

STARGAZE ENTERTAINMENT GROUP, INC. AND SUBSIDIARY

Financial Statements
As of and for the years ended December 31, 2024 and 2023

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Stargaze Entertainment Group, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Stargaze Entertainment Group, Inc. and Subsidiary (collectively, the “Company”) as of December 31, 2024 and 2023, the related statement of operations, stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Substantial Doubt about the Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

- **Going Concern** – As discussed in Note 2 to the consolidated financial statements, the Company has a going concern due to negative working capital and losses from operations which raises substantial doubt about its ability to continue as a going concern. Auditing management’s evaluation of a going concern can be a significant judgment given the fact that the Company uses management estimates on future revenues and expenses, which are difficult to substantiate. To evaluate the appropriateness of the going concern, we examined and evaluated the financial information along with management’s plans to mitigate the going concern and management’s disclosure on going concern.

/s/ BCRG Group BCRG Group (PCAOB ID 7158)
We have served as the Company’s auditor since 2025.
Irvine, CA
May 23, 2025

BCRG Group

Stargaze Entertainment Group, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
<u>Assets</u>		
Current Assets		
Cash	\$ 208,697	\$ 1,386
Total Current Assets	<u>208,697</u>	<u>1,386</u>
Total Assets	<u>\$ 208,697</u>	<u>\$ 1,386</u>
<u>Liabilities and Stockholders' Equity (Deficit)</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 61,360	\$ -
Common stock payable	105,000	-
Loans payable to related parties	<u>165,000</u>	<u>-</u>
Total Current Liabilities	<u>331,360</u>	<u>-</u>
Total liabilities	<u>331,360</u>	<u>-</u>
Stockholders' Equity (Deficit)		
Convertible Preferred stock - Series A, \$0.0001 par value; 2,500,000 shares designated 2,500,000 issued and outstanding, respectively	250	250
Common stock - \$0.0001 par value, 500,000,000 shares authorized 148,738,673 and 123,738,673 shares issued and outstanding, respectively	14,874	12,374
Common stock issuable - \$0.0001 par value 71,271,629 and 0 shares, respectively	7,127	-
Additional paid-in capital	933,411	300,650
Accumulated deficit	<u>(1,078,325)</u>	<u>(311,888)</u>
Total Stockholders' Equity (Deficit)	<u>(122,663)</u>	<u>1,386</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 208,697</u>	<u>\$ 1,386</u>

See accompanying notes to consolidated financial statements.

Stargaze Entertainment Group, Inc. and Subsidiary
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2024	2023
Revenues	\$ 9,612	\$ 13,214
Cost of revenues	<u>215,000</u>	<u>-</u>
Gross profit (loss)	(205,388)	13,214
General and administrative expenses	<u>556,645</u>	<u>14,598</u>
Loss from operations	(762,033)	(1,384)
Interest expense	<u>(4,404)</u>	<u>-</u>
Net loss before income taxes	(766,437)	(1,384)
Income tax provision	<u>-</u>	<u>-</u>
Net loss	<u>\$ (766,437)</u>	<u>\$ (1,384)</u>
Loss per share - basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares - basic and diluted	<u>166,682,993</u>	<u>123,735,303</u>

See accompanying notes to consolidated financial statements.

Stargaze Entertainment Group, Inc. and Subsidiary

Consolidated Stockholders' Equity (Deficit)

