

TMM, INC
BALANCE SHEET
AS OF JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash in Bank	1,081,968	
Prepaid Expenses	<u>11,000</u>	
<u>TOTAL CURRENT ASSETS</u>		1,092,968

Product Design & Development Costs (Note 2)

VDK Codec Costs Capitalized	2,005,215	
Code Review and Enhancements	303,501	
Computer Equipment	63,005	
Graphic Design Costs	<u>3,001</u>	
Total Product Design & Development Costs	2,374,722	
Less: Amortization to Date	<u>(2,005,215)</u>	
<u>NET PRODUCT DESIGN & DEVELOPMENT COSTS</u>		369,507

OTHER ASSETS (Note 2)

Legal & Related Costs		<u>299,660</u>
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<u>TOTAL ASSETS</u>		<u><u>1,762,135</u></u>
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LIABILITIES AND SHAREHOLDER EQUITY

CURRENT LIABILITIES

Loans & Exchanges	130,618	
Due to International Royalty Corp (Note 3)	<u>175,553</u>	
<u>TOTAL CURRENT LIABILITIES</u>		306,171

SHAREHOLDER EQUITY (Notes 5, 6 & 7)

Capital Stock:		
Preferred stock, 50,000,000 shares authorized, 30,209,000 issued and outstanding.		
Common stock, \$0.001 par value 750,000,000 shares authorized 205,741,200 issued and outstanding	590,480	
Additional Paid in Capital	21,385,180	
Proceeds of Private Placement (Note 5&6)	1,206,500	
Retained Earnings	<u>(21,726,196)</u>	
<u>TOTAL SHAREHOLDER EQUITY</u>		<u>1,455,964</u>

<u>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</u>		<u><u>1,762,135</u></u>
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TMM, INC
INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2012

INCOME

Interest Income 662

EXPENSES

Accounting	3,175
Bank Charges	5,245
Consultants	117,287
Director Fees	11,100
Office Supplies & Expenses	13,230
Rent	11,433
Taxes (Note 8)	14,270
Telephone, Fax & Internet Fees	2,939
Travel	<u>9,971</u>

TOTAL EXPENSES 188,650

NET LOSS (187,988)

Retained Earnings - Beginning (21,538,208)

RETAINED EARNINGS - ENDING (21,726,196)

TMM, INC
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

1. BASIS OF PRESENTATION

These Financial Statements have been compiled using historical data from reports prepared by the previous management of the Company along with the recent activity of the Company and the Shareholder Group who initiated the change in the Company's management. These financial statements are preliminary and are based on the best information available at this time. As the discovery and review of certain historical documents continues (the current management was voted into office on October 17, 2011) any revisions will be updated in the next fiscal quarter (See Note 4). These statements have not been audited or reviewed and accordingly, no opinion or any other form of assurance is expressed on them.

2. COMPOSITION OF CERTAIN ASSET ACCOUNTS

VDK Codec Costs Capitalized: Represents historical costs previously capitalized and fully amortized for the development of the VDK Codec code.

Code Review and Enhancements: Represent funds spent currently to review, update and enhance the company's software.

Graphic Design Costs: Represents funds spent currently for certain design updates and enhancements.

Computer Equipment: Represents funds spent currently for computer equipment to be placed in service in the near future.

Legal and Related Costs: Represents fees and costs paid for the shareholder action and related follow-up litigation by the Company together with professional and consulting fees incurred with respect to certain recoveries, and the discovery, updating, and evaluation of certain corporate governance documents and proprietary information.

The above costs are deemed to have certain future value and as such have been presented as assets of the Company. These assets will be amortized at a future date and will be charged to reflect a proper matching against future revenue.

TMM, INC
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

3. AMOUNTS DUE TO INTERNATIONAL ROYALTIES, CORP

The amounts due to International Royalties, Corp. are for funds advanced to the Company in 2009 (\$18,778) and for fees due for managerial and director services rendered from 2007 to the present (\$156,775). The amounts due for services are anticipated to be satisfied by the issuance of capital stock in the Company. Also see Note 7.

4. LITIGATION

The Company is currently in litigation to recover certain tax, financial, corporate governance and proprietary documents from the Company's previous management and certain related parties that could have a material effect on this Financial Statement and the financial position of the Company.

5. PRIVATE SUBSCRIPTION OFFERINGS

The Company successfully completed several Subscription Offerings. The first which was initiated in late October, 2011 for private investors and which raised \$564,500 US for the Company. The \$0.02 per Unit offering consisted of one share of TMMI common stock and one warrant to purchase one additional share of TMMI common stock at \$0.05 per share within three (3) years. The second offering was initiated in April 2012 for private investors and raised \$1,206,500 US for the Company. The \$0.10 per Unit offering consisted of one share of TMMI common stock and one warrant to purchase one additional share of TMMI common stock at \$0.15 per share within three (3) years. The Proceeds from this offering are shown as a separate item in shareholder equity pending issuance of the shares by the Transfer Agent which will be completed shortly. Upon issuance, the proper amounts will be reflected in the Common Stock and Additional Paid in Capital accounts.

The Company is using the Subscription funds to cover its expenses associated with gathering and organizing the Company's corporate governance documents and intellectual property records. In addition, such Subscription proceeds will enable the Company to continue developing its TRUDEF™ Technology which is the successor of the Company's VDK Codec SoftVideo™ fractal compression technology which was first under development in the 1990's.

TMM, INC
NOTES TO FINANCIAL STATEMENTS
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6. ADDITIONAL STOCK ISSUANCE

At the balance sheet date, the issuance of an additional 20,088,750 shares of common stock was in progress. This stock will be issued to individuals and companies who had contributed funds and services prior to the October 17, 2011 change in management and who had never received their shares.

In addition to the shares listed above, an additional 12,065,000 shares of common stock are in the process of being issued. These shares are the result of the recent private subscription offering. The funds received from this offering have been included in Shareholder Equity.

7. OPTIONS AND WARRANTS OUTSTANDING

The Company has the following Warrants and Options for Common Stock Outstanding:

Warrants for the issuance of Common Stock at \$0.05 per share (from the Private Subscription Offering). The term of these options are three years and expire on December 31, 2014.	28,225,000 shares
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Options for the issuance of Common Stock at \$0.02 per share on October 18, 2011. The term of these options are three years and expire on October 18, 2014.	35,800,000 shares
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Options for the issuance of Common Stock at \$0.05 per share on March 31, 2012. The term of these options are three years and expire on March 31, 2015	500,000 shares
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In addition to the Options & Warrants currently outstanding, Warrants for the issuance of 12,065,000 shares of Common Stock at \$0.15 per share will be issued as part of the recent Private Subscription Offering

TMM, INC
NOTES TO FINANCIAL STATEMENTS
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8. ACQUISITION OF DIGITAL FOCUS, INC

On June 8, 2012 TMM, Inc completed the acquisition of the outstanding shares of Digital Focus, Inc. a California corporation. Digital Focus, Inc.'s sole asset is an exclusive license agreement to the PVI/SGI source code from Iterated Systems, Inc.

\$12,502 of the Tax Expense reflected on the Income Statement was paid on behalf of Digital Focus, Inc. These taxes were franchise taxes paid to re-instate Digital Focus, Inc into good standing with the State of California.