easterling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NaturalShrimp Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: */s/ Gerald Easterling*

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Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)  
Date: February 16, 2023

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William Delgado, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NaturalShrimp Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: */s/ William Delgado*

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William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)  
Date: February 16, 2023

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of NaturalShrimp Incorporated (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By: */s/ Gerald Easterling*

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Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)  
Date: February 16, 2023

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of NaturalShrimp Incorporated (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By: */s/ William Delgado*

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William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)  
Date: February 16, 2023

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