	Series A - Convertible Preferred Stock		Common Stock		Common Stock - Issuable		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
December 31, 2022	2,500,000	\$ 250	123,733,673	\$ 12,373	-	\$ -	\$ 300,650	\$ (310,504)	2,769
Recapitalization	-	-	-	-	-	-	(5)	-	(5)
Stock issued for services (\$0.0001/share)	-	-	55,000	6	-	-	-	-	6
Cancellation of shares (\$0.0001/share)	-	-	(50,000)	(5)	-	-	5	-	-
Net loss	-	-	-	-	-	-	-	(1,384)	(1,384)
December 31, 2023	2,500,000	\$ 250	123,738,673	\$ 12,374	\$ -	\$ -	\$ 300,650	\$ (311,888)	\$ 1,386
Recapitalization	-	-	-	-	-	-	(266,470)	-	(266,470)
Stock issued for services	-	-	-	-	44,771,629	4,477	219,381	-	223,858
Stock issued for cash (\$0.008 - \$0.01/share)	-	-	25,000,000	2,500	-	-	197,500	-	200,000
Stock issued for cash (\$0.008 - \$0.01/share)	-	-	-	-	26,500,000	2,650	262,350	-	265,000
Contributed capital - related party	-	-	-	-	-	-	220,000	-	220,000
Net loss	-	-	-	-	-	-	-	(766,437)	(766,437)
December 31, 2024	2,500,000	\$ 250	148,738,673	\$ 14,874	71,271,629	\$ 7,127	\$ 933,411	\$ (1,078,325)	\$ (122,663)

See accompanying notes to consolidated financial statements.

Stargaze Entertainment Group, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	<u>2024</u>	<u>2023</u>
Operating activities		
Net loss	\$ (766,437)	\$ (1,384)
Adjustments to reconcile net loss to net cash used in operations		
Recapitalization	(266,470)	(5)
Stock issued for services	223,858	6
Changes in operating assets and liabilities		
Increase in		
Accounts payable and accrued expenses	61,360	-
Net cash used in operating activities	<u>(747,689)</u>	<u>(1,383)</u>
Financing activities		
Proceeds from loan payable	165,000	-
Proceeds from common stock payable	105,000	-
Proceeds from common stock issued for cash	200,000	-
Proceeds from common stock issuable for cash	265,000	-
Contributed capital - related party	220,000	-
Net cash provided by financing activities	<u>955,000</u>	<u>-</u>
Net increase (decrease) in cash	207,311	(1,383)
Cash - beginning of year	<u>1,386</u>	<u>2,769</u>
Cash - end of year	<u>\$ 208,697</u>	<u>\$ 1,386</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of non-cash investing and financing activities		
Recapitalization	<u>\$ 266,470</u>	<u>\$ -</u>
Cancellation of common stock	<u>\$ -</u>	<u>\$ 5</u>

See accompanying notes to consolidated financial statements.

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. PRESENTATION AND NATURE OF OPERATIONS

Organization and Nature of Operations

Stargaze Entertainment Group Inc. (“Stargaze,” “STGZ” or the “Company”) is an entertainment company focused on the creation, production and distribution of music, films and television shows. The Company was originally incorporated under the laws of New York on June 18, 1999. The Company redomiciled from New York to Wyoming on October 1, 2024.

SceneBot, Inc. (“SBI”) is a social media app for performing artists, the application was free to use but offered a pro plan for \$19.95/year that allowed artists to receive direct feedback on their skills from industry professionals and also gave extra perks on the platform.

Reverse Recapitalization and Change in Control Transactions

On May 14, 2024, SBI gained control of STGZ, a then public shell corporation, with SBI becoming the surviving corporation, in a transaction treated as a reverse recapitalization.

Since STGZ had insignificant operations prior to the transaction and SBI acquired voting control, this transaction qualifies as a reverse recapitalization under ASC 805-40. SBI is considered the successor to substantially all of the operations of STGZ.

In the reverse recapitalization, the principal controlling stockholder of STGZ sold their existing 25,000,000 shares of common stock and 2,500,000 shares of Series A, convertible preferred stock (“A-PS”) to SBI in exchange for consideration totaling \$260,000 (\$50,000 in cash and the repayment of certain STGZ debts totaling \$210,000). The A-PS gave SBI 150 votes per share (400,000,000 total votes via preferred and common stock acquired), therefore voting control of STGZ. The A-PS also had conversion rights equivalent to 150 shares of common stock for each share of A-PS held.

Additionally, the Company executed a consulting agreement with this principal controlling stockholder for \$30,000, which was not considered part of the recapitalization consideration.

The transaction also requires a recapitalization of STGZ. Since SBI acquired a controlling voting interest, it was deemed the accounting acquirer, while STGZ was deemed the legal acquirer. The historical financial statements of the Company are those of SBI and of the consolidated entities from the date of recapitalization and subsequent.

The Company did not recognize goodwill or any intangible assets in connection with this change in control transaction. Subsequent to year end, on February 7, 2025, the Company executed an asset purchase agreement, whereby, STGZ issued 250,000,000 shares of common stock in exchange for all remaining assets of SBI. The assets acquired consisted solely of intellectual property with a fair value of \$0.

Since SBI’s control was initially established in May 2024, and consistent with ASC 805-40-45-1, the issuance of additional shares by STGZ to SBI in 2025 (noted above) is considered additional recapitalization consideration rather than a new acquisition and will have no net effect on stockholders deficit. In future filings, these shares will be reflected as issued and outstanding from the earliest period presented.

In connection with the change in control transaction described below, the Company retained the name of the legal acquirer STGZ.

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representation of the company's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies confirm to accounting principles generally accepted in the United State of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation and Principles of Consolidation and Reporting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its wholly owned subsidiary, SceneBot, Inc. All intercompany balances have been eliminated during consolidation.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company had an accumulated deficit of \$1.1 million at December 31, 2024, and had a net loss of \$0.8 million for the year ended December 31, 2024 and net cash used in operating activities of \$0.7 million for the year ended December 31, 2024. These matters raise substantial doubt about the Company's ability to continue as a going concern.

To support our existing and planned business model, the Company needs to raise additional capital to fund our future operations. The Company has not experienced any difficulty in raising funds through loans and has not experienced any liquidity problems in settling payables in the normal course of business and repaying loans when they fall due. Successful renewal of our loans, however, is subject to numerous risks and uncertainties. In addition, the increasingly competitive industry conditions under which the Company operate may negatively impact on results of operations and cash flows. Additional debt financing is anticipated to fund the Company's operations in near future. However, there are no current agreements or understandings with regard to the form, time or amount of such financing and there is no assurance that any of this financing can be obtained or that the Company can continue as a going concern.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

Operating segments comprised of the components of an entity in which separate information is available for evaluation by the Company's chief operating decision maker, or group of decision makers, in determining how to allocate resources in evaluating performance. The Company consists of a single reporting segment focused on the creation, production and distribution of music, films and television shows by providing a social media app for performing artists.

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The accounting policies of social media app for performing artists segment are as described in the summary of significant accounting policies. The CODM evaluates the performance of the social media app for performing artists segment based on the Company's net income (loss) as reported in the Statements of Operations. The Company's segment assets are reported on the Balance Sheets.

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The CODM reviews performance based on gross profit, operating profit, net earnings and net earnings. Operating profit is reviewed to monitor the operating and administrative expenses of the Company. Profitability is important to the Company's ability to grow and expand operations and strategic initiatives. The Company does not have any operations or sources of revenue outside of the United States. The Company does not have any customer representing more than 10% of total revenues for any period presented. Accordingly, the CODM considers the revenue, operating expenses, and other income (expenses) of our single operating segment as reported on the statement of operations and considers our current and total assets as recorded on the balance sheet. There are no additional expense or asset information that are supplemental to those disclosed in these consolidated financial statements that are regularly provided to CODM.

Risks and Uncertainties

The Company operates in a highly competitive industry that is subject to intense market dynamics, shifting consumer demand, and economic fluctuations. The Company's operations are exposed to significant financial, operational, and strategic risks, including potential business disruptions, supply chain constraints, and liquidity challenges.

Given these uncertainties, the Company faces challenges in accurately forecasting financial performance and may experience material risks affecting liquidity, business continuity, and long-term strategic growth. The Company continuously assesses these risks and implements measures to mitigate their potential impact.

Advertising and Marketing

Advertising and marketing costs are charged to expenses as incurred. Advertising and marketing costs were approximately \$79,000 and \$0 for the years ended December 31, 2024 and 2023, respectively, and are included in operating expenses in the accompanying statements of operations.

Fair Value of Financial Instruments

The Company accounts for financial instruments in accordance with Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurements, which establishes a framework for measuring fair value and requires related disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the Company's principal market or, if none exists, the most advantageous market for the asset or liability.

ASC 820 requires the use of observable inputs whenever available and establishes a three-tier hierarchy for measuring fair value:

- Level 1 – Quoted market prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices in active markets, such as quoted prices for similar assets and liabilities or inputs that are directly or indirectly observable.
- Level 3 – Unobservable inputs that require significant judgment, including management assumptions and estimates based on available market data.

The classification of an asset or liability within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Level 3 valuations generally require more judgment and complexity, often involving a combination of cost, market, or income approaches, as well as assumptions about market conditions, pricing, and other factors.

The Company did not have any assets that require fair value measurement as of December 31, 2024 and 2023.

Cash and Cash Equivalents and Concentration of Credit Risk

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents. The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is \$250,000. At December 31, 2024 and 2023, respectively, the Company did not experience any losses on cash balances in excess of FDIC insured limits.

Revenue Recognition

The Company recognizes revenue in accordance with FASB ASC 606, Revenue from Contracts with Customers, as amended by Accounting Standards Update (ASU) 2014-09. Under ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

The Company generates revenue from the sale of social media application plans, which can be purchased as a one-time transaction. Revenues are recognized at the time of payment and delivery.

The Company generates revenue primarily from in-app purchases, and subscription arrangements through online platforms such as app stores.

Revenue is recognized in accordance with ASC 606, Revenue from Contracts with Customers, when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue Streams

1. **In-App Purchases** – Revenue from in-app purchases of digital content or features is recognized when the digital goods or services are delivered to and consumed by the customer. Where the in-app purchase relates to a consumable or unlockable feature, revenue is recognized at the time of delivery.
2. **Subscription-Based Apps** – For apps sold on a subscription basis, revenue is recognized ratably over the subscription period, beginning when the customer gains access to the service. The Company considers the service to be a single performance obligation satisfied over time.

Principal vs. Agent Consideration

For sales through third-party app stores (e.g., Apple App Store, Google Play), the Company evaluates whether it is acting as the principal or agent in the transaction. The Company is considered the agent when the app store controls the pricing and customer relationship and is primarily responsible for delivery. In such cases, the Company recognizes revenue net of commissions retained by the platform. If the Company controls the product or service before it is transferred to the end customer, revenue is recognized gross.

Income Taxes

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Earnings (Loss) per Share

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The Company calculates earnings per share in accordance with Financial Accounting Standards Board ("FASB") ASC 260, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share ("EPS") is computed by dividing earnings (losses) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company had losses for the years ended December 31, 2024 and 2023.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, "Compensation—Stock Compensation," which prescribes accounting and reporting standards for all share-based payment transactions in which employee and non-employee services are acquired. Share-based payments to employees and non-employees, including grants of stock options, are recognized as compensation expenses in the financial statements based on the fair values of the stock awards on the grant date. That expense is recognized over the period required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

Long-Lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on comparing the undiscounted future cash flows to the recorded value of the asset. The asset is written down to its estimated fair value if impairment is indicated.

Fair Value of Financial Instruments

The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

As of December 31, 2024 and 2023, the Company believes that the carrying value of cash, accounts payable, accrued expenses, and other current assets and liabilities approximate fair value due to the short maturity of these financial instruments. The financial statements do not include any financial instruments at fair value on a recurring or non-recurring basis.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

December 31,

2024

2023

Stargaze Entertainment Group, Inc. and Subsidiary
Notes to Consolidated Financial Statements

Accounts payable and accrued liabilities	\$	56,956	\$	-
Accrued interest payable		4,404		-
Total accounts payable and accrued liabilities	\$	61,360	\$	-

4. COMMON STOCK PAYABLE

The Company received \$105,000 from several investors in exchange for the issuance of 10,500,000 shares of common stock. The shares were issued in 2025 when the subscription agreements were executed.

In accordance with ASC 505, *Equity*, and ASC 260, *Earnings Per Share*, the Company classified the proceeds as a liability under “Common Stock Payable” on the accompanying consolidated balance sheets. Consistent with the guidance in ASC 260-10-45-13, these shares are excluded from the computation of basic and diluted earnings (loss) per share until the shares are formally issued.

5. LOANS PAYABLE TO RELATED PARTIES

Loans payable to related parties consisted of the following:

<u>December 31,</u>	<u>2024</u>	<u>2023</u>
<i>April 26, 2024</i> – Unsecured loan amount of \$125,000 bearing 4.00% per annum interest rate with maturity date of July 4, 2025. Default interest rate of 10%	\$ 125,000	\$ -
<i>May 14, 2024</i> – Unsecured loan amount of \$40,000 bearing 4.00% per annum interest rate with maturity date of July 4, 2025. Default interest rate of 10%	40,000	-
Total loan payable to related parties	\$ 165,000	\$ -

Total interest expense was \$4,404 and \$0 for the years ended December 31, 2024 and 2023, respectively.

6. Commitments and Contingencies

The Company is subject to litigation claims arising in the ordinary course of business. The Company records litigation accruals for legal matters which are both probable and estimable and for related legal costs as incurred. The Company does not reduce these liabilities for potential insurance or third-party recoveries.

As of December 31, 2024 and 2023, respectively, the Company is not aware of any litigation, pending litigation, or other transactions that require accrual or disclosure.

7. STOCKHOLDERS’ DEFICIT

As of December 31, 2024 and 2023, the Company had two (2) classes of stock as follows:

- **Preferred Stock and Related Designation of Series A, Convertible Preferred Stock**

Stargaze Entertainment Group, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The Company's preferred stock provides flexibility for future corporate financing and strategic transactions. The Company has authorized Series A Convertible Preferred Stock ("Series A") of 250,000,000 shares with par value at \$0.0001 per share. Series A provides voting rights of 150 votes for each are held, no dividends, no liquidation preferences, no redemption rights, and conversion rights of 150 shares of common stock for each Series A held. The Board of Directors has the authority to issue preferred stock in one or more series and determine the rights, privileges, and restrictions of each series without further stockholder approval.

Derivative Liability Assessment: Evaluated under ASC 815 ("Derivatives and Hedging"), The Series A Convertible Preferred Stock does not meet the definition of a derivative liability since its conversion feature is fixed and does not require a variable number of settlement shares.

- **Common Stock**

The Company has authorized Common Stock of 500,000,000 shares with par value at \$0.0001 per share and provides one vote per share and no dividends. The Company had 148,738,673 and 123,738,673 common shares issued and outstanding as of December 31, 2024 and 2023, respectively.

Equity Transactions for the Year Ended December 31, 2024

- **Stock Issued for Cash** – The Company issued 25,000,000 shares of common stock for \$200,000 (\$0.008 - \$0.01/share).
- **Common Stock Issuable** – Common stock issuable represents shares that have been duly authorized for issuance but were not yet issued by the transfer agent as of the reporting date. In accordance with ASC 260-10-45-13, such shares are considered outstanding for purposes of computing basic and diluted earnings (loss) per share. During the year ended December 31, 2024, the Company sold 26,500,000 shares of common stock for total consideration of \$265,000 (\$0.01 per share). These shares were authorized in 2024 but formally issued in 2025. Accordingly, the shares are reflected in stockholders' deficit and included in the Company's earnings (loss) per share calculations for the applicable period.
- **Stock Issued for Services – Issuable** – The Company authorized for issuance 44,771,629 shares of common stock for services rendered, having a fair value of \$223,858 (\$0.005/share), based upon the quoted closing trading price. These shares have been duly authorized for issuance but were not yet issued by the transfer agent as of the reporting date.
- **Contributed Capital (Related Party)** – A member of the Board of Directors contributed \$220,000 for use as working capital.

Equity Transactions for the Year Ended December 31, 2023

- **Stock Issued for Services** – The Company issued 55,000 shares of common stock for services rendered, having a fair value of \$6 (\$0.0001/share), based upon the fair value of the services rendered.
- **Cancellation of Common Stock** – The Company cancelled 50,000 shares of common stock having a value of \$5 (par value \$0.0001). The net effect on stockholders' deficit was \$0.

8. INCOME TAXES

The Components of the deferred tax assets and liabilities consisted of the following:

<u>December 31,</u>	<u>2024</u>	<u>2023</u>
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Stargaze Entertainment Group, Inc. and Subsidiary
Notes to Consolidated Financial Statements

Stock based compensation	\$ 63,000	\$ -
Net operating loss carryforward	238,000	86,000
Total deferred tax assets	301,000	86,000
Less – valuation allowance	(301,000)	(86,000)
Deferred tax asset, net	\$ -	\$ -

The components of the income tax benefit and related valuation allowance consisted of the following:

<i>Years Ended December 31,</i>	<i>2024</i>	<i>2023</i>
Current	\$ -	\$ -
Deferred	(215,000)	-
Total income tax provision (benefits)	(215,000)	-
Less – valuation allowance	215,000	-
Income tax provision	\$ -	\$ -

A reconciliation of the provision for income taxes consisted of the following:

<i>Years Ended December 31,</i>	<i>2024</i>	<i>2023</i>
Federal income tax expense (benefits) – 21%	\$ (147,000)	\$ -
State income tax expense (benefits) – 8.84%	(68,000)	-
Total income tax expense	(215,000)	-
Change in valuation allowance	215,000	-
Income tax provision (benefits)	\$ -	\$ -

The Company had \$849,000 and \$306,000 Federal net operating loss carry forwards as of December 31, 2024 and 2023, respectively. The Company reviews its filing positions for all open tax years in all U.S. Federal and State jurisdictions where the Company is required to file. The tax years subject to examination include the years 2021 and forward. There are no uncertain tax positions that would require recognition in the consolidated financial statements. If the Company incurs an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

9. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

- Loans payable to related parties – Refer to Note 5.
- **Contributed Capital (Related Party)** – A member of the Board of Directors contributed \$220,000 for use as working capital.

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10. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2024 up through the date the financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events required to be disclosed other than the following:

- **Stock Issued for Cash** – In March 2025, the Company issued 54,500,000 shares of common stock for \$545,000 (\$0.01 per share). In April 2025, the Company issued 4,833,334 shares of common stock for \$145,000 (\$0.03 per share).”
- **Stock Issued for Services** – In January- March 2025, the Company issued 5,500,000 shares of common stock for services to be rendered to various consultants, having a fair value of \$184,600 (\$0.0270 – 0.0373/share), based upon the quoted closing trading price. These shares vest as follows: 1,000,000 shares on the grant date (March - April 2025), with the balance of 4,500,000 shares vesting on each anniversary for an additional four (4) years (March – April 2029).
- **Change in Authorized Shares – Preferred Stock and Common Stock** – On January 28, 2025, the Company’s Board of Directors approved an increase in authorized common stock from 500,000,000 to 990,000,000 shares. Additionally, on January 28, 2025, the Company’s Board of Directors approved a decrease in authorized preferred stock from 250,000,000 to 10,000,000 shares.
- **Change in Par Value** – On January 28, 2025, the Company’s Board of Directors approved a change to both its Preferred and Common stock par value from \$0.0001 per share to no par.
- **Change in the conversion ratio-** In May 2025, the Company changed the conversion ratio of the Series A Preferred Stock from 150 to 100 shares of common stock which was effective on May 8, 2025.